

June 10, 1940
9:22 a.m.

H.M.Jr: Hello.

Operator: Go ahead.

H.M.Jr: Hello.

Marriner S.
Eccles: Hello.

H.M.Jr: Marriner?

E: Yes, Henry.

H.M.Jr: How are you?

E: Well, I'm pretty good. I just got in about 2:00 this morning from the Springs. I was down there for about a week and I just got in last evening.

H.M.Jr: Good for you. Marriner, I've got to make up my mind whether I'm going to do any refunding today or not. Hello?

E: Yes.

H.M.Jr: And I wondered if ^{you} and Ronald, or anybody else, could come over around 11:00 and talk about it.

E: Well, I'll be glad to do it and I know Ronald is here and I'm sure he will. Would you -- do you want anybody else?

H.M.Jr: Anybody you care to bring.

E: All right. Eleven o'clock?

H.M.Jr: Eleven o'clock. The first decision is whether we want to do anything or not, and the second, what. See?

E: Yeah. Uh-huh. Well, it's on that \$380 some odd million.

H.M.Jr: That's it.

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E: Uh-huh.

H.M.Jr: That's it.

E: Well, it's -- well we'll come over about 11:00 then.

H.M.Jr: If you'd come over about 11:00, yeah.

E: O. K.

H.M.Jr: Thank you.

June 10, 1940
9:25 a.m.

H.M.Jr: Hello.
Operator: Mr. Jones had an appointment outside this morning and he hasn't reached his office.
H.M.Jr: Oh. Is somebody there?
Operator: Ah --
H.M.Jr: At his office?
Operator: His secretary?
H.M.Jr: Yes.

9:25 a.m.

H.M.Jr: Mr. Morgenthau.
Jesse Jones' Secretary: Yes, Mr. Morgenthau.
H.M.Jr: Would you tell Mr. Jones that at 11:00 o'clock I'm having a little informal meeting to decide whether we will or will not do a financing today, and I'd like him to sit in on it.
S: Yes, sir.
H.M.Jr: At 11:00 o'clock.
S: Yes, sir.
H.M.Jr: Thank you.
S: Yes. sir.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Tuesday, June 11, 1940.

Press Service
No. 21-28

Secretary of the Treasury Morgenthau announced today that the subscription books for the current offering of 1 percent Treasury Notes of Series C-1943 will close at the close of business Wednesday, June 12, 1940. This offering is open only to the holders of Treasury Bonds of 1940-43 called for redemption on June 15, 1940.

Subscriptions addressed to a Federal Reserve Bank or branch, or to the Treasury Department, and placed in the mail before 12 o'clock midnight, Wednesday, June 12, will be considered as having been entered before the close of the subscription books.

Announcement of the amount of subscriptions and their division among the several Federal Reserve districts will be made later.

June 10, 1940
10:03 a.m.

H.M.Jr: Hello.

Operator: Congressman Cochran.

H.M.Jr: Hello.

Congressman
John J.
Cochran: Hello, Mr. Secretary.

H.M.Jr: How are you?

C: Fine. Say, what I wanted to know was, can't you get some more money for that Bureau of Internal Revenue and for Irey?

H.M.Jr: Well, of course

C: Now, if we can get a -- if you could get down a budget estimate, we could get it in the Deficiency Bill, because you could make a showing, your broadening the base and we've got to stop these fellows from making excess profits in this emergency, and it's an ideal time. Now, we'll give the Bureau of Investigation about \$10 million and they're going to have about \$3 million more in this emergency bill -- in this deficiency bill.

H.M.Jr: Yeah.

C: So I wrote the President and sent you a copy of my letter.

H.M.Jr: I know you did.

C: I talked to Helvering and I talked to Smith.

H.M.Jr: Yeah.

C: I don't think you'd have any trouble in the world getting some money if you got down a letter right away -- a budget estimate.

H.M.Jr: I see. Well, I'll call up Guy immediately and see what I can -- if I can push him.

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- Q: Well, now let him -- he can ask for some money for himself as well as for the whole thing and make sure that part of it is allocated to Irey so he can keep up with this work.
- H.M.Jr: Right.
- Q: Why this fellow gets enough money out of Annenberg to pay -- to cover all the money we've appropriated for his unit for the last ten years.
- H.M.Jr: You're right.
- Q: However, we can get twenty and thirty times as -- for every dollar that we spend, it looks like it's sound business judgment to spend plenty, don't it?
- H.M.Jr: You're right. I appreciate very much your calling me and I'll go after it right away.
- Q: I'm very much interested in that and I've been making speeches down here about that fellow for years trying to show them that they ought to be giving him some money because he breaks up all these racketeers and political groups that should be broken up and he don't have any publicity agents like other people, but he goes and he does the work.
- H.M.Jr: That's right.
- Q: And I know the President knows all about his activities.....
- H.M.Jr: O. K. I'll see what I can do. I'm tickled to death that you called me.
- Q: All right. I talked to Helvering, but it looks like there's a chance to get some money not only for the Bureau of Internal Revenue to -- that'll have to do additional work under this new tax bill. Look at the number that are going to come in under the -- when we broaden the base, so we ought to have some emergency money to carry us

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on this fall when the time comes for making the returns. Well, I'll do everything I can down here, if you'll get a letter down.

H.M.Jr: Swell, thank you so much.

C: All right.

H.M.Jr: Thank you.

June 10, 1940.
10:05 a.m.

H.M.Jr: John, I've just got through talking to Congressman Cochran of Missouri who wants more money for Ireys

John Sullivan: Yes, I've tried very hard to get hold of him both Friday and Saturday.

H.M.Jr: get hold of who?

S: Cochran.

H.M.Jr: Well, I've just talked to him. Now, this is my suggestion. You -- if we're going to broaden the base and add two or three million more tax payers, we need more money.

S: Oh, yes. And I have been working up over there in the Bureau what their request will be in the deficiency appropriation.

H.M.Jr: How much?

S: Oh it will go a great deal more than that, you see, you're going to have eight million additional returns.

H.M.Jr: Well, you ought to get it out of this -- session, right now.

S: Oh, yes. That's right.

H.M.Jr: And all the money -- if you get some extra money for Ireys, I'm for it.

S: Oh, well, we need it all the way along the line.

H.M.Jr: Well, let me know tomorrow morning how much you need. They oughtn't to take more than two days to figure that out.

S: NO, that's correct. I expect to have it today.

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H.M.Jr: Come in in about three minutes. I'd like to talk to you.

S: You want me to come in in three minutes?

H.M.Jr: If you would.

S: Yes, sir.

June 10, 1940
10:07 a.m.

H.M.Jr: Hello.

Operator: Mr. Rentschler. Go ahead.

H.M.Jr: Hello.

Gordon
Rentschler: Hello, Henry. Good morning.

H.M.Jr: How are you?

R: They just told me that you were trying to reach me in New York, and I'm calling you back from Princeton.

H.M.Jr: Gordon, if you had to make up your mind for the Government whether we should or shouldn't do a refunding today, what would you do?

R: I would do it.

H.M.Jr: You would.

R: In spite of the fact that Paris might fall and all the rest of it.

H.M.Jr: I see.

R: I mean, if you don't, everybody knows, Henry, you need the money.

H.M.Jr: Uh-huh.

R: And if you don't get it now, why it will cause more comment than if you do. I think you'll have to pay a pretty decent price for it.

H.M.Jr: Yeah.

R: But if I were you, I'd try -- whatever maturity you use, I'd try to leave not less than half or three-quarters from where the market closes.

H.M.Jr: Yeah.

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R: And then I think I'd do it and get it out of my way.

H.M.Jr: I see.

R: That would be my judgment, Henry.

H.M.Jr: Well, that's what I wanted.

R: Yes, that's what I would do.

H.M.Jr: O. K.

R: All right. How are you, Henry?

H.M.Jr: I'm standing up.

R: All right, boy. Well, you take good care of your health.

H.M.Jr: Right.

R: Because we're going to have a lot of tough days.

H.M.Jr: You bet.

R: Well, good luck to you, Henry.

H.M.Jr: Thank you.

R: Right.

H.M.Jr: Good-bye.

June 10, 1940
10:27 a.m.

H.M.Jr: Hello.

Operator: All right.

H.M.Jr: O. K.

O: Go ahead.

H.M.Jr: Hello.

C. J.
Devine: Hello, Mr. Secretary.

H.M.Jr: Go ahead, Chris.

D: Now, I think that you can positively, regardless of Italy even entering the war, sell a three-year note.

H.M.Jr: Uh-huh.

D: Now, I say sell a three-year note and not put a long bond in there with it which can be done, because I just checked the National Bank of Detroit who own 25 million Junes, as an example.

H.M.Jr: How many?

D: 25 million.

H.M.Jr: Yeah.

D: And since I talked with you I add up --oh, to about 100 million June three and three-eighths.

H.M.Jr: Yeah.

D: And of that 100 million I do believe that some of them, at least the National Bank of Detroit told me they would take 25 million twos at \$48.50 if they could get them.

H.M.Jr: Yeah.

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- D: Now, what I would be fearful of in offering a bond would be that some holders of Junes being speculators would take and turn them in for the bonds and buy notes in the market and hammer the bond market which has held its own splendidly.
- H.M.Jr: Yeah.
- D: I would rather see the - market die in case Italy did enter the war and handle itself, which it could, - I think the market wouldn't go off any more than a half a point.
- H.M.Jr: Right.
- D: But if you sold a three and a quarter seven-eighths, for a one per cent note, which would be quite attractive -- a seven-eighths note I figure would be worth somewhere around sixteen to twenty and a one per cent note twenty-four to twenty-eight. But, after all, when they -- when the Germans marched into Norway the market on forty-three notes only went off six thirty-seconds, and when they marched into the low countries they only went off ten thirty-seconds.
- H.M.Jr: Yeah.
- W: So that I -- even if Italy declared war at noon today I wouldn't be afraid to sell a one and I think it would hold its own somewhere between par and a half and par and five-eighths through the whole thing.
- H.M.Jr: Par and a half.
- D: In other words.....
- H.M.Jr: A three-year one.
- D: A three and a quarter year one.
- H.M.Jr: Right.
- D: Now, I still think that if you don't want to give that much away that you can sell a seven-eighths.

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H.M.Jr: Right.

D: But I'm fearful of supplying the market with an option on a long-term bond to sell what few you might sell to prune that market so it upsets it. I'd rather see it die and no business and be quiet the way it is because it has held its own pretty well.

H.M.Jr: But a note would go?

D: A note would definitely go.

H.M.Jr: Right. Thanks, Chris.

D: Now, one other thing, Mr. Secretary. I just checked with the people that I know of that have 100 million dollars' worth of those notes aside from the National Bank of Detroit.

H.M.Jr: Yeah.

D: And I know that every one of them will take a note and I think they'll even take a seven-eighths without quivering, and I'm speaking Italy is in the war.

H.M.Jr: Right. Right.

D: All right, sir.

H.M.Jr: That's just exactly what I wanted.

D: Thank you very much.

H.M.Jr: Thank you very much.

D: Right.

June 10, 1940
12:07 p.m.

H.M.Jr: Hello.

Operator: Harrison. Go ahead.

H.M.Jr: Hello.

Pat
Harrison: Henry.

H.M.Jr: Well, Mussolini has just declared war on
England and France.

H: Who did?

H.M.Jr: Mussolini.

H: Well, that isn't news, is it?

H.M.Jr: Well, it's news that he just did it. Just
announced it.

H: On France and England.

H.M.Jr: On France and England.

H: I see.

H.M.Jr: Yeah.

H: Why, Henry, we -- I want to start this thing
off tomorrow morning at ten o'clock. I think
that, of course, you ought to start. Now, Bell
was up this morning and Bell told me that he had
to go up to get a degree, of course. I have --
the quicker I start over here the better. I
wonder if it would be all right to have Sullivan
over here just to explain this bill.

H.M.Jr: Yeah, and then have me Wednesday?

H: Well, Wednesday, yes. I want to get through
with it as quick as I can.

H.M.Jr: Well, when did you -- when did you want me?

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H: I thought if you wanted to come tomorrow, all right, but Danny said you'd probably want to come Wednesday.

H.M.Jr: I don't think I could be ready before Wednesday.

H: I see. Well, will it be all right to explain just -- take Sullivan just to explain the thing?

H.M.Jr: Sure! Definitely, yes.

H: Well, I'm going to call the meeting for ten o'clock tomorrow morning.

H.M.Jr: All right.

H: All right, Henry.

H.M.Jr: Thank you for calling me.

H: Good luck.

June 10, 1940
12:18 p.m.

Pat
Harrison: Henry.

H.M.Jr: Yes.

H: I'll start this hearing Wednesday morning
at ten o'clock.

H.M.Jr: You're starting it Wednesday at ten o'clock.

H: Yeah. I want you first.

H.M.Jr: All right.

H: All right, and then have Bell here. He'll
be back by then.

H.M.Jr: I'll have the whole gang.

H: And the whole crowd. All right.

H.M.Jr: Thank you.

June 10, 1940
2:24 p.m.

Operator: Go ahead.

H.M.Jr: Hello.

Dudley
Mills: Hello, Mr. Morgenthau. This is Dudley.

H.M.Jr: Yeah, how are you?

M: Fine, thank you.

H.M.Jr: Now, how do you feel now after Mr. Mussolini has said his piece.

M: Well, I think just the same as I did this morning.

H.M.Jr: You don't feel any different?

M: No.

H.M.Jr: Uh-huh.

M: The market has held up remarkably well and faces shock after shock.

H.M.Jr: Really.

M: And we feel that no refunding might give rise to the opinion that conditions are so bad that the United States Government might feel it unwise to even refund as small an amount as \$350 million.

H.M.Jr: I see.

M: Now the stock market, the corporate bond market and our markets have all showed today. They have

H.M.Jr: Yeah.

M: We have -- I have in front of me a list of holders of \$175 million.

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H.M.Jr: How much?

M: \$175 million of these.

H.M.Jr: Yeah.

M: That's half the issue, and looking over the type of holder, it is our belief that everyone will do their share and come along. Now, this morning we suggested that December '44, 1-1/8, and we still think it would go well and sell at about 3/8th of a point premium. But if you think that Italy's action requires a little added protection, September '43, 1% issue would go well, it's clear on the maturity would sell about par 3/4th, and yield about .35 of 1%.

H.M.Jr: I see.

M: And then you'll be in a position to withstand any further shock that might come over these two days if the public should interpret Italy's action differently from the action that the markets have shown today.

H.M.Jr: Right.

M: And there'll be a better secondary market for '43 note than a '44 note.

H.M.Jr: Better for a '43?

M: There's a secondary market to develop, you see, potential buyers would be greater there than they would be in '44.

H.M.Jr: Right. O. K., Dudley. Thank you.

M: All right, sir.

H.M.Jr: Thank you.

June 10, 1940
2:28 p.m.

H.M.Jr: Hello.

Operator: Devine. Go ahead.

H.M.Jr: Hello.

C. J.
Devine: Hello, Mr. Secretary.

H.M.Jr: Chris, do you feel any different since this morning?

D: I don't feel any different really at all. The only thing, I thought that if you wanted to extend that 1% certificate to December '43, the December '43 is just as attractive as a September, and you could, if you wanted to, without any trouble at all sell a 1-1/8 of September '44.

H.M.Jr: Uh-huh.

D: But I don't see bonds at all.

H.M.Jr: You said -- what did you say in '43?

D: December or September, one a '43, or a 1-1/8 of '44.

H.M.Jr: Yeah.

D: The best choice would be in the middle there, you wouldn't be giving too much away in December '43 except that you have a maturity in there of \$400 and some odd million.

H.M.Jr: Yeah, that's right.

D: Whereas, in September you only have \$200 million. Now a 1-1/8 of '44 would be just as well.

H.M.Jr: Well, that September '43, what do you figure -- how much premium is that?

D: Well, here's -- I took the 7/8th coupon which I mentioned this morning in September and I

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threw it away because I thought a split coupon doesn't go so well at this time.

H.M.Jr: Yeah. How about the 1 $\frac{1}{2}$?

D: Now, the 1 $\frac{1}{2}$ is worth from 24 to 28. I'm figuring that if the news gets bad, they'd move off 8/32nds. That would still make them between 16 and 20. In the case of the December, they're worth 1/16 less only -- 22 to 26. If the news gets bad, they'll settle from 14 to 18.

H.M.Jr: Yeah.

D: In the 1-1/8th, they're worth from 24 to 28. If the news gets bad there, they go from 18 to 22.

H.M.Jr: Right. O. K., Chris.

D: On the other hand, Mr. Secretary, there's been some talk of bonds and I still feel the same as I did this morning

H.M.Jr: Well, the bonds are out of the window.

D: Oh, I can't see them, I wouldn't want to see you -- the market's -- I'm so pleased with the market -- there's no business.

H.M.Jr: No.

D: But I'm tickled to death the market acts as well as it does.

H.M.Jr: It acts well, does it?

D: Beautiful.

H.M.Jr: O. K.

D: Right, sir.

H.M.Jr: Thank you.

D: Thank you.

June 10, 1940
2:30 p.m.

H.M.Jr: Hello.

Operator: George Harrison. Go ahead.

H.M.Jr: Hello.

George Harrison: Hello, Henry.

H.M.Jr: George?

H: Yes, sir.

H.M.Jr: With this announcement on Italy -- you know, we're seriously thinking of refunding this afternoon -- announcing refunding. Hello.

H: You mean, with cash?

H.M.Jr: No, refunding.

H: Oh, yes. Well, I hope you do.

H.M.Jr: Well, we're thinking, George, of this 3-1/4 year note, 1%.

H: Well, let's see. I don't think -- I haven't got the prices of that.

H.M.Jr: Well, it's 24 to 28/32nds -- it's good for 24 to 28/32nds, somewhere in there.

H: Well, I -- Henry, I hope you do it. Everybody really thinks you can do it. I believe you can.

H.M.Jr: You have no worries since Mussolini came out, I mean, the market behaved all right?

H: Very beautifully.

H.M.Jr: Very beautifully.

H: Considering, I mean, it went off/1 to 4/32nds ^{from} lower than Saturday.

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H.M. Jr: Yeah.

H: But I also to 4/32nds above the lows of the afternoon, I mean, they had quite a come-back.

H.M. Jr: But the market's in good shape, George?

H: The market's in good shape, it's expected. It could almost be underwritten.

H.M. Jr: Thank you.

H: And I'll go ahead with it.

H.M. Jr: Thank you, George.

H: That's the 3-1/4 year at what rate?

H.M. Jr: 1 -- 1%.

H: 1%.

H.M. Jr: Yeah.

H: That's all right.

H.M. Jr: Yeah.

H: First rate.

H.M. Jr: I'll make up my mind between now and 3:00 o'clock Standard time.

H: Uh-huh. Well I hope you don't change it.

H.M. Jr: All right, George, thanks.

H: Goodbye.

*Mrs. Cloth
Spoke to Ind. Lottian about this. M*

PARAPHRASE OF TELEGRAM RECEIVED

London

Secretary of State,
Washington.

1578, June 10, 8 p.m.

CONFIDENTIAL AND SECRET FOR SECRETARY MORGENTHAU AND
THE SECRETARY OF STATE.

The plans for Halifax and Rolls Royce bomber planes
as you requested are already at Halifax and the Sterling
bomber, Bristol Bull fighter, Sterling Turret, Hawker
Hurricane and the Super Marine are in transit. The
Paul Turret and the Boulton are being packed to go.

KENNEDY

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187-A

BRITISH EMBASSY,
WASHINGTON, D.C.
June 10th, 1940.

Secret.

Dear Mr. Secretary,

I enclose herein for your personal
and secret information copies of the three
latest reports received from London on the
military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

L. Nevill

The Honourable
Henry Morgenthau, Jr.,
United States Treasury,
Washington, D. C.

Telegram despatched from London
on the evening of June 8th.

Two German armoured divisions are making determined effort to reach Rouen through break-through between Poix and Liomer. Enemy tanks reported to have reached Formerie. Infiltration of tanks also reported between Roys and Meale and in Noyon area towards Compiègne. As result of infiltration along River Ailette French withdrew in good order to line Aiane and in order to conform line now runs Compiègne-Noyon-Hargicourt-Ailly-Poix-Hornoy-Blangy-River Bresle. British front elements of enemy armoured divisions which broke through near Poix reached Forges and Neufchatel where portion of British reserve line was forced out. These reserve posts carried out demolition at both places before retirement. Other parts of same enemy attack did not proceed so well and as result French counter-attacked and number of enemy tanks surrounded at Formerie were being systematically destroyed.

2. Yesterday Blenheims attacked with success enemy tanks transports and communications in Abbeville area. All aircraft returned. Last night Wellingtons attacked enemy troops moving over Somme crossings. Whitleys attacked railhead at Hirson and other Wellingtons attacked to fire the woods north of Hirson. All the above aircraft returned. Hampdens attacked oil targets/

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targets at Hanover and carried out mine-laying operations last night. Fighters operating over battle area yesterday shot down 18 aircraft confirmed and 5 unconfirmed. Twelve British fighters missing.

3. Last night considerable number of enemy raiders recorded from Flamborough Head to Thames estuary and inland over Lincolnshire and London. Minor activity from Beachy Head to Portland Bill. Bombs reported on Bury St. Edmunds, Peterborough, Boston, Market Deeping, King's Lynn, and near Spalding also near four aerodromes in eastern counties. No serious damage and no casualties reported up to present. Enemy aircraft carrying mines crashed in Suffolk. Fighter aircraft sent up during above raids but no interceptions made. June 7th signal station at Fair Island machine-gunned but no damage reported.

4. British armed merchant cruiser torpedoed on June 6th and subsequently sank. All crew except two officers and two ratings saved. Small steamer sunk by shell fire on June 5th. Trawler sunk by mine on June 6th. One small steamer sunk by mine on June 7th and one other steamer and one other torpedoed and subsequently beached. All the above in home waters.

Telegram despatched from London
late on the evening of June 8th.

187-D

German attack along whole front from Laon to the sea continues. Germans have secured bridgehead across the Aisne at Formors (west of Soissons) and reached the river in several places between Soissons and Boug et Comin. South and southwest of Amiens heavy attack with armoured units penetrated to Forges, Argeuil, and Neufchatel. Number of German tanks destroyed at Formors. German armoured units made no further progress on Breale front, where British division is still holding the line of the river. British reserve units were still holding the river Bethune this morning. Fighting was in progress at Formors where German artillery and tanks were in action. Other reserve units holding from Serquez to but excluding Neufchatel. Armoured units holding road blocks from Vasceuil (12 miles east of Rouen) to Serquez. British destroyers carried out indirect bombardment of road to Abbeville, Treport early today. Although the damage could not be observed, moral effect is thought to have been considerable. Although the present German thrust still appears to be directed south and southwest of Amiens, one of the objectives being Rouen, reports indicate that enemy may attempt to cross the Aisne between Soissons and Compiègne in the near future. Altogether six or seven armoured divisions believed to be operating in the above attacks but all reported very reduced in strength. Thirty-one divisions of all types now identified. Local German attack of June 6th penetrated to Puttelange (southeast of Luxembourg).

2. Blenheim/

Regraded Unclassified

2. Blenheims successfully attacked enemy concentrations in the Poix area this morning, obtaining direct hits on tanks, transport and troop columns. Two Blenheims missing. Further attacks by Blenheims in the same area and on petrol dumps in Abbeville area this afternoon but no reports yet available. Eighty-two fighters employed today in escorts and offensive patrols in Poix, Treport area. Preliminary reports give one enemy aircraft destroyed and one British fighter missing. Reports on yesterday's attacks not complete. Poor visibility made observation of results difficult but bombing on the same crossings and operation to fire woods at Hirson both apparently successful.

3. No relaxation in scale of German air operations of heavy long-range bomber Geschwader, except those undergoing re-equipment, believed to be operating in France. Bombing attacks made on railways in Paris region and on targets in Cherbourg, Orleans, Evreux and Lyons. Railways leading to battle area and between Paris, Chalons, Troyes, Reims, and Rheims also bombed. Bomber reconnaissance aircraft particularly active over the area south and southwest of railways in east and in Troyes-Dijon area. Estimated there are about 350 German fighters on aerodromes in area of St. Omer, Namur, Metziers, Laon and Abbeville. Transport activity normal.

4. Corrigendum. Last word of third paragraph of my last telegram but one should read Amiens and not Rheims.

Telegram despatched from London late on the evening of June 9th.

German communique claims that H.M.S. "Glorious" one destroyer and S. S. "Orama" sunk. No confirmation or otherwise of this claim received, as wireless silence is enforced during naval operations.

2. British division, with some French troops, were on line of River Bethune early today, but indications they are withdrawing westward. British armoured units and reserve units are reforming in area Louviers-Eybeuf. Elements of two German armoured divisions have entered Rouen and early today were reported at Duclair (west of Rouen) and further north, between Duclair and the sea. Enemy attacked across River Avre southwest of Montdidier. Enemy crossed over River Aisne at Sermoise and Fossiers reported last night to have advanced ten miles south of river.

3. Two main German thrusts are: (a) southward across Aisne between Bourg Comin and Vic-Sur-Aisne. Estimated strength 12 infantry divisions and one armoured division. (b) On axis Poix-Rouen direction southwest, two armoured divisions engaged while flank protection to the northwest believed given by one motorised infantry division. Number of infantry divisions engaged not definitely known.

4. Blenheims attacked this morning and this afternoon German tanks and columns northeast of River Bethune. Results not yet known. Three aircraft missing. Last night attacks by Wellingtons were successful. Among other targets on which direct hits were secured are bridges over Somme, oil tanks near Le Chateau, aerodrome and ammunition dump

-2-

near Abbeville.

5. Little information available regarding German air activities in France yesterday. Known that Germans are having some difficulty in supply and maintenance of their air units in Northern France. Priority given to fighters and dive bombers, and long-range bombers are having to return to bases in Germany. Transport aircraft continue operating between Western Germany and Brussels, and evacuation of wounded by air continues. Germans are reinforcing troops in Narvik area from Bodo.

BRITISH EMBASSY,
WASHINGTON, D. C.

Secret

11th June 1940.

Dear Mr. Secretary,

I enclose herein for your
personal and secret information copies
of the two latest reports^{*} received
from London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

^{*} *first was* *W. H. L. H. H.*
The following were delayed in transmission.

*In Canada air force is receiving 4
first boxes of drawings. As soon as
by an order I will let you know
by mail once or at once*

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.

Telegram despatched from London on the evening of
June 9th, 1940.

British Expeditionary Force.

Armoured units have withdrawn from road points Vascoeuil Serquex to the South of River Seine.

The British Reserve unit on the River Bethune withdrawn and formed bridge-head at Pont de l'Arche (South of Rouen).

No information regarding 51st Division.

Enemy pressure yesterday on the French 10th Army front South and South East of Amiens in the direction of Fiers Bonneuil and Merville au Bois on Compiègne Ailly front the enemy reported to have crossed the River Aure at Davenescourt Pierre Pont de l'Arche Braches.

The depth of penetration not known.

Enemy also crossed the River Aisne during the night of June 7th - 8th at Bermoise and reached Courcelles at 1645 hours yesterday the enemy troops of all arms had reached Nampteuil Villemontoire and Missy and about 100 AFV's were in Gramaille area.

2. Last night Wellingtons attacked crossings over the River Somme between Picquigny and St. Valeri and enemy movements on the roads leading thereto from the North.

Hampdens attacked roads leading to Amiens on the north.

Whitleys attacked railway junctions in the rear of German attacking troops and also woods South of Abbeville.

- 2 -

All aircraft returned but no reports yet available. Yesterday attack on enemy concentrations in Poix area and on petrol dump at Abbeville now reported successful. Petrol dump was left burning. Now reported enemy aircraft casualties from British fighters yesterday were 10 confirmed and 2 unconfirmed. Three British fighters missing. Last night Whitleys and Hampdens also bombed railway marshalling yards junctions in the Rhine-Meuse area. All aircraft returned but no reports yet available.

Mine laying operations also carried out last night.

3. Several German aircraft over England last night between Cromer and Poole, and mine laying suspected between Dungeness and Poole. Aircraft did not proceed far inland and no bombs reported dropped but searchlight post at Dover attacked by machine gun fire. British fighters sent up but no interceptions.

Anti-aircraft guns fired at Dover. In France enemy attacked Rouen, Cherbourg and Havre with approximately 34 aircraft last night.

4. One small steamer which had become separated from her convoy due to fog was mined and sunk in home waters yesterday. The crew were saved.

Telegram despatched from London on the evening of
June 10th, 1940.

German communiqué also claims to have sunk S.S. "Oil Pioneer" and a submarine-chaser in addition to H.M.S. "Glorious", S.S. "Orama" and one destroyer, but there is still no confirmation of these claims. Early this morning British convoy attacked off the East Coast of England by enemy motor torpedo boats but believed the convoy still intact. One British and one Norwegian ship, neither in convoy sunk by mines in home waters. British ship subsequently beached. Shipping has been evacuated from Rouen and petrol tanks fired.

2. British Division with French troops holding line River Bethune last night are withdrawing southwestwards. All bridges over the Seine between Mantes and excluding Rouen destroyed but situation regarding Rouen uncertain. Enemy were crossing the Seine mid-day yesterday by pontoon bridges in Port de l'Arche area. Number and position of German troops south of the Seine uncertain but no doubt some A.F.V.s are across. British armoured units and reserve units now under command of General Laurencie, though some elements of reserve units probably still north of the Seine. Evreux heavily bombed yesterday afternoon and all British troops have been evacuated, on the front north of Oise strong enemy attack with tanks has reached St. Just and Crevecoeur. Troops in this area reported tired and considerably intermingled.

/On

- 2 -

On Aisne south of Soissons, Germans have reached line of Oulchy Le Chateau-Berneuil, but the French think that they have this attack under control. The enemy have also carried out intense artillery preparations on Aisne front between Vouziers north of Rheims area. Attacks in Rheims area have however been held, except for a small bridge-head at Rethel and Chateau Porcien.

5. Last night Whitleys attacked crossings over the Rivers Somme and Aisne, also northern entrances to Amiens. All aircraft returned but no reports available. Early to-day Blenheims attacked the enemy troop concentrations and armoured fighting vehicles east and northeast of Rouen but no reports yet received. Last night, Wellingtons again dropped bombs on woods between Hirson and River Meuse. Preliminary reports indicate number of large fires and several big explosions were caused. All aircraft returned safely. Marshalling yards in the Ruhr area also bombed last night by Hampdens. No reports yet received. One Hampden missing. Early yesterday Beauforts bombed oil targets at Ghent, causing large fires and numerous explosions. All aircraft returned safely. Mine-laying operations also carried out last night. 71 fighters carried out patrols connected with home defence and a further 191 operated over French and Belgian coasts. No combats reported, and all aircraft returned. Attack by Blenheims on the enemy transport and tanks northeast

~~187-M~~
187-M

- 3 -

of River Bethune reported in my immediately preceding telegram was successfully carried out.

4. No enemy air activity over British Isles except for reports of aircraft over Kirkwall considerable German air activity over northwest France yesterday and last night, but no details yet available. Large fires seen in Rouen and Havre.

187-N

BRITISH EMBASSY,
WASHINGTON, D.C.

Secret.

June 11th, 1940.

Dear Mr. Secretary,

I enclose herein for your
personal and secret information a copy
of the latest report received from
London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

W. A. R.

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

Telegram despatched from London late in evening of June 10th.

No further news of His Majesty's Ship "Glorious". the presence of strong German naval unit at Trondjhem is reported. It is also reported that Germans are buying up every available motor boat and that naval yards are working 24 hour shifts to turn out motor boats and shallow draft vessels.

British Division operating with the French troops and reported in my immediately preceding telegram as withdrawing southwestwards, today continued its withdrawal and was not heard pressed during the morning. Bridges at Rouen have been blown up. Strong enemy columns observed yesterday on the roads approaching Rouen from the northeast. This morning enemy tanks were reported in Yvetot. South of River Seine enemy tanks are reported to be advancing from Louviers to Neubourg. Some of the British reserve units under the command of General Laurencie reported to be considerably spread out still, and some troops appear to have been cut off on the north side of the River Seine.

This afternoon, Blenheims were sent to bomb the enemy motor transport on the river approaches between Rouen, Les Andelys. No reports received yet.

All/

All our aircraft returned safely. Whitleys which attacked crossings over the Rivers Somme and Aisne last night obtained hits on bridges over River Somme and on the road and railway communications in southern Belgium. Big explosions were also caused at Amiens and Picquigny. Blenheims which attacked troop concentrations northeast of Rouen this morning bombed enemy motor transport near Forges at Le Feville and at southern end of the Forest of Bray. Aircraft observed oil tanks at Rouen on fire and that there were large columns of German motor transport on the road to Buchy-Rouen, heading southwest. Wellingtons which bombed Hirson and River Meuse last night caused large fires in woods attacked and at least 12 explosions, one of which at Rocroi was particularly violent. Hampdens having already attacked marshalling yards last night in Ruhr area obtained direct hits on yards at Duren, Aachen, Julich and one or two others. A large fire was observed at Duren. Direct hits also obtained on aerodromes at Flushing.

It appears that German air-force operations on June 9th were on as high a scale as on any day since May 10th. Dive bombers and twin engined fighters were operating on an apparently increased scale, chiefly in northern France. Transport aircraft activity between western Germany, Brussels, Lille, and as far west as the coast continues, and evacuation of wounded by air also continues.

June 11, 1940

The attached memo prepared by Brigadier General R. C. Moore was brought in this morning by Major Brooks during the Allied Purchasing Commission meeting at about 11:00. I then sent for Major Smith and asked him to take it over to General Watson and to put it up to the President whether he would approve 500 more 75mm guns. Major Smith volunteered his opinion that the Army could easily sell up to 1,000 of these guns.

By 12:00 the President had approved the memo. General Watson called me at 12:10. He had been in to see the President and the President okayed 500 more 75mm guns for the French. Watson argued with me as to who should tell Woodring and I said he should tell Woodring, and he said he would.

WAR DEPARTMENT
WAR DEPARTMENT GENERAL STAFF
SUPPLY DIVISION G-4
WASHINGTON

G-4
RCM

SECRET

183

June 11, 1940.

NOTE FOR THE CHIEF OF STAFF:

Subject: Sale of 75 mm Guns.

The Chief of Field Artillery
also concurs in the attached
memorandum.

R. C. Moore
R. C. MOORE,
Brigadier General,
Assistant Chief of Staff.

Ref
Incl.
Memo fm. G-4 to C. of S.,
6/11/40.

SECRET

WAR DEPARTMENT
WAR DEPARTMENT GENERAL STAFF
SUPPLY DIVISION, G-4
WASHINGTON, D. C.

G-4
RCM

130

June 11, 1940.

SECRET

MEMORANDUM FOR THE CHIEF OF STAFF:

Subject: Sale of 75 mm Guns.

1. It is my opinion that no further 75 mm guns should be declared surplus, obsolete, or placed in any other category that would render them available for sale.

2. There are 3450 of the French mm guns on hand, of which 1439 are required initially for the PMP and 1671 additional are required for augmentations. It is estimated that maintenance and wastage for one year would require about 2400 guns. It would take 2 years for production to catch up with requirements. Furthermore the delivery of 37 mm anti-tank guns is very slow and it will be at least 18 months before the requirements for existing units will be filled. There is at present a shortage of 860 of the 37 mm anti-tank guns for existing units based on the present numbers allotted to anti-tank battalions and infantry regiments (8 instead of 12 per regiment has been recommended by WPD). There is an additional shortage of 300 of these guns for PMP. The only existing substitute for the 37 mm anti-tank gun is the 75 mm gun. Therefore 2599 of the 75 mm guns would be required immediately upon mobilisation and the remainder very shortly thereafter.

3. It would be dangerous to national defense to decrease the number of 75 mm guns available. WPD concurs.

Table of 75 mm gun statistics

On hand	3450
Initial Requirement PMP	<u>1439</u>
Remaining	2011
Required as substitutes for 37 mm anti- tank guns PMP	<u>1160</u>
Remaining	851
Required for augmentation	<u>1671</u>
Shortage	820
Required for 1 year's operation in field..	<u>2400</u>
Shortage	3220

It will take 2 years for production to meet requirements.

R. C. Moore
R. C. MOORE,
Brigadier General,
Assistant Chief of Staff.

maf

SECRET

WAR DEPARTMENT
WAR DEPARTMENT GENERAL STAFF
SUPPLY DIVISION G-4
WASHINGTON

G-4
BCM

SECRET

June 11, 1940.

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Subject: Sale of 75 mm Guns.

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also concurs in the attached
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Re Moore
R. C. MOORE,
Brigadier General,
Assistant Chief of Staff.

Ref
Incl.
Memo fr. G-4 to C. of S.,
6/11/40.

am

SECRET

WAR DEPARTMENT
WAR DEPARTMENT GENERAL STAFF
SUPPLY DIVISION, S-4
WASHINGTON, D. C.

G-4
ROR

132

June 11, 1940.

SECRET

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R. C. Moore

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Brigadier General,
Assistant Chief of Staff.

SECRET

mf

June 11, 1940

My dear Mr. President:

Sunday night, June 9th, Secretary Woodring, General Marshall and Admiral Stark met with Treasury officials and myself.

When the meeting started, it had been the intention of the Navy only to give the Allies 68 1,000 pound bombs. I showed them your telegram and insisted that the Allies be given 750 bombs. Admiral Stark readily agreed to this.

Monday morning, 180 bombs moved out of Yorktown, Virginia, for Rouses Point. I was informed they were having difficulty with the movement of this shipment and I immediately got in touch with John Pelley who promised me that he would run this shipment through at passenger schedule. The rest of the bombs are coming from Hawthorne, Nevada, and John Pelley has also promised that this movement will be expedited. The last I heard the point of destination was New York.

All but 30 of the fuses necessary for these bombs are coming via destroyer from Panama and the 30 which were in San Francisco are coming by Navy air transport ship.

Admiral Stark has been most cooperative, not only in the assembly of the 50 planes at Buffalo, which was done in record time, but also in working out the formula for the exchange of the bombs and fuses with the manufacturers.

This completes this mission.

Yours sincerely,

The President,
The White House.

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Yours sincerely,

The President,
The White House.

SECRET:-

WASHINGTON D C 11 JUNE 40

FOR THE SECRETARY OF THE TREASURY:-

I WANT TO INFORM YOU THAT ^{IF} THAT HISPANO MOTOR WHICH YOU ARE INTERESTED IN DOES NOT TURN UP OR IF IT TURNS UP LATE IT IS BECAUSE THE STATE DEPARTMENT POSITIVELY FORBADE IT TO BE SHIPPED ON THE WASHINGTON IN SPITE OF MY URGENT APPEAL IT IS NOW ON THE DOCK AT BORDEAUX AND WE ARE TRYING TO SEND IT ON A FRENCH STEAMER.

BULLITT.

TOR:- 1835

RE DEPARTURE PERMITS

June 11, 1940
4:20 p.m.

Present: Mr. Harris
Mr. Puleston
Mr. Cairns
Mr. Foley
Mr. Young
Mrs. Klotz
Mr. Berle
Mr. Bell

H.M.Jr: Is Knudsen coming back or isn't he?

Foley: He said he wouldn't come back. He wanted the answer and I met him in the hall and he asked me if --

H.M.Jr: What about those 8 questions?

Foley: Well, these 8 questions, Mr. Secretary, we can't answer offhand. I think these are fundamental and the answer to most of them is no. What I want to do is to send this over to Tim Mooney, who is the head of this Committee, and let them study it.

H.M.Jr: Will you stay behind after this is over?

Foley: Yes.

H.M.Jr: I wish Mr. Berle would be on time.

(Mr. Bell entered the conference.)

Bell: It has gone up.

H.M.Jr: What is it now?

Bell: Three billion one forty.

H.M.Jr: Well, Dan, just as soon as the Vel-Ragnar,

- 2 -

if that is the way you pronounce it, has discharged her ammunition, I will say now that she can sail. She is discharging her ammunition. Does anybody know what the rest of her cargo is?

Bell: Somebody said gas masks this morning.

H.M.Jr: Well, I had better not ask.

Young: Thirty-three thousand gas masks is all I know.

H.M.Jr: I'm not interested in gas masks. Well, if that is done, they took your (Harris') suggestion and it was a very good suggestion.

Harris: That simplifies it.

H.M.Jr: That takes care of it. Has anything happened since then on any of the other ships?

Cairns: We have the "Nevada". That was the vessel we gave the permit to.

H.M.Jr: Off Key West?

Cairns: No, it has not departed from Port Arthur.

H.M.Jr: That makes two. What is the other?

Cairns: The Aryan.

H.M.Jr: Why were you so dramatic about stopping the ship off Key West?

Cairns: I was told it had departed and it would be at Key West today.

H.M.Jr: Who told you?

Cairns: The boys downstairs.

H.M.Jr: Have you learned anything since this morning?

Puleston: Yes, I saw Mr. Dunn in the State Department and found out that everything was in motion over there toward doing just what you wanted

- 3 -

and I have a little memo here on what they are doing.

- H.M.Jr: If they are, Mr. Hull doesn't know about it. He doesn't know they are doing anything.
- Puleston: Yes, because Mr. Dunn said that he was working on orders from him, said that you had called him up and he sent for them and told them to get busy.
- H.M.Jr: Maybe, because the President, after I told the story in Cabinet, told Mr. Hull to do it and Mr. Hull acted as though he had never heard about it.
- Puleston: Well now, did you speak to Mr. Hull at the Cabinet on this?
- H.M.Jr: Yes.
- Puleston: Then that is what started it, because I was over there just before noon.
- H.M.Jr: No, this was just a half hour ago.
- Puleston: Well, Dunn told me that Mr. Hull - that you had --
- H.M.Jr: I talked to Mr. Hull twice on the subject, yesterday and the day before.
- Puleston: Then that is it.
- H.M.Jr: But at Cabinet today when I brought it up he acted as though he didn't know anything about it, but I talked to him twice.
- Puleston: He must have forgotten it then, because there were Dunn and Hickerson and one other official working on it and he said everything is in motion over there and he told me that.
- H.M.Jr: I will read it to pass the time until Mr. Berle comes.

- 4 -

"Petroleum and its products reaching the ports of Bilbao, Santander, Corunna and Vigo, in Spain, by steamers could easily be transported in the same steamers to Bordeaux or St. Nazaire; similarly, oil landed in Valencia or Barcelona could be transported either to Marseilles or to Genoa. Therefore, these Spanish ports are practically terminal points for Germany and Italy."

(Mr. Berle entered the conference.)

H.M.Jr: Good afternoon, Mr. Berle.

Berle: My apologies, Mr. Secretary.

H.M.Jr: Berle, at Cabinet I covered the ground once more and I am very glad that I did, because it cleared the atmosphere. You know everybody here, don't you?

Berle: Yes, sir.

H.M.Jr: And I mentioned the fact that we were holding two American flagships with oil from Texas. They are both at Port Arthur, aren't they?

Cairns: Yes.

H.M.Jr: Who were on their way to Spain, and that got the President's approval. I then mentioned the fact that there were these - a tanker flying a Swedish flag also somewhere in Texas. Is that right?

Cairns: Yes, I think that is at Galveston.

H.M.Jr: That we were holding, didn't know what we were going to do about it, but it was scheduled to go to Spain. We would hold it until - well, until we got some help. There was a steamer loaded with sugar for Casa Blanca, which we were holding. Is that an American flag?

Cairns: No, it is Greek.

- 5 -

H.M.Jr:

The point that I made was - and I then also mentioned the fact that I had been told that these five oil companies doing business out of South and Central America, if they would get the wink of the United States to just stop shipping oil to Spain, would be very glad to do so, and the President instructed Mr. Hull to send for these companies and tell them that, to give you the whole story, and I also suggested that the Secretary of the Navy send one of his destroyers down to the Canary Islands on the excuse of having a refuel to see what the refinery looks like.

Now, while we have just the legal authority to hold these ships, I realize perfectly well that I am - how should I say? - pushing a policy matter, because I feel that the amount of oil which seems to be rushing toward Spain is so far in excess of what she can use that it must be for re-export, and I just don't make any bones about it. It seems to me that the next weeks or months are the critical ones and we desperately need two years to get our own country in shape to defend ourselves. If we can protract or prolong England's life, I think it is - by just an order to hold up the oil, I think it is the smartest thing we can do. I realize that what I am saying in confidence is what everybody in the Administration agrees on, but I wanted to tell you how I felt, you see, and then inasmuch as Mr. Hull said that he would delegate you to work with me personally on this thing - and I said - "Well now, all of this is basic facts and these things are going to come up every day and there will be more and more of them. Casa Blanca is one proposal. American flagships to Spain is another proposal. Foreign flagships with oil out of the United States is another proposal. American-owned foreign oil vessels out of Venezuela and Colombia is another one. Fortunately, the Swedish one, we don't have to worry about the one to Petsamo. She is tied up at the dock and she is unloading her ammunition and when it is unloaded we will let her sail. She is doing that voluntarily on the suggestion of Mr. Basil Harris. I don't know whether he held a pistol to their heads or not.

- 6 -

Harris: I move that be deleted from the record.

McKay: I have a different story from that right now. A call from Mr. O'Keefe came in and he said they had ten hundred and ten detonators and depth charges and they had a license from Colonel MacMoreland and they wanted to know whether they had to take that off, too.

H.M.Jr: Come on, Brigham Young.

Young: How many?

McKay: Ten hundred and ten depth charges and detonators.

Young: Sure, take them off. Are they for the Swedish Government?

Berle: Where are they going?

Harris: Gothamburg, via Petsamo.

Berle: What is going to happen to this ship? She is a blockade runner, I suppose.

H.M.Jr: Yes, she is a Finnish ship.

Berle: The British let her go?

H.M.Jr: One a week has gone and to the best of my knowledge they have gotten into Petsamo, haven't they?

Harris: Yes, but we don't know what they have carried.

Foley: Well, there is all assurance that this boat will be given safe passage through the blockade.

Harris: I would think so. Otherwise I wouldn't think they would attempt to make it.

H.M.Jr: What is this again?

McKay: Ten hundred and ten detonators and depth charges.

H.M.Jr: How many cases?

- 7 -

McKay: Mr. Pollio said he wasn't sure whether it was two or four.

H.M.Jr: When they put the question to us, we certainly don't want to say, "Yes, let her go," do we?

Berle: No, keep them here. We would prefer they were kept here, I would think.

H.M.Jr: Well, it is the question about loading them.

Berle: Of course, if they have a license, plainly that problem is gone into as a matter of law.

H.M.Jr: But they have a license on all of this stuff that they are taking off. I will get to that. I have been trying to get the license revoked and I want it on the dock and then I am going to argue.

Berle: That is right, we will take them off.

Harris: Because they can go on the next ship if they are all right.

H.M.Jr: And that gets to the next point that I have been arguing at the White House, where we are in complete disagreement with the State Department. We say that all outstanding licenses to everybody should be canceled, as prior to July 5th, and then the people come in fresh and say, "We want a new license," and that gives us a chance to pass on them and we can't get it by Joe Green.

Berle: I think you are right. What has Joe Green got to do with it?

H.M.Jr: Joe Green has everything to do with it.

Berle: He is to issue a license in accordance with the law, but there is nothing to prevent Colonel Maxwell from pulling an export control order through on the whole shooting match.

H.M.Jr: This is what happened: General Watson called me up and said, "I don't want to bother the

- 8 -

President, and this is Directive No. 5, as they call it, to cancel the license on this particular thing," and Watson said he didn't want to bother the President and if he could clear it with Mr. Hull and me, he would clear it. I said, "Cancel it, this one license." Colonel Maxwell or somebody representing him went to see somebody in the State Department and he reported to General Watson that Mr. Hull said as long as this had been issued, let it go. Now, to circumvent this situation, we will have this stuff on the dock and then it is again back in your lap, whether you want - now, the President of the United States has said he does not want any ammunition manufactured in the United States to go to Sweden at this time. We have got it off the ship and we have got it on the dock, and I am putting it back in your lap to see if we can't cancel it. In order to save this situation, the suggestion I have been pleading with, Mr. Maxwell and Joe Green, is that all outstanding licenses be canceled and then they go to Maxwell and have - start all over again. It would save us all of this trouble. But I can't get it by the State Department.

- Berle: Mr. Secretary, I might as well tell you that that setup represents to me a major diplomatic defeat. I have had many, and this one I took hard.
- H.M.Jr: You and me both.
- Berle: I wanted that licensing in Maxwell's hands.
- Foley: It should be --
- Berle: And let Green and his division do the purely mechanical work. I did not want Green in there to determine policy because frankly, I don't think that kind of policy making belongs in that kind of an office.
- Foley: The only really effective control is through Maxwell and Maxwell has to pass on these things in the first instance, and if he says they are not needed for national defense, then I think that Joe Green can go ahead and let the stuff go as he does with every other request.

- Berle: My second point is that I do not think that Mr. Green in matters of policy can speak for the State Department.
- Harris: Well, if it will throw any light on this situation, I called up Green's Department yesterday about some film support which is known as nitro-cellulose. I told him this fellow from Eastman was flying down and they would hear his story and do what they could for him and I said, "If there is any difficulty, will you let me know, because I can take it up with Maxwell's office," and they said, "Oh no, we will decide that."
- H.M.Jr: Who is "we"?
- Harris: Green's office, a man named Price. They gave me the impression that Maxwell just had no say at all in the matter, that they would be the deciding boys on it.
- H.M.Jr: Well, if we could get it this way - Maxwell is scared of his shadow and at the moment General Watson is making the decisions based on - if he can get yes from Mr. Hull and me, he gives anything that we want, or that is what he has told me.
- Berle: Well, I may say that it seems to me when you are considering the national interests and the national emergency and you are shipping munitions out, all or part of which you may want or which might be used against you if they wind up in the wrong place, or for any one of a dozen perfectly legitimate and strictly national interests, the first thing to do is to call a halt on the whole shooting match and take account of stock.
- H.M.Jr: That is what we have been saying, but we cannot get to first base and if you can get somebody, Mr. Hull or yourself, to say to Colonel Maxwell, "I am in accord with the Treasury on this thing, all outstanding licenses should be canceled," he is ready to get out Directive No. 6 and that cancels everything. Then we start fresh.
- Berle: I don't think that Joe Green ought to do that any more than - if you want to appoint a Secretary of State, that is all right with me.

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- H.M.Jr: No, but if Mr. Hull would say to you, "Berle, I will give you the authority to work with Morgenthau," and if General Watson calls up, what does he want Colonel Maxwell to do, you can talk to the State Department.
- Berle: All right, sir.
- H.M.Jr: So that if Mr. Hull will tell General Watson on these matters of licenses what Berle says goes for the State Department, then General Watson says he will tell Maxwell what to do and all he does is to call me up and say, "Well now, what do you want on this?" "Well, I want all outstanding licenses cancelled." "Well, if Mr. Hull will go along." He didn't turn me down on that yet, but he did turn me down on this Swedish thing, but the Swedish thing - these things are going to be on the dock as of tonight and they have got a license issued against them and I am sure the Swedish Minister, Bostrom, is most likely on your doorstep and the easiest thing to say is that we didn't do anything against Sweden. We cancelled all licenses.
- Berle: I don't undertake to say anything about the particular case, because I don't know. Plainly the situation today in Sweden is radically different than it was when those licenses were issued. They were issued some time ago. There ought, of course, to be some arrangement made by which if you do that the Swedes can get their money back.
- H.M.Jr: Oh, that can be done. I have a customer.
- Berle: That is, I think, in common fairness to these countries, we shouldn't first take their money on the basis of a license issued and then say, "I am sorry, we will have to keep this in the United States."
- H.M.Jr: Well, I have a cash customer.

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- Young: You might even make a profit out of it before we got through.
- H.M.Jr: No, I don't want to make a profit.
- Berle: Splendid. That will help, too.
- Harris: Mr. Secretary, if you go back to the oil situation - if you have finished with that. Have you?
- H.M.Jr: Yes, but --
- Berle: I will endeavor to do that. I will ask if Mr. Secretary Hull will give me that authority. I may say that my personal view is in accord with yours. The export of any kind of munitions ought to be scrutinized and the position or place where they are going might be of importance to us one day.
- Harris: I think if you followed the plan you suggested on the shipment of oil, we should carry that a bit further and carry the British along with us and get them not to grant any charters to British ships or ships which they control to load any oil in South America or Central America for Spain or Canary Islands, because there are independent companies and if they do it, it will upset the apple cart.
- H.M.Jr: (To Lieutenant McKay) Tell Mr. Purvis to come over to my office now. I want to see him, please.
- We will do that. We will take care of that.
- Berle: It seems to me that on that oil situation, if I may speak of that, the British are blockading the Continent of Europe. I had not heard they have applied their blockade to Spain yet. Theoretically they would do so if the destination of this stuff were assumed to be to an enemy country. There is some doubt as to what the status of Spain may be in a relatively short time. I should

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assume, therefore, that their policy would be one of two things, either absolutely no oil at all - it is merely a guess as to their policy - or the alternative of a rational arrangement by which Spain bought oil for her own purposes and nothing else. That is their funeral.

On our side, it seems to me that our strictly national interest calls for two things, first that we don't have American flag or American owned ships floating around in areas where they stand an awfully good chance of being snagged by one or the other --

- H.M.Jr: That is the position that Harris pointed out today.
- Berle: The second one, I think, is that we also were not happy about having refueling stations located around the Atlantic islands or the Atlantic Coast, which might later turn up to curse us. Both of those things, I think, are --
- H.M.Jr: At Cabinet, I asked the Secretary of the Navy if one of these destroyers around here couldn't drop down to the Canary Islands and see the set-up, what it is. We don't know. He said he would do that.
- Puleston: I asked Mr. Dunn and he said they have sent a cable to get some more information so that we may not need to send that destroyer down there.
- Berle: We are not wholly without information about that refinery. If what I understand is true, it is not a large one and actually the British fleet has been putting in there to refuel. I am not sure whether they can now or not.
- Puleston: We have that in order.
- H.M.Jr: What is the suggestion? Let's take this suggestion of ours on this additional combat zone.

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- Cairns: I suggested a qualified combat zone, a combat zone saying American ships carrying the following products could not enter this qualified zone. Other American vessels could. That would give us control over petroleum and other products that we wanted to control.
- Berle: I think the idea merits serious consideration. It seems to me there are two lines. One is possibly using the combat zone and the other is the control of the ships as ships on the ground that we didn't want American flagships floating around that area.
- Harris: Mr. Berle, the immediate result of that is if you barred the American ships out of that zone, these companies would simply just switch over to some of these other foreign ships for the same identical port, so that you wouldn't accomplish your purpose of keeping the oil out. You would accomplish the purpose of keeping an American flagship out, but that is only part of the major picture.
- Berle: This is my impression, that that zone would do the trick.
- Harris: That almost coincides with just about what we have arrived at.
- H.M.Jr: "The problem is - in view of this country's intention to prepare itself for defense, do we want to allow oil (a fundamental necessity of war) to reach those countries most likely to attack us.
- "If we prevent exportation of oil from U. S. to Canary Islands and/or Spain, whether on U. S. ships or foreign ships, will this solve the problem? (No)
- "Will not the same companies who export oil from U. S. ports, if prevented, simply export from Central and South American fields? (Probably)

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"Who are these companies?

"Gulf Oil; Texas Company; Standard of New York; Shell Oil Company; Standard of New Jersey.

"Possible procedure: Call representatives of above companies to Washington, outline Government's policy and ask their cooperation.

"Have British not allow charters to British or other foreign flag tankers which they control, to fly in this trade.

"Have British Government seize all other oil ships in above waters."

At Cabinet, you see, I mentioned that and the President asked Mr. Hull to do just that.

Dan, are you satisfied with what I am talking about?

Bell: Yes.

H.M.Jr: Any suggestions?

Bell: No, I think it is very good.

H.M.Jr: Ed?

Berle: I should suggest we leave it that way. I think that is a better dodge than the qualified zone.

Cairns: Unless you wanted to get all the commodities that were available in the United States.

Berle: That is another story.

H.M.Jr: Do you also think that about Casa Blanca?

Berle: Yes. I am looking at the Casa Blanca situation with this in mind --

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H.M.Jr: Is 2:15 a good or bad hour for you tomorrow?

Berle: It is quite all right.

H.M.Jr: Is that all right?

Berle: Yes.

H.M.Jr: Before I leave town tomorrow, I would like to go over this with you once more. I will tell your office. Is that all right with you?

Berle: Fine.

H.M.Jr: I would like to talk with Mr. Berle alone and Phil, if you will wait outside until Purvis comes, and then if you will come in with him. Will you please?

HONORABLE HERBERT E GASTON
ACTING SECRETARY OF THE TREASURY
WASHINGTON DC

FINNISH STEAMSHIP VELI RAGNER DOCKED AT PIER 24 BROOKLYN AT 5.00
PM ON JULY 10TH. INSPECTOR ASSIGNED THERE REPORTS VESSEL WILL
COMMENCE DISCHARGING AMMUNITION 8.00 AM JULY 12th

HARRY DURNING
COLLECTOR OF CUSTOMS
NEW YORK

O
P
Y

June 11, 1940
10:30 a.m.

RE ALLIED PURCHASING PROGRAM

Present: Mr. Young
Mr. Nelson
Mr. Purvis
Mr. Bloch-Laine
Mr. Ballantyne
Mrs. Klotz

Purvis: I think I had better hand a copy of this memo to you. There will only be one for two or three of you. We haven't any more.

H.M.Jr: This is the summary, a break-down, is that it?

Purvis: Yes. The first is a summary on the airplane memo that is being typed and will be over in a few minutes.

H.M.Jr: "I have been asked to express the great appreciation of the Allied Governments for the release from stocks of the various war equipment with special reference to the 75 millimeter field guns. Three hundred forty-seven guns with all the ammunition are being shipped to France and the remaining 48, without ammunition, to England.

"I have received urgent cable and telephone messages asking whether it would be possible to release a further five hundred or more of these guns with appropriate ammunition. From the Army angle, I understand this item is the most vital to holding the enemy."

Well, Young, have you got my message from General Marshall's office?

Young: No.

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Purvis: The last sentence in that memorandum describes the situation as the cable developed it.

H.M.Jr: Well, I asked them. They were over at ten o'clock this morning, and I haven't got anything from General Marshall. I asked them on that and I asked them on those Thompson machine guns.

Bloch-Laine: Yes.

H.M.Jr: What else.

Young: The machinery, he was going to find out as to how much --

H.M.Jr: Machinery?

Young: Yes. How much, definitely, as a matter of policy. He wanted to know what was available.

Purvis: I wondered whether by any chance you had a list of what is available. Even if you did, you probably wouldn't tell us, but it might be very useful if you had it.

(Telephone conversation with General Marshall's office follows.)

June 11, 1940
10:38 a.m.

H.M.Jr: Hello.

Operator: General Marshall's Aide is in the building somewhere. I have his secretary on the line.

H.M.Jr: All right.

Operator: His secretary?

H.M.Jr: Go ahead, somebody.

Gen. Marshall's
Secretary: Hello.

H.M.Jr: Hello.

S: Yes, sir, Mr. Secretary.

H.M.Jr: I spoke to General Marshall yesterday and he promised to have for me last night or before 10:00 o'clock this morning a memorandum particularly on the .75 millimeter guns.

S: Particularly on the subject of what?

H.M.Jr: .75 millimeter guns.

S: Oh, yes.

H.M.Jr: I have nothing from General Marshall. I told him that Purvis would be here at 10:00 and I am very much disappointed that I had nothing to take up with the Allied Purchasing Mission.

S: Well, I'll see about that right away, Mr. Secretary.

H.M.Jr: He promised he'd sent it last night or the first thing this morning and I have nothing from General Marshall.

S: Well, I'll see about that right away. I'll get someone on that.

H.M.Jr: I'm very -- pardon? I wish you'd tell the General when he gets there I'm very much disappointed that I had nothing.

S: Yes, sir. Well, I'll see about that right away and see what's happened about it.

H.M.Jr: Thank you.

S: Yes, sir.

June 11, 1940
10:46 a.m.

Operator: Go ahead.

H.M.Jr: Hello.

Colonel Ward: Mr. Morgenthau, this is Colonel Ward in General Marshall's office.

H.M.Jr: Yes.

W: The General was delayed on account of weather and I suppose -- he didn't tell us about having this paper over there. I can give you the information on it, though. The summary of it is, it would be dangerous to national defense to decrease the number of .75 mm guns available.

H.M.Jr: Well, I want that in writing.

W: All right, sir. Now, I'll send that thing right over by special messenger, at once, to you.

H.M.Jr: Would you?

W: Yes, sir, I will. I'm sorry about the delay, but he didn't expect to be delayed on the weather and he would have been in here before then.

H.M.Jr: And then plus a lot of other things which we talked about Sunday night which I've had no answer on -- that machinery on the powder factories and a whole list of things that he took away with him Sunday night.

W: All right, sir, well, I'll check

H.M.Jr: I can't remember them all off-hand, but there were a number of things that he was going to -- and, of course

W: Machinery

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H.M.Jr: Machinery for -- to make powder.

W: Yes, sir, I understand that.

H.M.Jr: And then this question of bombs for the 93 planes.

W: I think I've got that for you. I can get that over to you.

H.M.Jr: And then the machinery to make small arms.

W: small arms. All right, sir. I'll get all I can immediately over to you and check on the others.

H.M.Jr: Would you, please?

W: Yes, sir, I will. I'll get this man right over.

H.M.Jr: I was disappointed it wasn't here.

W: Well, I am too, sir. It's one of these things that couldn't be avoided.

H.M.Jr: Thank you.

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- H.M.Jr: Well, now, to call a spade a spade, Mr. Purvis, the figures that we have on the losses of the English and French destroyers, do not seem to impress us, the President to be exact.
- Purvis: Well, now I am glad you said that because all I can judge is by the growing tone of --
- H.M.Jr: He is not impressed with the fact that you have great losses.
- Purvis: Then it is up to us to supply you with more data, I think, is the answer to the actual position.
- H.M.Jr: The thing he has doesn't show that the English and French losses in destroyers have been very great.
- Purvis: I am glad to get that angle, because I think that is very much up to us to show our hand.
- H.M.Jr: Definitely. There is something wrong somewhere.
- Purvis: Yes.
- H.M.Jr: Well, you have got all the motor boats?
- Purvis: Yes, we have all of those on order, it seems to me. That is almost what it means. They just asked - I have got a cable in asking whether there are in stock anything of the type of that kind that you - we are also trying to place orders for fresh ones.
- H.M.Jr: We had 24 on order and we gave you 20.
- Purvis: It was only a request that came in by cable. Is there anything actually on hand today that would be of a similar type of thing, even though not nearly as perfect.
- H.M.Jr: Well, I will send a copy of this over to Admiral Stark and Phil, you might walk that over yourself and get an appointment to see

Admiral Stark and ask him if there is anything he can do on the motor boats. Just take this sheet of paper over.

Young: Yes, sir.

H.M.Jr: And ask him - and leave a copy with him, will you? I won't leave a stone unturned.

Purvis: Thank you very much. The Channel and Mediterranean situation now, of course, for that kind of thing - if they don't exist, they don't exist.

H.M.Jr: When you go over, Phil, walk over - this one on motor torpedo boats and also the one on destroyers.

Purvis: I will meantime go a little further on the destroyer thing.

H.M.Jr: Leave both of them with Admiral Stark, will you?

Young: Yes. There are mosquito boats.

H.M.Jr: I would leave it over there and see what he has to say and ask him if he will communicate with us, with me directly.

"Rifles and Ammunition:

"Further releases of Lee Enfield Rifles, with ammunition wherever possible, over and above the five hundred thousand already released, would be much appreciated."

Purvis: We asked that when we first talked with Colonel MacMoreland and I gathered from him that it wasn't altogether out of the question, that there is quite a large assignment. The ammunition admittedly is a short thing, but I think even with or without they would take as many more as it is possible to get.

H.M.Jr: Do you know the situation, Mr. Nelson, on that? You have been following that ammunition thing.

Nelson: Yes. The ammunition is the bottle neck.

Purvis: Yes.

Nelson: It is very short, as you know.

Purvis: I do know, yes, and we are doing it --

Nelson: They have a very short supply themselves, but there is a list in the Navy which, I think, has been given to Mr. Ballantyne, of sub-machine guns, quite a quantity.

Purvis: Yes. Do you think some of the - there are many more rifles, are there not? It is the ammunition that is the difficulty.

Nelson: The ammunition.

Purvis: What we are doing is trying to use every endeavor we can to get Remington and Winchester - we are putting down quite a little money to enable them to go quickly ahead to produce more ammunition for all these things you have released, and we think we can collect some quite appreciable balances.

Nelson: As soon as you finish here, I will get Colonel Burns on that.

Purvis: Thank you very much. But we would even take the rifles, I think, anyway.

H.M.Jr: They are taking the position no more seventy-fives, but I will take it up with the President and see if I can't get you five hundred. That is what I am after. I don't know about the ammunition. You take care of that, don't you?

Purvis: Well, I believe for the French, they need the shells very badly.

H.M.Jr: Is there such a thing? Are there shells?

Purvis: I think there are shells. I think the shortage is in small arms ammunition.

Bloch-Laine: But there probably are shells.

H.M.Jr: Did you get any shells for the other seventy-fives?

Purvis: We got a million with the 395. We got a million. All those were shipped with the 347 - they are no doubt speeding up on that because that gun takes British or American ammunition.

Nelson: We will go into that situation right away, Mr. Secretary.

H.M.Jr: Well, Nelson, find out what is the situation. I am going to concentrate on this five hundred seventy fives and see if we can get some shells for them. All of this odds and ends - you see, General Marshall was away yesterday and he is away today, and it is very difficult to operate without him.

Purvis: Yes, quite.

H.M.Jr: I don't know what he has been doing, but he has been flying all over the country.

Purvis: You --

H.M.Jr: I think we ought to get up a list for General Marshall and say, "I am waiting to hear from you on the following things."

Purvis: Could we, after this meeting, perhaps, get that into a document and then use these and perhaps give you a - one of these?

H.M.Jr: Yes. I would make a list and I would send it over and say, "My dear General Marshall: Where do we stand on the following things for the Allied Purchasing Commission?"

Purvis: Yes. Then in that way, we would attack it perhaps slightly differently so that we could use the memorandum we have to attack it.

H.M.Jr: That is all right.

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H.M.Jr: You are in luck, because what they were going to ask you for, they wanted you to give 50% of your trainers that you had on order --

Purvis: Yes.

H.M.Jr: So you are in luck. So you don't have to build anything, if I understand it, with Douglas. So luck is with you on that one, anyway.

Purvis: Yes.

H.M.Jr: Well then, I think you ought to go over this, gentlemen, this ammunition situation.

Nelson: Well, sir, as soon as we finish here.

Purvis: We have, meantime - I would like you to know that we have meantime given every sort of green light to our people to go ahead adding to the productive capacity of this .30 ball ammunition. Remington and Winchester are getting into action, and we are putting forward whatever money may be necessary for expansion and complementary work --

Nelson: That .30 ball is a bad situation.

Purvis: In every way they can they are trying to add to production in every way.

Nelson: As soon as we finish here, we have some questions and I would prefer to have Mr. Ballentyne and you.

Purvis: Thank you, Mr. Nelson.

H.M.Jr: Well, this thing on the Swedish thing, I am blocked on that.

Purvis: That is pretty difficult, is it?

H.M.Jr: I just don't see how - I don't think the Army wants them, that is the answer.

Young: We have run into certain legal difficulties on the motor boats which we may be able to clear.

Purvis: Here is Item 1-C, which was missing.

H.M.Jr: "We have understood on June 10th that some legal difficulties are standing in the way of delivery of the 93 bombers. Transport has been arranged for these planes by ships available in June and we would appreciate anything that can be done to clarify the situation."

But you don't say when.

Purvis: All through. We have got steamers lined up for the balance of the month. It takes three or four steamers, and they are being - we have made arrangements with a firm to take off their wings and put them on that way.

H.M.Jr: Well, these things - Phil, make a note, they are ready, he said, at dawn as of Friday, all ninety-three.

Purvis: What?

H.M.Jr: At dawn as of Friday.

Purvis: This legal difficulty then is something that we just --

H.M.Jr: As I understood last night from Phil Young, Northrup turned them down but they are going to go ahead with Douglas.

Young: North American turned them down.

Purvis: The difficulty being that it had to be a bomber for a bomber.

Young: Yes, unfortunately they had a very narrow interpretation of the law when there was no reason for it.

Purvis: That is what our people said, too.

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Purvis: I see. That is really the difficulty, yes.

H.M.Jr: I don't think they want those, do you?

Young: At one time they said they would take them. I don't know whether they want them. They said they could use them, that was the impression I got.

H.M.Jr: Look, let's clean up the ninety-three. And after the ninety-three, there is another eighty odd.

Young: Yes.

H.M.Jr: There is another eighty. You get the ninety-three. You know they have brought them in. They have put in equipment and machine guns and wireless and everything. You see, they were training planes, and they have equipped them for fighting planes and turned them over to you as fighting planes.

Purvis: Excellent.

H.M.Jr: And we get those off and get the bombs for those and then do the eighty on the Northrup and then in the meantime do as much as you can on the Swedish, but I just don't see --

Bloch-Laine: The Swedish are coming out, the first ones, by the end of August.

Purvis: So we have time.

Bloch-Laine: We can exchange them for something else.

Purvis: By that time the situation may have moved on quite a lot.

H.M.Jr: What kind of an engine goes in the Vultee?

Purvis: I don't know that.

H.M.Jr: If we cleaned up the ninety-three and the eighty and got everything equipped, we could take these on in August.

Purvis: Yes.

H.M.Jr: Now, this number of bombs, Phil, that you have given me.

Young: Yes, sir. Those have Pratt & Whitney engines.

H.M.Jr: No, the bombs for these ninety-three. Have you cleared that with anybody, the bombs for the ninety-three, the A-17-A?

Young: They don't say there how much they are getting.

H.M.Jr: You have got down here how many they requested.

Young: Yes. It is the number of bombs requested by the Allied Purchasing Commission.

H.M.Jr: Has Colonel Burns or anybody worked on this with the bombs?

Young: Major Brooks gave me that, and I asked him point blank last night where it stood or who was carrying it from then on, because the Army isn't going to do anything until they can find out how many bombs they can get from the Navy. The Navy isn't going to give them bombs until they find out how many the Army will give them. That is why I put the note on the bottom of that.

H.M.Jr: Can you fellows put a little blast behind this today?

Nelson: We can, yes. You give us a clearance to go and I have been wanting to find out how many were there, and you thought we ought to do this the other way. Now, if we can't do it the other way, we will do it this way.

H.M.Jr: Do it any way.

Young: This bomb thing we are going to have to do between Marshall and Stark.

H.M.Jr: I don't see how you are going to get any more bombs out of Stark. It is up to the

Army. And, of course, the ninety-three insofar as Woodring is concerned, he hasn't cleared those yet, has he?

Purvis: Not the Northrups.

Nelson: They haven't been cleared yet, no, sir. We will get into it right away, Mr. Secretary, and find out what the legal difficulties are.

H.M.Jr: I would rather wait until Marshall gets back, but if you fellows could just push on the ninety-three up to the point that Marshall says he has got to get something out of Woodring - but certainly between now and Friday we ought to have a clearance on that stuff. Did they get those three cars through Richmond?

Nelson: They are moving them very rapidly. I have been in touch with Kelly's office. I am trying to get Mr. - the man I called early this morning to get the car numbers on the stuff from Hawthorne, and they will be expedited the same way.

Purvis: I had a man sitting at the Canadian border to get on those and take them all the way through to Halifax.

H.M.Jr: I think the best thing to do would be for you to adjourn this meeting and then put it down in a memorandum what we really want from General Marshall and including it when you have got to start, I would start off with the first thing is those ninety-three Northrups and the bombs can go with them. If you will give me a list, I will write him a formal letter - what did I say? I think I had better write him a letter, don't you think so?

Young: Yes.

H.M.Jr: Have I written him any letters?

Young: No.

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- H.M.Jr: All right, then I think you could ask to go over and see them and then say this is what Mr. Morgenthau wants and he would like to have an answer just as soon as possible, not later than tomorrow, on all or part of this.
- Purvis: There are just two small points verbally. Monsieur Renault is over here. He came to see me. He is very distressed.
- Bloch-Laine: As far as I can make out, the story is this: Mr. Renault applied for an appointment with the President on Friday night. The Ambassador told him he hadn't a shadow of a chance. He said he didn't even think he could ask for it, so Monsieur Renault went back to New York and the audience was granted and nobody told him.
- H.M.Jr: It was granted? For when?
- Bloch-Laine: Saturday morning, and he wasn't there so he is immensely distressed and he would like the President to know that it is no fault of his own.
- Purvis: He had been sitting here, and very, very worried.
- H.M.Jr: Who told him that? How do you know that he had an appointment?
- Bloch-Laine: Nobody told him he had an appointment.
- Purvis: How does he know now?
- Bloch-Laine: Because in the evening when he phoned the Ambassador he said, "Haven't you been to your appointment?", and he said, "What appointment?" and the Ambassador said, "You had one this morning."
- H.M.Jr: Well, that is between the Embassy. I don't think I better get in it.
- Purvis: No, but if it did come up --

Bloch-Laine: I wanted to tell you.

Purvis: If it were raised with you, I would like you to know that he is very distressed about the fact that he unwittingly did not attend an appointment, the reason being that he was not told of his appointment by the Embassy.

H.M.Jr: Because I am going to talk very frankly and I have got to tone down my remarks because of Mrs. Klotz. I think it is just plain silly to bother the President with seeing a man like Mr. Renault when you two gentlemen are here. Now what the devil is the use of bothering the President of the United States in these times, with a man like Mr. Renault? I mean, you people are here. If the situation - the situation is so bad that if I say I want you people to see the President and explain it to him face to face, that is one thing, but why take up his time with a man like this? I mean, it is just silly. The President is doing everything possible he can. I am doing everything to the end of my physical strength and nervous system to do everything I can and then they bring in a man like Mr. Renault. It is just - I know you people well enough now that you don't misunderstand what I say.

Bloch-Laine: Oh no, Mr. Secretary. It is none of our faults. We didn't ask for him.

Purvis: We pass the fault.

H.M.Jr: But it is just - I mean for the Embassy to take up the time - and when he got through, where was I? Nowhere. I mean, he made a very courteous, beautiful speech about liberty and so forth and so on, but --

Bloch-Laine: Then we all agree on that.

H.M.Jr: Well, I feel better now.

Nelson: I suppose when Henry Ford goes to France it is the same thing, Mr. Secretary.

H.M.Jr:

Well, it is like this. I feel better. I let it out on somebody and I let it out at the expense of Mr. Renault.

Bloch-Laine:

All I can say is that it has been absurdly useless, because they had a meeting yesterday with Major Gillespie and Major - someone else, who I understand are the specialists in things. They have studied this situation. They have gathered a certain amount of useful information. They had with them an English Colonel - I don't know who it was - and they came to the conclusion, all of them, I mean the Army Ordnance and the French and the British, that about the way to go ahead was tanks. The Army said that tanks they had already made were not for England because they were too light and that another one and a bigger one was under study, but still under study, and they all felt that the best thing to do was to see what the French had and see - and the last French model of which the drawings are here, already is to be the one and everybody felt - thirty thousand tons, and everybody seemed to be agreed that it is the thing to do, so immediately the Army Ordnance walked into it. People were saying that they felt they ought to be rid of the whole affair, and I understand today that your Army people will probably release some of their people - then the Army plate, I understand - and the Army would be not only willing but desirous to supervise that and inspect it so I think it is underway not badly.

Purvis:

On machine tools, now, I mentioned this, but - it is merely to ask - two of the companies, Brown and Sharpe, and Warner and Swasey, have now taken the position - Brown and Sharpe said, "We can't keep any further orders from governments pending the development of the French program." Warner and Swasey haven't definitely refused it, but said, "Well now, we are going to wait. We can't do it." Would it be wise - I believe Baker Machine Tool man and the Frenchmen are down seeing Knudsen's organization this morning. Would it be wise for me to talk with Knudsen?

- 15 -

H.M.Jr: I would talk it over with Mr. Nelson.

Purvis: All right, we will talk about that after.

Nelson: I had breakfast with a few of the machine tool people. They were having the meeting in Mr. Knudsen's office at nine o'clock this morning.

H.M.Jr: I believe I would talk that over with Mr. Nelson.

Nelson: I had breakfast with the machine tool group.

Purvis: Later on when things aren't quite so pressing. Before he goes back, I think Mr. Elliott, who came over on steel from the British Isles Steel Federation in order to tie in with us and who is in New York, a very nice fellow, I think he would like very much, if it happens to fit in some time, to shake hands with you.

H.M.Jr: I would be delighted, and if you gentlemen are in town or whenever you get this list, if I hear anything today --

Purvis: I think I will stay over until tomorrow and just get in touch with New York in the meantime.

H.M.Jr: You get this list down, and if I can get Phil Young to take it over to General Marshall and I will call General Marshall and ask him if he can't give me an answer today.

Purvis: We will wait until tomorrow morning, I think.

H.M.Jr: I am going on the Hill to testify all morning tomorrow, so I --

Purvis: Then today is the day or tomorrow afternoon.

H.M.Jr: Yes, this afternoon or tomorrow afternoon.

Purvis: In which case, if I get word from you that there is nothing this afternoon, I will probably fly back this evening and fly down at midday tomorrow.

- 16 -

H.M.Jr: Yes. You see, we might be able to arrange a meeting with General Marshall for tomorrow afternoon and have everybody here just go through the thing one, two, three.

Purvis: Quite.

H.M.Jr: He won't get his feet on the ground until tomorrow, you see. Excuse me a minute.

Purvis: Yes.

H.M.Jr: That memorandum was a very discouraging one on the seventy-fives, and I will have to get the President - they have turned us down. I will have to get the President to turn them down. They have turned it down flat, and I will just have to go over to the President on the seventy-fives.

Purvis: Right.

H.M.Jr: I mean, they have turned it down but I saw by the papers the President made a speech.

Purvis: Yes, I noticed that yesterday. We listened to it with great --

H.M.Jr: I say that this comes under materiel, and I am going to definitely ask for 500 and then let the Commander in Chief decide.

Purvis: Yes.

H.M.Jr: Because you see, you skimmed the cream pretty well.

Purvis: Yes, the cream, I admit, was there. We didn't leave much for the Venezuelans.

H.M.Jr: Did you read that column?

Purvis: No.

Young: It is right here.

Purvis: I didn't see that. Did somebody get that phrase?

H.M.Jr: What is it?

Young: That question on the Rolls that came up this morning.

H.M.Jr: Oh yes. Now here is the situation on the Rolls. It is all right. It doesn't do you a bit of harm. You can send it across the waters. Incidentally, who did you tell me was Minister of Defense for Canada, the man who you said came down to see us?

Purvis: The Minister of Supply, Norman Rogers. He was the Minister of Labor at the time I had that Employment Commission job.

H.M.Jr: Minister of Supply is something different?

Purvis: Quite. It is a newly created Minister of Supply.

H.M.Jr: If you people would give me something in writing, how many Rolls Royce engines you want, Mr. Edsel Ford is in town right now.

Purvis: We have cleared to meet that same day that you asked the question of 500 a month for the French and 1,000 a month for the British. We gave the answer within an hour and a half.

H.M.Jr: That is firm?

Purvis: Firm to the extent of a planning operation.

H.M.Jr: Here is the point. The Army and Navy don't want any, so Mr. Ford is going to make up his mind today whether he wants to sell to the Allies or not.

Purvis: The Army and Navy don't want them?

H.M.Jr: They want the 1600 horse Rolls.

Purvis: Oh.

H.M.Jr: They want the 1600, they don't want the 1200. The English won't be ready for six months.

- 18 -

Purvis: I see what you mean, they prefer to wait --

H.M.Jr: No, they say that there is six months more in developing it. You don't want to wait six months, do you?

Purvis: We would like to discuss that when you are planning what your attitude would be, because we might prefer to go in on some other type if it is going to be a smaller one. We will try and fit in with whatever you want to do there, but we, after meeting with Mead, took exactly the same position. We said, "We are very discouraged to hear that you are concentrating on that small engine."

H.M.Jr: May I offer a little advice without explaining it? Stick by your 1800 for today. It won't hurt you to do that.

Purvis: I think I understand.

H.M.Jr: It won't do you a bit of harm.

Purvis: I see.

(Telephone conversation with Mr. Knudsen follows.)

June 12, 1940
12:45 p.m.

H.M.Jr: Hello.

Operator: Mr. Knudsen.

H.M.Jr: Hello.

Wm. S.
Knudsen: This is Knudsen.

H.M.Jr: How are you?

K: I thought you'd be interested in this,
Mr. Ford came around 100%.

H.M.Jr: Did he?

K: Yeah.

H.M.Jr: Oh, swell. Now what does that mean?

K: That means that he's willing to sign a contract
with the Allies and one with the U. S.
Government.

H.M.Jr: Oh, I'm tickled to death.

K: So that confirms what I told you yesterday.

H.M.Jr: What was that?

K: That I was sure he'd come around.

H.M.Jr: Yes.

K: Well, after I got a chance to talk to him --
you see, there wasn't any sense in him taking
that English engine.

H.M.Jr: No.

K: And and then refuse to sell it
to the English.

- 2 -

H.M.Jr: Well, now, that's fine. I talked to Joe Kennedy this morning -- I was a little bothered about this price that I asked, you see?

X: Yeah.

H.M.Jr: And I told him what I was asking, and I told him to speak to the Rolls Royce people to find out whether they wouldn't be willing to take a lump sum. Hello?

X: Take what?

H.M.Jr: A lump sum.

X: Yeah.

H.M.Jr: I had in mind a lump sum and then we could make as many as we wanted. I think that that might be better, don't you think so?

X: Well, I don't know. Well, it might be cheaper.

H.M.Jr: Well, anyway, I talked to Joe and Arthur Purvis

X: Well, I think from your standpoint, Mr. Secretary, if you are paying the lump sum and have it on the Government side, then you can license anybody you want.

H.M.Jr: That's right.

X: That gives you the exclusive license and that is really better.

H.M.Jr: Well, that's what I meant.

X: Yeah.

H.M.Jr: Now, that's just what I meant. Let's say that I paid them a million dollars to let us manufacture any or all Rolls Royce as long as the war lasts

- 3 -

K: Then that makes you the licensee.

H.M.Jr: That's right.

K: That's right. Well, that's the way to have it.

H.M.Jr: Well, the plans are on the way -- Arthur Purvis found them -- they're in Montreal and they ought to be here tomorrow.

K: And then we expect to get word from them now that they are willing to go along.

H.M.Jr: I'll talk to them right away.

K: All right, thank you very much.

H.M.Jr: I'll call them up right away.

K: Thank you very much.

H.M.Jr: Thank you.

- 19 -

H.M.Jr: If you just take a little friendly advice, stick by that 1800. What else, Phil?

Purvis: You were going to tell the Secretary --

Bloch-Laine: I am planning to fly back by the end of the week, just in general terms. I don't know if I can get to Paris.

Purvis: We are getting action fast.

H.M.Jr: That is fast. Now listen, you fellows said before he started, "Sure, we want 1800 engines."

Purvis: If you remember, I said that it wasn't absolutely firm.

H.M.Jr: I don't know. Well anyway, you gave him an answer in an hour. Now he is holding the fellow here and I think --

Purvis: We may be able to do that very quickly. It is just that I think at that stage you have got to say to them, "Look here, here is what can be done." If it had been eight months, it would have been a cinch. It would have fitted right into the order.

H.M.Jr: This is faster than I thought you would get it.

Purvis: Twelve to fourteen means June to August, and that is very interesting. Eight months would have been a cinch.

H.M.Jr: Anyway, Mead is on his way over and I do think as long as Knudsen is moving so fast and Ford is moving so fast, and you see - 60-40, which is certainly a fair break, and they divide 60-40 on the machine tools too.

(Following the conference, Monsieur Bloch-Laine whispered to the Secretary that he is going back to France, because he thinks it is important to find out whether they should continue to send all

of this raw steel to France and all of these machine tools, and whether it isn't more important to keep the stuff here and manufacture it into a finished article and then send it over.

A G E N D A

Meeting with Mr. Morgenthau on
June 11th 1940.

1) ORDNANCE MATERIAL

- | | | |
|-----|--|------------|
| (a) | 75 mm. guns and shells | (see memo) |
| (b) | Destroyers | (see memo) |
| (c) | Aeroplanes | |
| (d) | Motor torpedo boats | (see memo) |
| (e) | Rifles and ammunition
Sub-machine guns and ammunition | (see memo) |
| (f) | Spare equipment | (see memo) |

2) DEFENSE PROGRAMME

- | | | |
|-----|---------------|----------------------------|
| (a) | Machine Tools | (see memo) |
| (b) | Tanks | (M. Renauld, M. Planise.) |
| (c) | Steel | (Mr. Elliott) |

FIELD GUNS AND AMMUNITION75 m.m.

I have been asked to express the great appreciation of the Allied Governments for the release from stocks of the various war equipment, with special reference to the 75 m.m. field guns. 347 guns with all the ammunition are being shipped to France and the remaining 48, without ammunition, to England.

I have received urgent cable and telephone messages asking whether it would be possible to release a further 500 or more of these guns with appropriate ammunition. From the Army angle, I understand this item is the most vital to holding the enemy.

AK - 9/20/45
FWR

I (6)

SECRETDESTROYERS

Great anxiety is being expressed in the cables received from the other side in regard to the possibility of obtaining destroyers from the existing United States Naval stocks. It has been pointed out to me that the published figures of English and French losses in this particular field will of themselves emphasize the need.

Aid along this line would be invaluable and the considerations governing any choice on the part of the United States Administration, if there be a choice, would be for vessels with the maximum possible readiness for actual service and the greatest steaming endurance.

A simultaneous supply of ammunition and torpedoes would greatly facilitate the immediate putting into service of any destroyers which might be released.

June 11, 1940

AEROPLANESNorthrup Bombers

We have understood on June 10th that legal difficulties are standing in the way of delivery of the 93 bombers. Transport has been arranged for these planes by ships available in June and we would appreciate anything that can be done to clarify the situation.

Swedish Fighters, Vultees

The British Minister to Sweden has reported that it has proved impossible to obtain the assignment of the Swedish order for Vultee Fighters to the Allies:

1. because Sweden considers its Air Force its weakest point; and,
2. because of Sweden's fear of Germany hearing of the assignment.

Seizure by blockade action of the planes will probably result in the cutting off of certain important Swedish supplies to the Allies and would probably be ineffective since shipment from the United States would be stopped via Sweden as soon as any planes were seized.

It is suggested that the only method of taking care of this situation (and perhaps of preventing additional Fighters falling into the hands of the Germans) would be for the United States Army to exercise its priority rights on the whole, or part, of the Swedish orders and the sale to the Allies of a corresponding number of aeroplanes belonging to the United States Army.

letter to Phil Young
6/11/40
Mr Nelson
has carbon 6/11

(AEROPLANES Cont'd)

Further Releases

Further releases of Fighters or Bombers
are of the greatest importance.

June 11, 1940

Letter to Phil Young
4/11/40
Nelson
contd
6/11/40

245
I (d)

MOTOR TORPEDO BOATS

Arrangements are being made to look at motor torpedo boats which are to be made available from the works at Bayonne, N.J. The question of equipment such as torpedoes, war heads, etc. for these boats is of great importance. Any steps that could be taken in the meantime to insure the supply of such equipment would be very valuable.

Has the United States Administration any stocks of a similar article to the motor torpedo boats which they have been good enough to release to us? At the moment, pending completion of boats now being built, these represent a most important arm in the defence of the southern coast of England.

June 11, 1940

Letter to Phil Young

6/11/40

Belmont

Carson

6/11/40

RIFLES AND AMMUNITION

Further releases of Lee Enfield rifles, with ammunition wherever possible, over and above the 500,000 already released, would be much appreciated.

SUB-MACHINE GUNS AND AMMUNITION

There is a great need for such sub-machine guns and ammunition if they could be spared.

June 11, 1940

*Nmp. has
not seen
I have copy
P.H.*

List of items pending, including new
items for which application is being
made

247

A. ORDNANCE ITEMS

Field Guns and Ammunition

500 75 m.m. guns with 1,250,000 shells.

Any number of 3" anti-aircraft or 37 m.m.
anti-tank guns (either from stock or
from priorities)

Small Arms and Ammunition

500,000 Lee Enfield Rifles with 500,000,000
.30 ball ammunition

5,000 Thompson sub-machine guns, or any
part thereof, with 1,000,000 rounds
of ammunition (from Army or Navy)

Spare Manufacturing Equipment (new or old)

For nitrocellulose powder manufacture

For ammonia oxidation

For small arms manufacture

Nitrocellulose powder

Any further quantity of nitrocellulose
powder.

June 11, 1940

B. AEROPLANE ITEMS EX U.S. ARMY OR NAVYEx Stocks

93 Northrup Bombers with equipment
and the following bombs:

30 lb. 83,700

100 lb. 58,590

Any number of additional combat machines
(fighters or bombers, e.g. Boeings)

Ex Priorities

500 North American Harvard Trainers for
Canada

4 Allison Engines

6 Pratt & Whitney (double Wasps) *Q*

There is a further list of priorities for which application has been made and so far refused or remains unanswered (see list (a) of May 21st of which a copy is attached).

June 11, 1940

C. NAVAL ITEMS

48 Destroyers (complete with torpedoes;
spare torpedoes; ammunition,
especially anti-aircraft ammunition)

Equipment (torpedoes, war heads, depth
bombs, guns and ammunition) for
the priority granted on 20
motor torpedo boats.

Any number of boats similar in type to the
Motor Torpedo Boats for which
a priority for 20 has already been
granted (e.g. mosquito boats).

June 11, 1940

1940 JUN 11 PM 12 31

Distribution

Original to Secty Woodring }
Photostat copy to Gen Marshall } via
" " " Mr Forster } Maj
" " " Mrs Klotz } Smith
" " " Mr Young }
" " " Secretary Morgenthau }

A G E N D A

Meeting with Mr. Morgenthau on
June 11th 1940.

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- (a) 75 mm. guns and shells (see memo)
- (b) Destroyers (see memo)
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- (d) Motor torpedo boats (see memo)
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June 11, 1940

AK - 5/11/40
FWR

SECRET

I (4)

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June 11, 1940

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(AEROPLANES Cont'd)

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June 11, 1940

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1 (e)

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SUB-MACHINE GUNS AND AMMUNITION

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June 11, 1940

THE SECRETARY OF THE NAVY.
WASHINGTON

June 11, 1940

My dear Mr. Secretary:

Thank you for your letter of June 10th, regarding the assignment of Commissioner Knudsen by the President for clearing all contracts for purchases by the War and Navy Departments.

Your remarks concerning the able assistance rendered by Captain S. M. Kraus, U. S. Navy, are much appreciated, and will be transmitted to the Chief of the Bureau of Aeronautics.

Sincerely,



Charles Edison

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

June 11, 1940
3:30 p.m.

RE FREEZING ORDER

Present: Mr. Viner
Mr. Cochran
Mr. White
Mr. Bernstein

H.M.Jr: Now, where are we at, gents?

White: I thought you might first be interested in what those balances were. They are yesterday's figures.

H.M.Jr: Italy doesn't have very much.

White: Then there are two drafts. I think you might glance at the brief one first.

(Telephone conversation with Lord Lothian follows.)

June 11, 1940
2:31 p.m.

H.M.Jr: Hello.
Operator: Lord Lothian is in the residence. She'll locate him and have him call you.
H.M.Jr: Thank you.
Operator: Right.

2:36 p.m.

H.M.Jr: Hello.
Operator: Lord Lothian.
H.M.Jr: Thank you. Hello.
Lord Lothian: Yes.
H.M.Jr: Good morning, Mr. Ambassador.
L: Good morning, Mr. Secretary.
H.M.Jr: I've just gotten a cable from Kennedy in which he says the plans for the (Laughs) -- I don't know what he means -- for the Halifax and Rolls Royce bombers -- planes -- are in Halifax. ^{See p. 197}
L: Will you repeat that? I didn't quite get it.
H.M.Jr: The plans for the Rolls Royce and Halifax bomber are in Halifax.
L: I think that must be a mistake.
H.M.Jr: At Halifax, and I'll read you exactly what it says: "plans for Halifax and Rolls Royce bomber planes as you requested are already at Halifax."

L: Yes. That first word, "Halifax" is a mistake.

H.M.Jr: I think so too.

L: That must be some other bomber.

H.M.Jr: And these are just the plans, you understand?

L: Yes.

H.M.Jr: And, of course, we're -- you know the arrangements I have with your Government

L: Yes, about the Rolls Royce.

H.M.Jr: Yes, they're turning the plans over to me, and I'm terribly anxious to get them.

L: Well, I'll get on to that and -- are they addressed to you, do you think?

H.M.Jr: Well, I don't know. That's just the trouble. I don't know to whom they're addressed. I suggested originally they address them to your Air Attache, but I've tried to -- and instead of answering me and saying they're addressed to so and so, they just come back and say they're at Halifax.

L: Yes, I see.

H.M.Jr: They may be lying on the dock up there.

L: Well, you wanted to get them as soon as possible?

H.M.Jr: Yes.

L: I'll make inquiries into that at once.

H.M.Jr: And if there was some way of flying them down, I think it's that important. If they could fly them down, I really think it's terribly important we get them.

L: Yes, I'll get onto that at once, Mr. Morgenthau.

H.M.Jr: Thank you so much.

L: Right.

- H.M.Jr: They come back and say they are at Halifax, but he says, "To whom are they addressed?", and I have got to say, "I don't know." It is the stupidest piece of business. You gentlemen can see where most of my time goes. I got a great kick this morning. The Army sent me over a very formal document. No more 75 millimeter guns, so I sent it over to the President and said, "In the light of your speech, how about this request asking for 500 more?" I got the answer back in five minutes, "Okay, F.D.R." I wanted to see whether he meant his speech.
- White: It must be about ten degrees too hot here.
- H.M.Jr: Let me get McKay.
- (Mr. McKay entered the conference.)
- H.M.Jr: Mao, if that air is coming in here, I will buy the engineer's supper. I will murder the engineer.
- Viner: Before or after you buy his supper?
- White: They usually give them a meal before.
- H.M.Jr: Damn it, I argue about this thing every day.
- Bernstein: Put a piece of ribbon out there and then you can tell whether the air is coming in.
- H.M.Jr: You see, there is a separate switch, and it is so complicated. There is a separate fan which blows for this room, and somebody is always monkeying with it. That is a good idea to put a little piece of ribbon up there.
- White: This small memo is designed for a discussion with the State Department because it brings out all the problems and conditions. I am opposed to doing Switzerland alone.
- Bernstein: Mr. Secretary, the Counsellor of the Swiss Legation came in to see me yesterday, and Harry came in for the discussion. He wanted to learn how the thing had been working out in connection with the other countries, and

wanted copies of the documents and so on. In the course of the discussion, he made it clear on several occasions that although it would be an unneutral act for his country to ask us to apply the freezing control to his country, they would be very delighted to see it done.

H.M.Jr: Well, gents, I am not in very good absorbent condition. Let this filter through Mr. Hull and Mr. Jerome Frank, and by the time it comes back, maybe I will be in better shape.

White: There is no conclusion there, so it will be all right, in the second document. They are merely the pros and cons and we don't take any position on it. Supposing we send it to Mr. Frank and Mr. Berle and say this is just for discussion.

H.M.Jr: That is right.

Cochran: Do you repeat that statement in respect to Switzerland in the long memo?

White: No.

H.M.Jr: These are both private and Government funds?

White: Yes, they are Government funds. You see, the Government funds are negligible.

Possible courses of action in extending freezing control to:

- (1) Switzerland. This would seem clearly desirable and would face no objection from any source.
- (2) Also France. We have reason to believe that Germany may have been able to get control over some securities and property by its capture of the northern departments. If Paris were to be overrun, it would seem desirable to extend the control to France unless it would create a defeatist attitude in France.
- (3) Also Germany, Poland, Czechoslovakia, Italy and Albania. This would be something of a departure from the basis on which existing freezing control has been extended, but could be justified on the ground, among other things, that we can not completely prevent the aggressor from realizing on looted assets without controlling the accounts of the aggressors. By extending freezing control to these countries, we can considerably control propaganda activities in this country and exports of products by way of the Far East.
- (4) All of Europe except Great Britain and Ireland.
- (5) All of Europe and issuing immediately a general license for Great Britain and Ireland and possibly Turkey.
- (6) All of Europe and Asia.

If we followed the last three approaches we would thereby avoid having to extend the Order from time to time and we could take a census over a wider area of foreign assets. On the other hand, it will considerably increase the administrative problem both to the Government and to American business institutions. It might also create antagonisms and annoyances in certain of the European countries. It should also be recalled that when a country is included, its possessions and colonies are also included.

Italy's participation in the war makes desirable the consideration of the following alternatives with respect to the extension of exchange control over the American assets of European countries.

1. Extension of control over assets of countries invaded by Italy.

We have no official information as to Italy's invading any country as yet. Therefore, no action would be called for at this time.

2. Extension of control over assets of countries likely to be invaded by Italy or Germany.

Exchange control could then be applied to any of the European and North African areas. However, such a step would constitute a departure from policy hitherto adopted of applying exchange controls over the assets of only invaded countries. In view of Mussolini's statement that Italy did not intend to drag her bordering countries, like Switzerland, Yugoslavia, Turkey, etc., into the war, it might be difficult to justify the application of exchange control to selected countries not yet invaded. It is believed that extending the control to Switzerland would not meet with objections.

3. Extension of control only over the assets of Germany, Italy and countries under their control.

This step would be a definite departure from policy pursued up to now. Justification of such a step before the public on political grounds could be in terms of reducing the economic power of the aggressor nations by withholding from them the use of their dollar assets and in terms of more effectively preventing Germany and Italy from realizing on looted assets.

4. Extension of control over American assets of all countries in Europe (including territories and dependencies outside of Europe).

Such extension of control could be immediately followed by the issuance of general licenses which, in effect, would exclude selected countries from exchange control. This likewise would constitute a distinct departure from the policy hitherto pursued, inasmuch as the exchange control would apply to the invader countries as well as the others.

The economic advantages of extension of the "freezing" control-

1. The dollar assets of Germany and Italy, amounting to between one hundred and two hundred million dollars, could be used

only under conditions satisfactory to the American authorities. Financial and trade transactions between the United States and Italy and Germany could be controlled and remittances to Italy and Germany could be reduced. Money could be smuggled from this country to Italy and Germany through the mails.

The control of trade to European countries through the medium of exchange control would not be important so long as England and France maintain an effective blockade, but in the event such blockade is weakened or in the event attempts are made to use dollar assets to obtain goods through third countries exchange control would help to restrict exports to Germany and Italy.

2. Presumably the assets of Germany and Italy could be held until such time as government policy crystallized with respect to the ultimate disposal of those funds.
3. Security markets would be protected against the large scale selling of American securities held by residents of Switzerland or in Swiss names. In the absence of such control the market may fear the possibility of such sales since it is generally known that Switzerland holds large volumes of American securities. Germany and Italy could be prevented from selling American securities looted in France and other areas in Europe not yet protected by regulations. It is possible to reduce the selling of looted American securities through the control over imports of securities without the addition of exchange control. However, the application of exchange controls narrows the channel of evasion. Furthermore, most securities owned by Swiss already are in this country and import control is therefore of limited value.
4. The assets of European countries that would come under the control of Germany in the event of a German victory amount to several billion dollars. This sum would constitute a source of a possible offset for losses of American assets in Europe that may develop as a result of German governmental action.

The economic disadvantages are:

1. The burdens and costs of administration to the Government.
2. Additional interference and burden to exporters and importers and banking institutions dealing with Europe.
3. Possible impairment of the status of New York as an important free international market.

4. The possibility of retaliatory measures against American balances in areas now under Italian or German control or areas that may come under Italian or German control.

An examination of the economic advantages and disadvantages leads to the conclusion that the net balance is somewhat in favor of extending exchange controls to include the aggressor countries and Switzerland, but the economic benefits are not sufficiently important as compared with the political considerations to be an important factor in the ultimate decision. It is the political considerations, both domestic and international in character, which appear to be determining. The political considerations are:

Advantages:

1. Removal of one incentive to further territorial invasion by the aggressor countries. This would be particularly true of Switzerland, whose dollar assets total more than one billion dollars.
2. It would provide an important bargaining element in peace talks, should Germany emerge the victor. The United States would have over \$2,000,000,000 of assets belonging to the European countries, exclusive of France and England, which could serve as a bargaining point with Germans during such negotiations as we may wish to enter upon after the cessation of hostilities.
3. Through the information and administration which the control would provide and which, apparently, is not obtainable in any other way, it would enable our Government to restrict objectionable propaganda operations of the German and Italian governments in this country and also to some extent in Latin America.
4. It would indicate to the American public that the Administration is continuing to take whatever measures are within its power short of involvement to meet the emergency situation.
5. Application of exchange controls would provide adequate instruments with which to control all trade and financial transactions between the United States and Europe and also countries outside of Europe when funds of European countries are involved so as to check evasion of moral or other embargoes.

Disadvantages:

1. It would be an overt step definitely unneutral in character, inasmuch as any general licenses that would be granted subsequent to the "freezing" of all European balances would be withheld from Germany and Italy. In the light of the President's speech of June 10 this consideration seems to have little force.
2. It would create an obstacle to the placing of assets in a safe status for some of the individuals in threatened countries during the intervals between our application of the control and actual German or Italian invasion. If, upon the cessation of hostilities, this country would find it expedient to resume normal relations with the government of the aggressor countries, the control might have the effect of holding safely for Germany and Italy some assets that otherwise would have eluded their control.

June 11, 1940

(Dictated June 12, 1940)

Yesterday Admiral Noyes came to see me with a personal message from Admiral Stark. To insure complete safety of their vessels, they wanted six days and I granted that.

June 11, 1940

Admiral Stark, at my request, called for me this morning.

He told me that the two ships had left yesterday. (I am leaving it a little vague.) I told him that I did not want to inform the Federal Reserve of this movement until the ships were 48 hours out. He said they might have to stop en route for refueling. I said, "Well, then, I will not report to the Federal Reserve in New York until you personally phone me that they are out of the danger zone."

He said the fuses for the bombs for the Allies were on their way from Panama with the exception of 30, which I understood they would fly in from San Francisco. He said this really brought them down to rock bottom and that they were short 4,000 - 1,000 pound bombs. So I said I would like to know how soon they were going to order new ones to replace the old ones. He said he did not know, but he would have Furlong get in touch with me. I said that U. S. Steel today was going to sign a contract for 350,000,000 for the surplus war materiel and I thought it would be very nice if we could get a part of this money devoted to the manufacture of 1,000 pound bombs.

I asked him if the Army and Navy used the same bombs and he said they did.

June 11, 1940

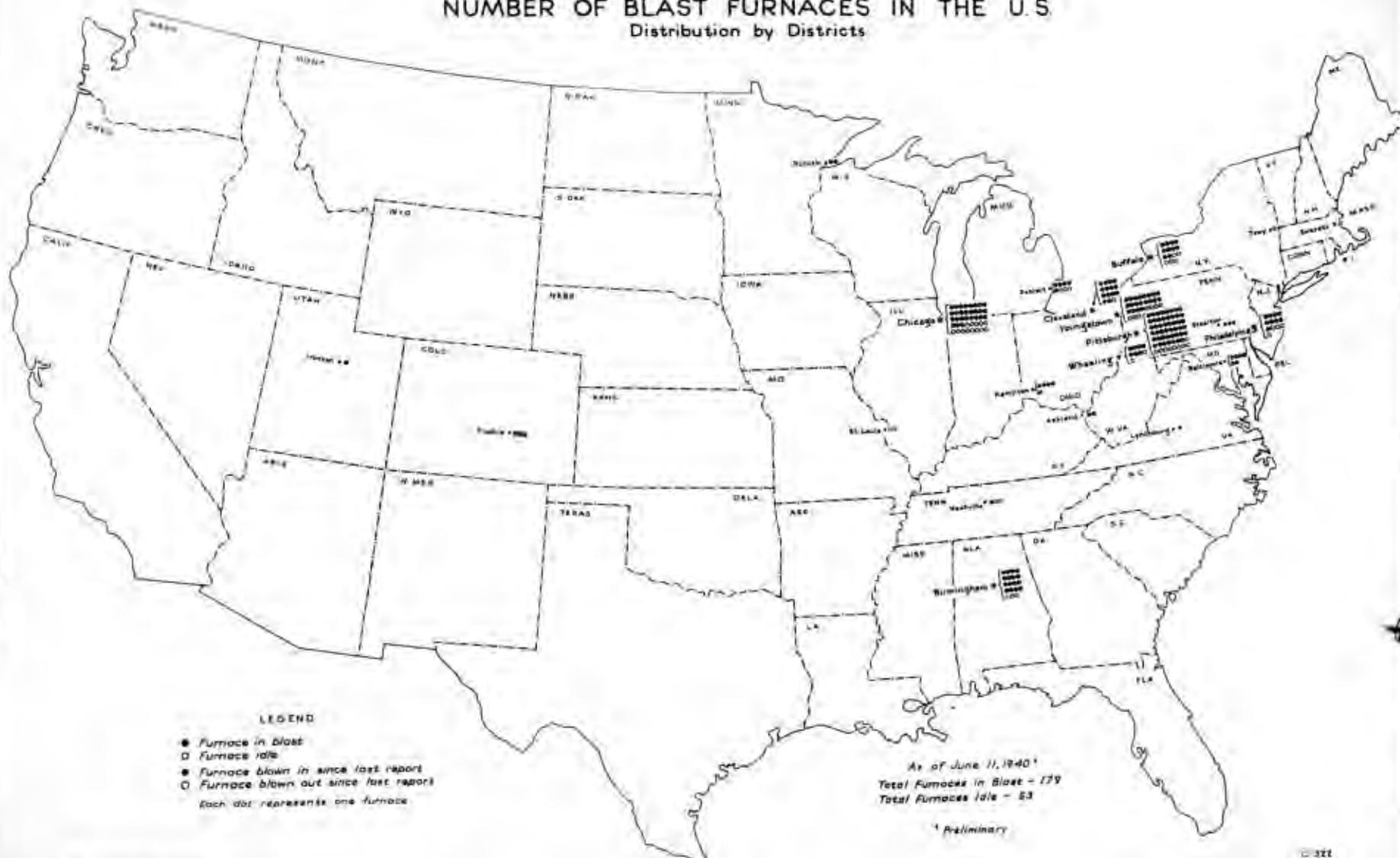
HM, Jr called General Watson and not being able to get him, spoke to Miss Berrcwa. The following is the Secretary's end of the conversation:

"Would you take this message for General Watson.

"Colonel Burns brought over a letter to me, at the suggestion of General Marshall, written on White House stationery, to the President of the United States Steel thanking him for what he had done in connection with the swapping of War Department used materiel for the Allies and I said that I thought the President ought not to write such a letter; that it would be quite sufficient if it was signed by the Secretary of War, Woodring; that they ought not to ask the President to sign it. I am sure that they will go around and ask General Watson to do it some other way. I am curious to find out if they should go some other way. I think it is asking too much of the President."

NUMBER OF BLAST FURNACES IN THE U.S.

Distribution by Districts



LEGEND

- Furnace in blast
 - Furnace idle
 - Furnace blown in since last report
 - Furnace blown out since last report
- Each dot represents one furnace

As of June 11, 1940¹
 Total Furnaces in Blast - 179
 Total Furnaces Idle - 53

¹ Preliminary

73

SEARS, ROEBUCK AND CO.

EXECUTIVE OFFICES
CHICAGO

June 11, 1940.

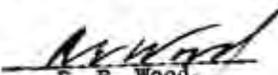
Hon. Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D.C.

Dear Mr. Morgenthau:

I have your letter of June 6th, and I am sorry that our understanding of our 'phone conversation was at variance.

You understand, of course, that Mr. Nelson is a free agent. I can only speak for our Company, which is, that I can only agree to give Mr. Nelson a leave of absence with pay for a period of two months. I could arrange to give him a leave of absence without pay at the expiration of that period, and it then depends on him whether he is able to, or willing to, make the personal sacrifice involved by staying beyond that time.

Very truly yours,


R. E. Wood.

June 11, 1940
9:01 a.m.

H.M.Jr: Hello.

Edward
Stettinius: Here's the list: 30,000 500's.

H.M.Jr: What's that?

S: Take this down -- the list of these bombs.

H.M.Jr: Yes, you mean that

S: Here are the quantities that are on the list tentatively that are to be ordered.

H.M.Jr: Oh.

S: 30,000 500's.

H.M.Jr: 30,000 500's.

S: 60,000 300's.

H.M.Jr: 60,000 300's, yes.

S: 400,000 100's.

H.M.Jr: 400,000 100's, yes.

S: Now, the 1,000-lb. -- pounders that were turned over to you were mostly obsolete thin wall stuff that's out of date.

H.M.Jr: Yeah, I know.

S: And they feel that their present supply of good 1,000's is pretty adequate in relation to this other list.

H.M.Jr: Who says that?

S: But -- the Ordnance fellows.

H.M.Jr: I mean, Army or Navy.

S: Army. Now -- and I checked our own fellows. Now, the thing -- but I still will argue our fellows into putting in a few 1,000's anyway, but

- 2 -

I wanted you to get this list of the 500, because your conscience ought to rest at ease on this whole thing.

H.W.Jr: Yeah, but not on the 1,000's, and Admiral Stark who came down with me this morning and certainly knows his business and used to be the head of Ordnance for Navy, gave me the figure on how many short he is.

S: On 1,000's?

H.W.Jr: On 1,000's. And I gathered that he is short between 4 and 5,000.

S: Right.

H.W.Jr: He told me this morning that he's short between -- right now.

S: Well, now they've committed to me to put some 1,000's in this order.

H.W.Jr: Good.

S: O. K.

H.W.Jr: Thank you.

June 11, 1940
3:16 p.m.

H.M.Jr: Hello.

Operator: Admiral Furlong.

H.M.Jr: Hello.

Admiral Furlong: This is Admiral Furlong.

H.M.Jr: Morgenthau. Admiral?

F: Yes, sir.

H.M.Jr: What's new on the bombs.

F: Well, there's nothing new. Admiral Stark said that you had some idea about helping me buy some replacement bombs.

H.M.Jr: Yeah.

F: The bombs that we have given up, the 750 1,000-pounders, they -- I understand that the Army has arranged that in turning those over to DuPont to have them replaced by TNT, and so that's all right for that.

H.M.Jr: Yes.

F: And, but I had a call from the Army the other day for all the light bombs I could give them, and I told them they could have 5,343 30-pounders and

H.M.Jr: Wait a minute. Wait. Do you mind if I put you on my loudspeaker here so that Colonel Burns can hear you?

F: Colonel who?

H.M.Jr: Burns, you don't mind his listening to this?

F: Oh, no.

- 2 -

H.M.Jr: All right, let's let him listen to this. Now, how many bombs did you say you'd turn over to the Army?

F: I'd turn over -- this is a new query now?

H.M.Jr: Yeah. This is for those 93 planes.

F: 93?

H.M.Jr: Well, to go with those 93 planes that the Army's going to swap to the Allies.

F: That's right.

H.M.Jr: Now how many --

F: I presume that's what they wanted them for. They just asked me for some bombs.

H.M.Jr: Yeah. Now, how many

F: Well, I've got 5,343 30-lb. bombs and fuses, and I have 565 100-lb bombs and fuses, and they amount to about \$150,000.

H.M.Jr: Yeah.

F: And I would like to have them replaced by bombs. The others were replaced by TNT.

H.M.Jr: I see.

F: And if these could be replaced by bombs, 1,000-lb. bombs, they run around \$130 apiece, that's the way I would like to have it replaced in kind. Now the fellow that you sell it to is the next question.

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

F: I mean, that the Army sells it to.

H.M.Jr: Well, just a minute. Let me ask Colonel Burns. (Talks aside) Colonel Burns says he'll give

- 3 -

1,000-lb. bombs dollar-for-dollar.

F: That's right.

H.M.Jr: O. K.?

F: That's right. But, look, the bombs he gives me, of course, are to my specifications.

H.M.Jr: Yes. He says, yes.

F: Yeah.

H.M.Jr: Got any more you want to put in?

F: Well, no. The only other thing that I wanted

H.M.Jr: Colonel Burns is in a good humor, you might as well ask him.

F: Well, the only other thing that I wanted to say to him was that Mr. Stettinius, who helps us a lot on all these things, his old company, the National Tool Company, have some trouble making the bombs.

H.M.Jr: I see.

F: And I mention that simply because he might be dealing with that -- with those people.

H.M.Jr: Just a moment, please. (Talks aside). He says U. S. Steel, the parent company, has agreed that they will make the 1,000-lb. bombs.

F: Yeah, they'll make them, but they had some trouble making them meet the specifications.

H.M.Jr: I see. Well, he says, they've got to trust U. S. Steel to come through.

F: We can make them come through on that.

H.M.Jr: Right.

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- F: So now -- then there was another thing that I thought -- I have had no word from anybody to give those bombs to them and I suppose if they do it like we did before, I'll tell these different stations of mine throughout the country to send them over to a shipping man.
- H.M.Jr: Well, now, just a minute. (Talks aside).
When Colonel Burns returns to his office, he's going to telephone you.
- F: All right.
- H.M.Jr: He'll telephone you.
- F: All right. Now here's something that you may be interested in, maybe Colonel Burns has told you that the 180 from Yorktown crossed the border this morning.
- H.M.Jr: Yes, I heard that.
- F: And that those from Hawthorne got under way, and that the fuses were being flown from Mare Island to Hawthorne to catch the last train out of Hawthorne, and they crossed the border of Minnesota out there.
- H.M.Jr: Oh, they crossed at Minnesota.
- F: Yes, that gets them up there at about
- H.M.Jr: Well, they tell me that they -- you know, I called up John Pelley myself and they tell me that they've run those things up from Yorktown to the border in 24 hours quicker than it has ever been done before.
- F: Well, you know, the man -- the transportation man that we deal with on that why he was just elated. He never saw anything like it.
- H.M.Jr: Well

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F: Well, of course, it was due to that phoning of yours.

H.M.Jr: Right.

F: And he said everything at the ammunition depots was ready to move and he was just tickled to death about the way everything was handled there.

H.M.Jr: Well, then I can call up Pelley and thank him.

F: Yes.

H.M.Jr: I mean, you people are pleased.

F: Oh, yes.

H.M.Jr: Swell. Well, thanks ----

F: Now, wait. There's one more thing I want to tell you about, Mr. Secretary, and that is this: there's a sort of a backhanded rumor coming around about some motor boats for the British.

H.M.Jr: Really?

F: Those Scott-Bain boats (?)

H.M.Jr: Well, I don't -- you've given them 20 out of the 24.

F: Oh, yes, but there hasn't anybody found time or none of those fellows haven't said anything about the -- really gotten down to brass tacks about the equipment to go into them.

H.M.Jr: Well, I don't know anything about that but I'll

F: That's up to them, isn't it?

H.M.Jr: Well,

F: I mean, I'm just a little ahead of them I suppose, but they ought to be asking for

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torpedoes and depth charges and where they can get them and all that.

H.M.Jr: Well, you don't have to tell me?
F: No, I don't, but
H.M.Jr: I get you.
F: But I suppose they ought to come around and say what they want.
H.M.Jr: Well, I'll get that word to them.
F: They're not definite yet.
H.M.Jr: And they're not dumb.
F: Well, all right. (Laughs)
H.M.Jr: O. K. I'll get that word to them.
F: All right.
H.M.Jr: Thanks for the tip.
F: All right.
H.M.Jr: Thanks for the tip.
F: Good-bye.
H.M.Jr: Good-bye.

June 11, 1940
9:30 a.m.

GROUP MEETING

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

H.M.Jr: I can see you at 10:15.

Thompson: All right.

H.M.Jr: Harry?

White: Are you going to raise the question of --

Foley: Go ahead.

White: If anything is going to be done, speculatively again, and I think it looks a little more likely in light of the speech, do you want to get in touch with Harrison to informally freeze any balances until they hear from you today or tomorrow?

H.M.Jr: No.

White: That is all. We will have the draft of it --

H.M.Jr: I don't see on what grounds.

White: Well, whatever grounds you may do it on later in the day, until action is taken. We will have this draft - a draft will be ready --

H.M.Jr: Whenever you are ready, I am ready.

White: And there will also be a draft of the tax statement. When do you want to --

H.M.Jr: I am supposed to - where is Sullivan? I'm supposed to see you people at eleven-thirty on the tax statement.

White: Eleven-thirty this morning. Well, we will be ready before then with respect to the other. Would you rather take it up later or before then?

H.M.Jr: That tax statement can't take over fifteen or twenty minutes, can it?

White: Oh, I don't think so.

H.M.Jr: Then we will do it right afterward.

White: All right.

H.M.Jr: Basil?

White: And you don't feel that you want to take any informal action?

H.M.Jr: No.

White: Okay.

Harris: You don't know anything about any blueprints on those Rolls Royce engines, do you?

H.M.Jr: Who wants to know?

Harris: Have you got any correspondence on how they are coming?

H.M.Jr: Who is asking, Basil?

Harris: Oh yes, it was Phil. I had to think who it was.

- 3 -

- H.M.Jr: Well, I sent a cable this morning to Ambassador Kennedy and asked him how they were coming.
- Harris: Oh.
- H.M.Jr: I just sent a cable this morning, because Merle asked --
- Harris: It is pretty vague the way it is. I wouldn't know where to start looking for them.
- H.M.Jr: I don't either, but I have just sent a cable. George?
- Hass: I wonder if you still wish to receive that cable from Milan, Italy?
- H.M.Jr: No, cancel it.
- Hass: All right. That is all.
- Nelson: There has been a policy, Mr. Secretary, that our strategic minerals shall be brought in American bottoms. Now, we all feel that that - that the emergency is so stringent in that, that that ought to be rescinded. I haven't yet found out where the policy came from, but I would recommend to you, sir, that if there is such a policy that it be rescinded. I have been working with Mr. Harris.
- H.M.Jr: Why?
- Nelson: Because we have quite a problem of getting in very quickly some of these strategic minerals which have been ordered. I am very fearful that many that we have on order we are not going to get. I feel that the program is very vital at this time. Now, I have been --
- H.M.Jr: I think you will have to tell me the story. I don't know a thing about it. You and Basil Harris will fight it out. Can you get by with the Maritime Commission --
- Harris: Well, the difficulty as I view it, Mr. Secretary, is that up to date there has been the inability

to put their hands on quick, ready money where they can go right out and make the purchases, and they keep continually talking about tremendous quantities that they are going to purchase and the stuff is still in the mines and still on the trees, and it is nowhere near the docks. Well, you can't start a boat out to load cargo like that and as soon as they know that the cargo is available and know it is going to be ready at a certain time, there is no trick in getting the boat there; but I think Nelson's people or whoever he cooperates with have been handicapped by the inability to put their finger on a certain definite sum of money.

Nelson: That, plus the fact that each of the producers come in and tell us we could have had that in here but we haven't been able to get the bottoms. If we had been able to use this, that, or the other ship, we could have had that in here. There are a bunch of alibis. I haven't had time to get to the bottom of it except that this request came to me this morning at breakfast from Dr. Leith and Mr. Stettinius, who have also been going into this. You see, the responsibility - at the present time Mr. Jones has responsibility for tin, rubber, and manganese. Now, we also have tin on order and manganese on order, and they are going into it. The request came to me at breakfast. I'm just merely passing it on. Perhaps I shouldn't have brought it up at this time.

H.M.Jr: No, it is all right. I just don't happen to be familiar with it and if you and Basil Harris want to take that battle on, all power to you. I have no interest other than to see the stuff come in.

Nelson: All right. I am merely pointing out that the orders that have been placed - there are many of them that are not going to come in and --

H.M.Jr: I should think Jerry Land would be the first fellow to get in touch with.

Nelson: Then Mr. Harris and I will iron it out.

H.M.Jr: Right. I don't know what the policy is. All right on that? You know Purvis is to be here at ten?

Nelson: At ten o'clock.

H.M.Jr: I would like to have you and Phil Young here.

Young: Ten or ten thirty.

Klotz: Ten thirty.

H.M.Jr: Ten thirty, that is it. Anything else, Nelson?

Nelson: No, sir. I have a few things to discuss with you but not matters of general policy.

Cochran: Jack Pederson telephoned a while ago that Governor Towers of the Bank of Canada is coming in at twelve thirty-five today. He is going to be over at the State Department at two thirty, and he has asked to see you this afternoon while he is here, and he will have had lunch on the train so he will be available at two or three thirty. The State Department would be willing to shift their hours so as to meet his convenience.

H.M.Jr: I can see him at three fifteen.

Cochran: All right. The State Department will probably move their hour up, then.

H.M.Jr: If you would, please.

Cochran: Three fifteen. That is all.

H.M.Jr: Will you (Sullivan) be ready at eleven thirty?

Sullivan: Yes, sir.

H.M.Jr: Are you (Viner) in on this tax set-up?

Viner: I am perfectly willing to be.

H.M.Jr: I definitely want you in. Please let Herbert Gaston see it early and White also.

Sullivan: They are working on it.

H.M.Jr: Ed, I saw George Mead this morning and they are fussing about this Rolls Royce contract. Without my knowing it, they sent word to the Rolls Royce Company, to whom is the license going to be issued, and the answer came back, it was issued by the British Government to the United States Government. Is that right? Am I quoting it right?

Young: Yes.

H.M.Jr: I don't think he should have communicated directly with them the way he did, but that is over the dam. Then he is seeing Edsel Ford this morning, and the way the matter stands now, the Army and Navy doesn't want the so-called Merlin engines, but the Allies do want a large quantity and I said - when they draw the contract up, I want you to sit in, because the British Government has given the license to me, so - there is a cable available which Mrs. Klotz will show you which covers this thing, which is the only thing that I have got. I didn't particularly like it that they went directly to the Rolls Royce when I had already got it. The Rolls Royce came right back and said this was between Governments. Now, it is going to be very interesting this morning when we see what Mr. Ford's attitude is going to be when they find out the Army and Navy don't want any, but the Allies do. Who is watching this contract with U. S. Steel on this exchange for surplus materials? Is anybody watching that?

Foley: Phil Young is --

Young: No one is actually in on the deal. It is General Wesson's entire baby and responsibility over there in the War Department. That situation has bothered me a good deal. Mr. Secretary, and it is perfectly likely that we might be able to work out some system whereby the Liaison Committee could have a legal sub-committee of Treasury, Army, and Navy to iron out legal problems coming up in connection with requests by the Allies which would give some shadow of authority for

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our perhaps helping the War Department slightly in working out some of their difficulties.

H.M.Jr: Well, that would be up to Ed, wouldn't it? It would be up to our General Counsel.

George, this thing that you put on my desk about the rest of the statistics, does this fit into this book or is this separate?

Haas: That is separate. That gives you somewhat more than is in the book.

H.M.Jr: God, do I want more than what is in that book?

Haas: One time you asked for it. You may not want it now. You see - that is an old one.

H.M.Jr: It just came in this second. It only reached me now.

Haas: Here, that is what I meant. These two columns here are orders from the beginning until June 1st.

H.M.Jr: This is really what I want.

Haas: Oh, all right.

H.M.Jr: It is getting to be too much.

Haas: All right. It is all in this book except those two columns.

H.M.Jr: Right. It is getting to be too much.

Haas: All right.

H.M.Jr: Herbert?

Gaston: Nothing.

H.M.Jr: Okay.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE June 11, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

At 5 o'clock this evening, Dr. Somary, the Swiss banker who is acting as financial adviser to the Swiss Legation and purchasing agent for Switzerland in this country, called on me. He stated that it had been necessary to spend considerable sums the past few days to support the Swiss franc on this market. The principal cause for weakness in the Swiss franc had been the flight from this currency on account of fear that Swiss assets might be blocked in the United States if Switzerland should be invaded. While admitting that some benefits might come from such blocking, during hostilities, the Swiss are worried lest this system result in funds being held by the United States in such a manner that they might necessarily be turned over to the German government at the end of the war if Germany is victorious. That is, our system as it now works takes funds out of the control of the individuals and leaves such control to the governments. Post war arrangements between governments might conceivably result in the funds going to Germany. Dr. Somary wished that the United States might be able, in some way, to give assurance that foreign funds would simply be blocked for the duration of the war and that thereafter the original holders would be entitled to dispose thereof.

Dr. Somary mentioned that the Counselor of the Swiss Legation had called at Mr. Bernstein in the Treasury Department yesterday, and had talked over various matters, but that upon his return had mentioned parts of his conversation to Dr. Somary in a manner which caused some anxiety to Dr. Somary lest the Counselor may have not understood thoroughly what he was discussing. I told Dr. Somary that Mr. Bernstein had gained the impression from the Swiss Counselor that, while Switzerland could not ask for it, the Counselor was at least personally of the opinion that the imposition of our freezing control now on Switzerland might be welcomed. Dr. Somary most emphatically denied any such feeling on the part of responsible Swiss officials. He said that it would be serious enough to block Swiss assets in case the country is invaded for the reasons indicated above. To block Swiss assets now when the country is not invaded, and hopes to avoid invasion, would be disastrous. It would immediately force Switzerland to go off the gold standard; would handicap the country seriously in its financial transactions, both as an international center and as a country obliged to buy importantly on foreign markets to keep its population fed and to keep its economic life sustained. Dr. Somary hoped that we could straighten out this misunderstanding at once.

In our conversation, Dr. Somary reverted to the question of getting gold out of Switzerland. He estimates that the National Bank of Switzerland still holds approximately \$250,000,000 of gold in Switzerland. He is not willing

that this gold, representing more than the holdings of the Bank of Italy, should now be sent out through an Italian port even if the Italians might agree to a treaty now under negotiation, which will permit Switzerland to use Genoa as a port during hostilities. Dr. Somary would prefer to see a special train, requiring eight or nine cars for the gold and perhaps additional cars for securities, to leave Geneva some night, cross France during the night so that bombing would not be possible, arriving at the French-Spanish frontier, Hendaye-Irun, the next morning, and then proceeding to Lisbon. Dr. Somary would want our assistance in arranging for such a train. I promised to learn as soon as possible whether American vessels would continue to visit Lisbon. I shall speak with Mr. Basil Harris on this point tomorrow morning.

Dr. Somary wants to call again to talk over this matter and would like some day to give the Secretary his personal impressions of the European situation.



June 11, 1940

Mr. Bell

Mr. Cochran

STRICTLY CONFIDENTIAL

At the suggestion of the Under Secretary, I telephoned Mr. Marie Bailie in New York this morning and requested his opinion of Mr. Frank Stemple, an applicant for a position in the Treasury, who had given Mr. Bailie as a reference.

Mr. Bailie told me that Mr. Stemple had worked only on Government bonds when he was employed by Bailie's concern. He was a good Government trader, competent to move in and out of the market quickly. He is a hard worker, but smart rather than wise. He is entirely honest. Mr. Bailie advised us, however, that if we had other people almost as good as Stemple, we might be wise to take them. When I asked if Stemple would be a man who could be relied upon to understand and pass upon the various types of applications which we receive, this position requiring a thorough knowledge of foreign exchange transactions and good judgment in addition, Bailie hesitated to recommend Stemple.



C:dm:6.11.40

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 11, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Mr. Leroy-Beaulieu telephoned me from New York at 11:15 this forenoon. He stated that he had cabled to Paris again yesterday in regard to the suggestion as to a departmental freezing in France, along the lines which he had advanced to Messrs. Bernstein and myself last Friday. Since he had received no word from his Government on this subject, he asked whether the Treasury felt that it should get in touch with the American Embassy in Paris with the idea that the latter discuss the advisability of departmental freezing with the French Government.

I told Leroy-Beaulieu that when we were reviewing the general European situation yesterday and I had mentioned the idea of freezing only certain parts of France, the Secretary had not received the idea very favorably. Such a system would be difficult of administration because of the shifting battle lines and the flight of refugees. I also thought there was no need for the Treasury to ask our Embassy in Paris to take the matter up with the French Government since cablegram No. 1175, dated June 5, from Matthews had reported fully his talk with Couve de Murville, and also the latest movements and preparations of the French Ministry of Finance, Bank of France and American banks in Paris. When I read this message to Leroy-Beaulieu, he agreed that his people had undoubtedly had the benefit of all the information that we could give them, and that there was no need for further cabling. Incidentally, Matthews had called on Leroy-Beaulieu just before sailing from New York and had been asked by the former to acquaint Couve de Murville thoroughly with the Treasury's freezing system. The one point Leroy-Beaulieu made was that precautions taken to date do not protect French holders of American securities against disposing of these securities under duress if the enemy get hold of the owners and bring pressure on them to give instructions for disposing of securities in the United States or elsewhere.

In closing our conversation, Mr. Leroy-Beaulieu mentioned that Mr. Christiansen, a Commercial Counselor of the Norwegian Legation had called on him and had discussed the possibility of having Norwegian bonds floated on this market stamped. Leroy-Beaulieu does not think this suggestion is at present of any merit with respect to French securities. It was the understanding of Leroy-Beaulieu that the Norwegians had discussed this matter with Mr. John Haskell of the New York Stock Exchange and that the latter had agreed to be of any possible service if the Norwegians might decide upon the scheme. When I suggested to Leroy-Beaulieu that the Norwegians ought to discuss this matter with the Treasury before taking any steps, since we are already taking such measures as we can to safeguard their assets and are even contemplating further measures, Leroy-Beaulieu said he understood the Norwegians had already mentioned this project to Mr. Bell. I told Mr. Leroy-Beaulieu if there was anything further that they desired, either directly or through him, we should be glad to do what we could to satisfy them.

B. M. F.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 11, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Mr. Jack Hickerson telephoned me at 9:15 this morning that Governor Graham Towers of the Central Bank of Canada was arriving in Washington at 12:35 today and had an appointment for 2:30 at the Department of State to discuss trade agreement questions. Governor Towers had asked for the opportunity of an interview with Secretary Morgenthau.

I mentioned this matter to the Secretary in the 9:30 meeting pointing out that Governor Towers will have had luncheon on the train and could be available here at two o'clock, or after his State Department appointment. The Secretary suggested 3:15. I telephoned Mr. Hickerson at 9:45 and it was agreed that this hour was acceptable. Mr. Hickerson thought that Governor Towers might broach the subject of further devaluation of the Canadian dollar.



TREASURY DEPARTMENT

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INTER-OFFICE COMMUNICATION

DATE June 11, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Mr. Knoke spoke to me this evening at 6 o'clock. He stated that the first consignment of Vatican gold is due to arrive in New York tomorrow, shipped by Grenfell from London. The total shipments will amount to ten or eleven million dollars. Morgan & Company have delivered to the Federal Reserve Bank a cablegram received this afternoon from the Administration of the Holy See in the Vatican, to the effect that the written instructions which were being sent to the Federal in regard to opening of the account would undoubtedly be delayed in receipt. In these circumstances and to preserve secrecy the Holy See desires to communicate with the Federal through the Apostolic Delegate in Washington. The Federal is sending us a copy of this message tonight. When I shall have received this message Knoke asks that I inquire through the State Department whether the Federal may communicate through it with the Apostolic Delegate. The Federal prefers to deal through our Embassy in Rome, as originally anticipated, but if this is not practicable, the alternative is to work with the Apostolic Delegate.



TREASURY DEPARTMENT

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INTER-OFFICE COMMUNICATION

DATE June 11, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Mr. Irigoyen telephoned me from Buenos Aires at 5:45. He asked me for the day's political and market news. He said Argentina had now lost 60% of its markets. The people are calm, awaiting developments. He was particularly concerned as to whether American stock markets might experience any sort of a panic which would lead to their closing. I remarked upon the improved sentiment on the market today and told him that the Treasury was opposed to any unnecessary restrictions on our market.



Trammell

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14099

OK

GRAY

Mexico City

Dated June 11, 1940

Rec'd 7:23 p.m.

Secretary of State

Washington

191, June 11, 3 p.m.

Since report of June 11th about condition of Bank of Mexico dollars continue to be offered in large quantities and Bank of Mexico daily has been adding substantially to stabilization fund. President Cardenas reported to press Monday morning June 10th as stating that higher value of peso could be expected this month. At the close of business June 10th Bank of Mexico had acquired \$2,400,000. Bank opened quotation this morning at 5.50 per dollar later reducing it to 5 per dollar. By noon it had acquired \$900,000 and withdrew quotations to allow peso to find its natural level. Latest available quotation 5.10 per dollar.

BOAL

EHB

June 11, 1940

Mr. Bell
Mr. Spahn
Mr. Public
Mr. Cochran

STRICTLY CONFIDENTIAL

When I talked with Marie Bailie this morning in regard to Mr. Stemple, I mentioned that Mr. Dale Parker was also an applicant.

Bailie stated that he knew Parker only slightly, but that he considered him both a brass hat and a fathead.



HMC:dm:6.11.40

TREASURY DEPARTMENT

297

INTER OFFICE COMMUNICATION

DATE June 11, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

At the suggestion of Under Secretary Bell, I telephoned Mr. Warren Pierson, President of the Export-Import Bank, this morning. I told him that an inquiry had been received indirectly from him with respect to the credit which his concern had extended for the sale of American products to Italy. He said that he had not mentioned this to the Treasury, but had talked with the State Department about it. In response to my offer to be of any assistance, he said there was nothing the Treasury could do now, unless I might be able to tell him how much money private Italian banks have on deposit in New York. In confidence, I told him that as of May 29 Italian private banks held approximately \$62,000,000 on the New York market. In answer to Mr. Pierson's inquiry as to whether there was any prospect of our freeing Italian balances, I replied that no decision in that direction had been taken. It was understood that we would keep in touch with each other.



TREASURY DEPARTMENT

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INTER-OFFICE COMMUNICATION

DATE June 11, 1940

TO Secretary Morgenthau
FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Mr. Knoke referred in a telephone conversation at 6 o'clock this evening to the transaction reported yesterday by the Chase Bank involving a payment of \$480,000 to a Japanese in New York, under instructions from the German Asiatic Bank in Shanghai.

After the Chase took this matter up with the Federal, they cabled the Shanghai Bank and were informed by the latter that the transaction was not for boarding. The Chase has now learned through its own secret channels that the individual to whom the payment is to be made is the purchasing agent for the Japanese army.



TREASURY DEPARTMENT

293

INTER-OFFICE COMMUNICATION

DATE June 11, 1940

TO Secretary Morgenthau
FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Mr. Knoke told me by telephone at 6 o'clock this evening that Italian deposits in New York are down approximately \$20,000,000 for the week ending June 5. Some \$7,000,000 went into securities and several millions were withdrawn for hoarding.



TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE June 11, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

At 3:15 o'clock this afternoon, the Secretary received Governor Graham Towers of the Central Bank of Canada. Mr. Cochran was also present. The Governor presented his respects to the Secretary and also a message of good wishes from Colonel Balston, the Canadian Minister of Finance. After a short but cordial visit, Governor Towers went to Mr. Cochran's office to give in detail certain information which he wished Secretary Morgenthau to receive. The following is a summary of the conversation in Mr. Cochran's office.

Governor Towers stated that, as could be imagined, his foreign exchange resources had declined since the beginning of the war. There was no present reason to worry, since there was foreign exchange enough to carry on for some time, but the diminution of the supply has been at such a rate that the Bank of Canada feels that immediate steps should be taken to check it. To meet this, three alternatives have been considered: (1) to levy on imports; (2) to reduce travel out of Canada; (3) to save on the conversion of Canadian dollar income, which is now converted at the official rate. With respect to the third alternative, Governor Towers stated that it was costing approximately \$60,000,000 Canadian dollars for the year 1940 to pay dividends, interest and profits from Canada, converting these items into United States dollars. This total includes service on Canadian bonds which are specified in United States dollars.

With respect to alternative (1), Governor Towers anticipates the imposition of a ten percent special war exchange tax on imports into Canada from non-Empire countries. The Canadians favor that this measure be designated as a levy so that it may be interpreted as conserving exchange rather than increasing the tariff. It will be applied to non-dutiable as well as dutiable goods. The tendency will be to increase the use of domestic products. There is also a proposal to put an excise tax on many manufactured products, such as motor cars. This tax will be graduated, the highest rate applying to the expensive cars. This will be applicable to foreign and domestic products. The production of motor cars, for example, will be cut down, but such factories are needed for war purposes. The income tax will also be raised.

As to alternative (2), there is no present plan for restricting travel out of Canada or the amount of foreign exchange that travelers may take with them. As to whether the tourist traffic into Canada will continue at its former level is quite uncertain, considering war conditions. Tourists may still travel in Canada on unofficial Canadian dollars.

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There is no intention of resorting at present to the third alternative.

In speaking of the general balance of banks, Governor Towers thought that the deficit vis-a-vis the United States in 1940 would be approximately \$175,000,000. Canada is importing from the United States this year approximately \$720,000,000 Canadian dollars, as compared with \$485,000,000 in 1939. 1940 production of gold in Canada will be around 203,000,000 Canadian dollars.

Governor Towers said that we could obtain more details on the Canadian trade situation from the State Department, where this subject was particularly discussed today.

In answering my inquiry, Governor Towers confirmed that some \$200,000,000 in gold had been received last week from Halifax for earmarking for the account of the Bank of France. At least one more shipment is shortly expected. In this connection, the Governor told me in strictest confidence that he does not believe that the Bank of England has much more gold to ship out, considering the quantities which he has already received.

The Governor stated that he was happy to make the foregoing information available to the Secretary in strictest confidence, but requested that it go no further.



STRICTLY CONFIDENTIAL

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE June 11, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

The rate for the pound sterling continued its uncertain trend. From an opening of 3.53, it advanced steadily to 3.83 shortly before noontime. After reacting to 3.71, it again improved, reaching a high of 3.85-1/4 late in the afternoon. The rate then eased to close at 3.78.

The turnover figures given below show that reported sales of sterling were almost double purchases. The difference, in all probability, represents covering of short positions by the reporting banks, their activities for their own account not being included in the figures. In addition, non-reporting banks were probably buyers of sterling on balance.

Sales of spot sterling by the six reporting banks totaled £362,000, from the following sources:

By commercial concerns.....	£ 92,000
By foreign banks (South America and Europe).....	£ 270,000
Total.....	£ 362,000

Purchases of spot sterling amounted to £194,000, as indicated below:

By commercial concerns.....	£ 98,000
By foreign banks (Far East, South America and Europe).....	£ 96,000
Total.....	£ 194,000

There were no reported sales of sterling to the British Control on the basis of the official rate of 4.02-1/2.

Spot sterling in the amount of £68,000 was purchased from the British Control at the official rate of 4.03-1/2 by the following banks:

£ 43,000 by the Guaranty Trust Company (for rubber)
25,000 by the Bank of Manhattan (for rubber)
£ 68,000 Total

Developments in the other currencies were as follows:

The French franc moved with sterling and closed at .0216.

The Swiss franc was steady all day at an offered rate of .2243.

The Canadian dollar improved slightly to close at a discount of 21-1/2%.

The lira and reichsmark were offered at .0505 and .4000 respectively, throughout the day.

CONFIDENTIAL

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The Cuban peso has had a decidedly weak tendency in the last two days. As compared with Saturday's discount of 9-5/16%, the quotation for that currency today was 10-15/16%. The Mexican peso was unchanged at .1672.

The yuan in Shanghai was quoted at 6¢, off 1/8¢ from the quotation received on Saturday.

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

\$5,000,000 from the Central Bank of the Argentine Republic
700,000 from the Central Bank of the Colombian Republic
 \$5,700,000 Total

The Federal Reserve Bank of New York reported that the Bank of England shipped \$2,084,000 from England to the Federal, to be earmarked for account of the Swiss National Bank.

The report of June 5 received from the Federal Reserve Bank of New York, giving the foreign exchange positions of banks and bankers in its district, revealed that the total position of all currencies was short the equivalent of \$19,239,000, a decrease of \$363,000 in the short position. The net changes in the positions are as follows:

Country	Short Position May 29	Short Position June 5	Decrease in Short Position
England	\$ 6,077,000	\$ 5,981,000	\$ 96,000
Europe	9,144,000	8,760,000	384,000
Canada	226,000 (Long)	135,000 (Long)	91,000 (Decrease in Long Position)
Latin America	178,000	180,000	2,000 (Increase)
Japan	3,463,000	3,606,000	143,000 (Increase)
Other Asia	955,000	816,000	139,000
All others	11,000	31,000	20,000 (Increase)
	<u>\$19,602,000</u>	<u>\$19,239,000</u>	<u>\$363,000</u>

The report from the Federal Reserve Bank of New York listing deposits for the account of Asia as reported by the New York agencies of Japanese banks on June 5, showed that such deposits totaled \$46,227,000, an increase of \$6,719,000 since the last report as of May 29. Included in this total were \$29,153,000 in deposits with the Yokohama Specie Bank, New York, made by its branches in China (an advance of \$976,000 since May 29) and deposits of \$8,460,000 made by the head office and Japanese branches (up \$7,158,000). The overdraft of the head office and Japanese branches on the books of Yokohama's New York Agency was \$82,525,000, a decrease of \$3,000 since May 29.

As anticipated, India's precious metal prices experienced an improvement under the influence of the latest European war developments.

The Bombay gold price advanced the equivalent of 81¢ to \$36.31.

Spot silver in Bombay worked out to the equivalent of 45.41¢, up 3/4¢.

In London, spot silver was unchanged at 23d. Forward silver, however, dropped 11/16d to 21-3/8d. The exceptionally wide spread between these quotations was reported as being due to the fact that no silver was available in London for spot delivery, while Indian interests were sellers of forward silver. The U. S. equivalents, calculated at the official sterling-dollar rate, were 41.81¢ and 38.86¢ respectively.

Handy and Harman today raised its settlement price for foreign silver by 1/4¢ to 35¢. Some silver trading reportedly took place in New York at 35-1/4¢, and it is believed that moderate Indian demand lies behind the present upturn. The Treasury's purchase price for foreign silver was unchanged at 35¢.

We made two purchases of silver totaling 100,000 ounces, under the Silver Purchase Act, both of which were new production from foreign countries, for forward delivery.



CONFIDENTIAL

June 11, 1940
8:40 a.m.

H.M.Jr: Hello.

Operator: Mr. Stettinius.

H.M.Jr: Hello.

Edward
Stettinius: Good morning, sir.

H.M.Jr: How are you?

S: Fine, thank you.

H.M.Jr: Ed, look. I may need a little help from
you.

S: Right.

H.M.Jr: We've squeezed the Navy dry on 1,000-lb.
bombs for these 50 ships that you saw in
the papers that are going over to England and
France.

S: Yes.

H.M.Jr: And I rode down with Admiral Stark this
morning and he tells me he's about 4,000
short, and we're going to squeeze the Army
dry too this week on some of their bombs
to accompany some other ships that we expect
to transfer Friday. See?

S: Right.

H.M.Jr: Now, I wondered if -- I understand that today
they're going to sign a contract with your
former company and for \$50 million, and I
wanted to put in a plea -- very strong one,
that a good piece of this money immediately
be -- go for these 1,000-lb. bombs. See?

S: Right.

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H.M.Jr: Because I think, if and when I'm investigated, the rest of us are, if we can say that within the week from the time we transferred these we immediately placed orders for others

S: I understand -- I get it.

H.M.Jr: it would help tremendously.

S: I get it.

H.M.Jr: And, now

S: Do you know -- have any idea how many bombs they were planning to make out at Christy Park out of this \$50 million?

H.M.Jr: No, but Furlong -- I just -- I understood the contract was going to be signed, now I didn't know whether it specified what material they were going to get.

S: It will specify -- it'll specify -- itemize it to the last detail as to what we have to deliver to Ordnance in return for having Ordnance deliver to us the stuff to turn over to Purvis.

H.M.Jr: Well, then, could you just hold that thing long enough -- until I can get in touch with Colonel Burns?

S: Correct.

H.M.Jr: And I've got Furlong working on it, you see.

S: Yeah.

H.M.Jr: And I want a good chunk of that -- so that the President can say, well, sure we gave those to the Allies, but within two or three days we placed an order to make up for the other.

S: Good.

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H.M.Jr: You get it.

S: Yeah, I get it. Now Burns is, I tell you who is better still, Wesson.

H.M.Jr: Huh-uh.

S: Huh?

H.M.Jr: Huh-uh.

S: Well, he's got the whole thing in hand.

H.M.Jr: Well, let -- well, Burns

S: Burns can clear it for you.

H.M.Jr: Burns is my contact.

S: All right. Well, then you just tell Burns and then I'll see that from the standpoint of the steel corporation that they do hold. They do what they're asked to do.

H.M.Jr: Right. Now, we have a little joke around here. It takes too much Wesson oil to make Wesson work.

S: (Laughs) O. K. Well, the reason I said that was that he's got this whole contract in hand

H.M.Jr: I know, but

S: O. K., I get it.

H.M.Jr: What?

S: I get it.

H.M.Jr: I'll -- I just thought if you could hold the thing an hour or two over there.

S: Right.

H.M.Jr: I mean, have U. S. Steel hold it.

S: Right. That'll be done.

- 4 -

H.M.Jr: Thank you.

S: Now, do we lunch today or not?

H.M.Jr: Lunch today at 1:00 o'clock.

S: 1:00 o'clock.

H.M.Jr: 1:00 o'clock.

S: Your place.

H.M.Jr: It's a chance mainly to give Mr. Stettinius a chance to unburden himself on Wages and Hours and Vinson-Tammell.

S: Right-o.

H.M.Jr: I mean, Knudsen and give you as much time as you want.

S: Right. Knudsen is coming with me.

H.M.Jr: Knudsen is coming and so is Sidney Hillman.

S: Swell.

H.M.Jr: And the purpose is to take our hair down on whatever you have in mind as far as the Treasury is concerned.

S: Right. Here's Bill Knudsen now. I'll tell him.

H.M.Jr: Thank you.

S: Thank you.

H.M.Jr: Good-bye.

June 11, 1940
8:46 a.m.

H.M.Jr: Hello.

Operator: Colonel Burns.

Colonel James
Burns: Good morning, Mr. Secretary.

H.M.Jr: Colonel Burns.

B: Yes, sir.

H.M.Jr: Here's something I want you to help on. As you know, the U. S. Steel is signing a contract, I think, for roughly \$50 million.

B: That's right.

H.M.Jr: Now, we wrangled out of the Navy 750 1,000-lb. bombs, as you know.

B: Yes, sir.

H.M.Jr: And I hope the Army is going to do as well by me in connection with these 93 planes.

B: Well, that's being worked out now, as you know.

H.M.Jr: I know. Now, here's the idea I've got. If and when I'm investigated -- the rest of us are all investigated, if we could say, well, within two or three days of the time we turned these 1,000-lb. bombs over, we immediately ordered at least as many more. You see?

B: Yes, sir.

H.M.Jr: And I rode down with Admiral Stark this morning and he tells me that both the Army and Navy now use the same 1,000-lb. bomb.

B: Yes, sir.

- 2 -

H.M.Jr: Now, he's talking to Furlong, and I thought if you and Furlong could put your heads together and figure out how many the Army's going to give up with those 93 planes, see?

B: Yes, sir.

H.M.Jr: And then get included in this U. S. Steel contract which is going to be signed today, at least as many bombs as we're turning over to the Allies if not more.

B: Yes, sir. I'm sure we can work that out.

H.M.Jr: I talked to Mr. Stettinius two minutes ago and he said he'll tell U. S. Steel to hold that contract until Army and Navy say how many bombs they want. See?

B: Yes.

H.M.Jr: Now, I'm going to come back, undoubtedly, for more.

B: Yes.

H.M.Jr: I don't -- on these 93 Northrop planes, I don't think they use 1,000-lb. bombs.

B: No, sir, they don't. The 100-lb. is all they use.

H.M.Jr: I thought they used 500-lb.

B: No, sir, 100-lb. and 30-lb.

H.M.Jr: Well, then figure out what has to go with that

B: Well, I understand your principle. You want to order immediately at least as many as we're releasing.

H.M.Jr: At least as many and as I'm going to come back most likely for some more, I'd order at least as many as we're releasing plus 50% more.

- 3 -

B: All right, sir. As many as we release, plus 50% more. All right, sir, I think we can work that out.

H.M.Jr: And that's the combined Army and Navy release.

B: Yes, sir.

H.M.Jr: And get that stuck into the U. S. Steel order.

B: Yes, sir.

H.M.Jr: Now, they're signing that today so you're going to have to move fast.

B: Well, I don't think we'll have too much worry about it, Mr. Secretary, because that's a flexible contract and all we've got to do is enter the bomb as one of the things that we want -- of the various types of bombs as those things we want returned, and then we can give a written order later on.

H.M.Jr: Well, Mr. Stettinius said they were getting right down to the most minute detail.

B: Well, that's right, except that we can't tell them right now exactly how many of an item we're going to get, we're telling them -- maybe they worked it out that way. But anyhow I'll check it up right away.

H.M.Jr: And whatever the bombs that have gone with the Navy's plus the bombs that go with these 93 ships, if they can put an order in for the same amount plus 50% extra.

B: Yes, sir, I'll see about that right away.

H.M.Jr: And when you hear, will you talk to me direct on it?

B: Yes, sir.

H.M.Jr: Thank you.

June 11, 1940
10:02 a.m.

H.M.Jr: Hello.

Operator: Mr. Harrison. Go ahead.

H.M.Jr: Hello.

George Harrison: Hello.

H.M.Jr: Hello, George.

H: Hello, Henry?

H.M.Jr: Yes. Good morning.

H: When I first called you I had something specific to put up to you, but I haven't now, and these notes -- the new notes we're floating around here this morning -- just a lot of the little holders, you know, offering them around, and the big buyers haven't come in and they went off from 23 down to, well, really 16 or 17.

H.M.Jr: Yeah.

H: And so that they were selling on an 85 basis here, which was all out of line.

H.M.Jr: Yeah.

H: We were going to -- we were considering picking up a few ourselves largely as an investment, and not as a support of the market, but we didn't want to do it without talking to you.

H.M.Jr: Yeah.

H: In the meantime, people have caught on to the fact that they're out of line and they've gone up again now to 19 or 20 and I think we'd better not do anything.

H.M.Jr: I'd much prefer that you didn't have to.

- 2 -

H: Yes. Well, I think under the circumstances we won't.

H.M.Jr: I'd much prefer you to

H: And I didn't want to do anything even as they were without consulting you first.

H.M.Jr: Right.

H: But as it is, we won't do anything.

H.M.Jr: Right.

H: First rate.

H.M.Jr: Thank you, George.

June 11, 1940.
11:33 a.m.

H.M.Jr: Hello.

Operator: Go ahead.

H.M.Jr: Hello.

Gen. John J. Pershing: Hello, Mr. Morgenthau?

H.M.Jr: Talking.

P: General Pershing.

H.M.Jr: Good morning. Glad to hear your voice.

P: Good morning, Mr. Secretary. I am not trying to break in on any plan or system you have of letting these poor Allies have airplanes, etc., but it seems to me, Mr. Secretary, that if there was a way -- any way -- by which we could let them feel that they wouldn't have to pay gold dollars for all these things, it would be a great stimulus to them.

H.M.Jr: Well

P: I wondered if there's any way of getting around that for the time being.

H.M.Jr: Not, General, as long as we have the Johnson Act. We just can't get around that one.

P: You mean, it would have to take some action by Congress.

H.M.Jr: It would have to take action of Congress. As a matter of fact, right now they have plenty of money here. The money question isn't bothering them.

P: Yes.

H.M.Jr: They've got plenty of money here, on deposit with us.

- 2 -

P: Yes.

H.M.Jr: And the trouble -- all of my troubles and what's wearing me to a frazzle is trying to pry it loose from the United States Army. That's my trouble.

P: Yes.

H.M.Jr: But the money thing is no trouble, but our -- your Army is my chief trouble (Laughs)

P: Yes. The point I make is -- is -- is to create some encouragement in their minds to let them feel we're behind them without demanding cash payments.

H.M.Jr: Well, I think we're doing everything possible under the law, but I'm simply delighted that you called me and any time that you have any ideas, please call me. I consider it a compliment.

P: Well, I'm sorry to bother you about it.

H.M.Jr: You haven't bothered me at all, General.

P: These members of the French -- are plugging away at me from Paris, you know and I really -- my sympathies all run in that direction.

H.M.Jr: I know.

P: As you can well understand.

H.M.Jr: I -- well, you call me any time you feel -- or any time you'd care to drop in, or I'd be glad to drop in on you.

P: Yes. Well, you think for the moment that we'd better let it lag.

H.M.Jr: Better let it go for the moment.

P: Thank you very much, Mr. Secretary.

H.M.Jr: All right.

June 11, 1940
3:25 p.m.

H.M.Jr: Hello.

Operator: Mr. Pelley.

H.M.Jr: Hello.

J. J. Pelly: Hello.

H.M.Jr: Mr. Pelley.

P: Yes.

H.M.Jr: They tell me you've done a perfectly wonderful job.

P: Thank you.

H.M.Jr: And everybody is simply delighted. I hear you've broken all speed records and everything else.

P: Well, it's about that way. I was hoping I could tell you by this time when they're going to be at Rouses' Point, but I

H.M.Jr: Well, I hear they got -- I hear they got there this morning.

P: Beg pardon?

H.M.Jr: I hear they got to Rouses' Point.

P: No, that's wrong.

H.M.Jr: Oh.

P: No, they left Wilkes-Barre at 5:00 o'clock this morning.

H.M.Jr: Oh.

P: They ought to be pretty close to Rouses' Point.

- 2 -

H.V.Jr: Well, everybody over at the Navy is just tickled to death.

P: Well, that's fine and we're going to do the same kind of a job out West on those others. We're just getting started on that.

H.M.Jr: Right.

P: O. K.

H.M.Jr: Thank you.

JUN 11 1940

My dear Mr. Chairman:

Receipt is acknowledged of your letter of June 5, 1940, enclosing a copy of S. J. Res. 272, introduced by Honorable Arthur H. Vandenberg, to authorize the postponement of payment of amounts payable to the United States by the Republic of Finland on its indebtedness under agreements between that Republic and the United States dated May 1, 1923 and May 23, 1932.

The bill provides for the postponement at the option of Finland of payment of amounts payable to the United States during the period from January 1, 1940, to December 31, 1940. In the event of the exercise by Finland of the option to postpone such payments the Secretary of the Treasury would be authorized to make, on behalf of the United States, an agreement with Finland for the payment of the postponed amount, with interest at the rate of 3 per centum per annum, beginning January 1, 1941, in 10 annuities, the first to be paid during the calendar year beginning January 1, 1941, and one during each of the nine calendar years following.

The amounts payable to the United States by Finland during 1940 which would be subject to postponement under the proposed Joint Resolution are as follows:

Date Payable	Funding Agreement, May 1, 1923		Moratorium Agreement, May 23, 1932	Total
	Principal	Interest		
June 15, 1940	—	\$140,367.50	\$19,030.50	\$159,398.00
Dec. 15, 1940	\$76,000	140,367.50	19,030.50	235,398.00

The Treasury has no objections to the enactment of the proposed Joint Resolution if the Congress determines to grant a measure of assistance to the Republic of Finland. Finland was one of the first nations to come forward in 1922 to make arrangements for repaying to this Government amounts representing the cost to it of relief

supplies which it had received. The people of Finland have steadfastly and scrupulously carried out their agreements with this Government. Notwithstanding the difficulties confronting that Government on December 15, 1939, it made a payment of \$234,693 which was due to the United States. Previous to that date the President announced that the Treasury would be directed to hold this payment in suspense and that he would recommend to the Congress that the funds be used for the benefit of the Finnish people. While the Export-Import Bank has granted credits to assist Finland, the payment of the amounts which will soon begin to mature on such credits, when added to the semiannual payments due from Finland on her relief indebtedness incurred in 1919 and 1920, constitute a drain on the limited resources of that Government, resources which are sorely needed in the rehabilitation of the country.

Finland's indebtedness for relief supplies aggregated \$8,261,926.17 and was represented by obligations of \$3,289,276.98 dated June 30, 1919 and \$4,992,649.19 dated July 1, 1920. As a result of the negotiations initiated in 1922 by the World War Foreign Debt Commission, the Congress by an Act approved March 12, 1924, authorized a refunding agreement with Finland under which interest on the original indebtedness at the rate of 4-1/4 per cent per annum to December 15, 1922 amounting to \$1,027,389.10 was added to the original debt, and after a cash payment of \$309,315.27 by Finland, the balance of \$9,000,000 with interest at 3 per cent per annum from December 15, 1922 to December 15, 1932, and thereafter at 3-1/2 per cent per annum, was to be repaid over a period of 62 years. Each semiannual installment has been promptly paid by Finland except the installments due in the fiscal year 1932 which were postponed under the moratorium proposed by President Hoover, and authorized by the Joint Resolution of Congress approved December 23, 1931. The postponed installments are being repaid in ten annuities with interest at 4 per cent per annum from July 1, 1933. Since 1923, Finland has paid to the United States the sum of \$5,891,291.77 of which \$957,533.23 represented principal and \$4,933,758.54 represented interest. This includes the payment of \$234,693 by Finland on December 15, 1939.

It appears that the proposed Joint Resolution affords only limited assistance to Finland. It imposes a 3 per cent interest rate, and includes interest on interest, which Finland must pay if that Government should desire to take advantage of this proposed offer. While the proposed interest of 3 per cent is less than the 3-1/2 per cent rate which is now borne by Finland's indebtedness under the agreement of May 1, 1923 and the rate of 4 per cent on the amounts postponed under the agreement of May 23, 1932, in the light of recent developments

in Finland and the problems of reconstruction now confronting that Government, the requirement that the proposed postponed amounts be repaid within 10 years does not offer much except a temporary measure of assistance to Finland.

If the Congress should desire to afford a more liberal measure of assistance to the Republic of Finland than is contemplated under the proposed Joint Resolution, this Department would be very pleased.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your Committee.

Very truly yours,

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury.

Honorable Pat Harrison,
Chairman, Committee on Finance,
United States Senate,
Washington, D. C.

File to Mr. Thompson

By Messenger / 05

By Messenger / 20

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UNITED STATES SENATE

Committee on Finance

June 5, 1940

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

Dear Mr. Secretary:

I am attaching a copy of S. J. Res. 272, introduced by Senator Vandenberg, to authorize the postponement of payment of amounts payable to the United States by the Republic of Finland on its indebtedness under agreements between that Republic and the United States dated May 1, 1923, and May 23, 1932, and I shall appreciate your furnishing the Committee a report as soon as possible concerning this proposal.

Sincerely yours,

/s/ Pat Harrison

C O P Y

(Received from Mr. I.C.R. Atkin,
of J. P. Morgan & Co. 6/11/40)

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Received 3 59 PM MET 4

New York June 11, 1940

Copy of Message FROM Amministrazione Speciale della Santa Sede,
Citta del Vaticano.

Please advise Federal Reserve Bank, New York, that owing to present circumstances our letter to them with our instructions, power of attorney and specimen signature may have delay. In the meantime ask Federal Reserve Bank to receive and keep in safe custody for our account commodity received. Also advise Federal Reserve Bank that for the reason of secret we should like to communicate with them either by cable or letter through Apostolic Delegate in Washington, D. C. Acknowledge receipt to us of this cable.

JR

PLAIN

London

Dated June 11, 1940

Rec'd 2:49 p.m.

Secretary of State,
Washington.

1503, June 11.

FOR TREASURY FROM BUTTERWORTH.

1. The city's preparations both actual and psychological in anticipation of Italian intervention cushioned the blow. Ever since the sanctionist period credits to Italy have been curtailed and recently the process has been carried almost to its logical conclusion.

2. The clearing bank figures for the end of May show an unusual expansion in bill portfolios, discounts totalling pounds 409 million or pounds 70 more than in April, which was double the increase in the Treasury bill tender issue, indicating that banks have been fed direct with bills issued through the tap, (another indication of the extreme elasticity of the Government's control of the whole money market mechanism.) call money meanwhile declined by pounds 9.8 million. Deposits were up by pounds 50 million at pounds 2,413 million while advances dropped by pounds 22.8 million reflecting a speed-up in Government payments to contractors. The highly liquid position of the banks, whose cash, bills and call loans were 36.8 per cent of deposits,

2. #1593, June 11, from London.

deposits, points to conditions favorable for the floating of a loan suitable for bank subscriptions, given the psychological conditions.

3. The total figure for unemployment of 880 thousand on May 20 was 92 thousand and 611 thousand less than on April 15th and May of last year respectively. These returns must now be regarded no more as a measure of business activity but rather as a measure of reserve labor power, but they are far from accurate as such a measure because of factors such as the influx of new labor reflected in the increase from less than 40 thousand to nearly 50 thousand in the number of uninsured workers on the register between August and May, representing chiefly women; the continued absorption of personnel into the fighting services; and the large proportion of the figure representing turnover of labor shifting from diminishing non-essential industries into armament production. The new Board of Trade order reducing by one third supplies of goods to retailers, reported in TP 2 of my No. 1549 of June 7 will tend to increase the total of unemployed if absorption into arms industries and export trades does not keep pace with this trend.

KENNEDY

WVC

NC

GRAY

MILAN

Dated June 11, 1940

Rec'd 6:54 p.m.

Secretary of State

Washington

62, June 11, 6 p.m.

Today's market index 218.3 Volume 55,150.

Market slightly firmer in light trading.

SCHNARE

LMS

TO THE SECRETARY
TECHNICAL DIVISION
JUN 11 1940

JUN 11 1940 6 54 PM

RECEIVED
JUN 11 1940

HSM

PLAIN

London

Dated June 11, 1940

Rec'd 9:15 a. m.

Secretary of State,
Washington.

1584, June 11.

FOR TREASURY FROM BUTTERWORTH.

With reference to the third from the last paragraph of my 1525, June 6, regarding the Anglo-Rumanian negotiations there is quoted below the official summary of the payments agreement now concluded:

"Under a new agreement Rumania has undertaken to provide sterling to enable all debts covered by the previous arrangements to be punctually paid. Debts due from persons in the United Kingdom in respect of the price of Rumanian goods exported to the United Kingdom from Rumania before June 17 will be payable to the clearing office and together with the existing balances will be allocated in accordance with the Trade and Payments Agreement of July 12, 1939.

On the other hand debts due in respect of Rumanian goods exported on or after June 17 will be payable to the Bank of England to an account in the name of the National Bank

hsm -2- No. 1584, June 11, from London

327
Bank of Rumania called the intermediate account. Moreover payments must now be made to this for all debts due from persons in the United Kingdom in respect of goods other than those already mentioned and in respect of freight insurance or financial transactions of a revenue nature.

"No part of the sterling paid to this account will be at the disposal of the exporter for sale at market rates, for he is now obliged to surrender the whole to the National Bank of Rumania at the official rate for sterling published in Bucharest, together with such premium or premiums on that rate as, under the Rumanian regulations, are applied to strong currencies. The rate of exchange including premiums is approximately 852 lei to the pound at the moment.

"A substantial part of the proceeds of the sterling derived from imports of Rumanian goods is to be available to pay for United Kingdom exports to that country. Where United Kingdom exporters are selling on credit terms the Rumanian authorities are prepared to provide a certificate that sterling will be available at the due date. A portion of the sterling arising from Rumanian sales in this country will also be available to pay for purchases by Rumania from the sterling area."

KENNEDY

TFV

GROUP MEETING

June 11, 1940
9:30 a.m.

Present: Mr. Bell
Mr. Haas
Mr. Sullivan
Mr. Schwarz
Mr. Thompson
Mr. Harris
Mr. Foley
Mr. Cochran
Mr. White
Mrs. Klotz

H.M.Jr: Norman?

Thompson: One of our pay roll changes for July 1st involves taking off about 60 thousand from the Stabilization by transfer to the Foreign Control Fund.

H.M.Jr: Have they money?

Thompson: Yes, Congress has appropriated 100 thousand dollars for Foreign Control operations. We are picking up about ten thousand dollars worth on the Stabilization Roll representing personnel working in Mr. Cochran's office.

H.M.Jr: Picking up some of those?

Thompson: Yes. They are on other rolls but assigned to Mr. Cochran.

H.M.Jr: Is that all?

Thompson: Yes.

H.M.Jr: Dan?

Bell: We have an application from the Chase National Bank to operate its Paris office, and that brings up the question of the Paris offices of all these American banks and I think we need more information than we are getting and

- 2 -

we ought to have some expression from the other banks as to what they are going to do. I would like, with your permission, to get Governor Harrison to call in the representatives of these banks that have branches over there and find out just what the situation is and what we should do about granting licenses. I will call him today.

Some time ago you expressed an interest in that other fund. We have an application from one of the banks down there, although the information is not sufficient to permit us to grant the application yet, or grant the license. Are you still interested?

H.M.Jr:

Yes.

Bell:

Or shall we go along?

H.M.Jr:

How much does it amount to?

Bell:

That is what we are trying to find out.

H.M.Jr:

I am still interested.

Bell:

I will bring it to you.

Then we will be prepared soon to submit to you the Phillips Agenda, an agenda for the Phillips conference. I don't know whether you want to go over it.

H.M.Jr:

Yes.

Bell:

Is there any schedule set for a meeting?

H.M.Jr:

Tomorrow?

Bell:

If you will let me know what time.

H.M.Jr:

I told you about wanting somebody to go down and meet him.

Cochran:

I spoke to Pinsent and he didn't know last night.

- 3 -

H.M.Jr: The Ambassador said last night he is sending Pinsent up to New York to meet him so somebody can go with Pinsent.

Harris: He is coming in on the Northern boat, isn't he?

Cochran: They didn't know the name of the ship. It was in a convoy.

H.M.Jr: Why don't we meet tomorrow at ten thirty and go over that?

Bell: All right.

H.M.Jr: Let me just check that with Mac.

Bell: I think I just heard him make an appointment with Purvis for 10:30.

H.M.Jr: (To Lieutenant McKay) What time was that appointment tomorrow with Elliott?

McKay: Ten thirty, sir. Mr. Wollner at 10:15.

H.M.Jr: Well, we can make it at 10:45.

Bell: In the meeting with Phillips, do you want anybody outside the Treasury, like Viner or any of those fellows? He said he would come down if you wanted him.

Cochran: He will be here Monday and Tuesday anyway.

H.M.Jr: Let's talk about a plan tomorrow. I want - White, are you in on this?

Bell: Yes, very much.

H.M.Jr: Ed, is Bernstein?

Foley: Bernie has been working with the group, getting up the memorandum. I haven't seen it yet.

Bell: It is still very rough.

- 3 -

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Bell: I think I just heard him make an appointment with Purvis for 10:30.

H.M.Jr: (To Lieutenant McKay) What time was that appointment tomorrow with Elliott?

McKay: Ten thirty, sir. Mr. Wollner at 10:15.

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H.M.Jr: Ed, is Bernstein?

Foley: Bernie has been working with the group, getting up the memorandum. I haven't seen it yet.

Bell: It is still very rough.

H.M.Jr: All right. What else?

Bell: That is all I have.

H.M.Jr: I got quite a kick out of pricing that bond issue yesterday.

Bell: Very interesting.

H.M.Jr: We kind of fooled the boys, didn't we?

Bell: It is one of the most interesting ones we have had.

H.M.Jr: I think so. The first time they say about five or six years - we gave the market what they didn't expect and in advance of quotation the lower term bonds strengthened. They all sold off.

Bell: Apparently what they are doing this morning is selling the '51-'53's -- we have a three point premium -- and buying these we issued.

Foley: What is the rate, Dan?

Bell: 2½ for a 3 year longer period, '54-'56.

Sullivan: Taxable?

H.M.Jr: Then in December --

White: What was the answer to that?

Sullivan: I haven't gotten it yet.

Bell: June 15th.

H.M.Jr: Read the circular.

Sullivan: Where is it, I haven't seen any?

White: It will be too late then to do anything about it, if it is in the circular.

Foley: It is too late now.

Sullivan: Are they taxable?

H.M.Jr: Sure.

Sullivan: No tax exemption features at all?

Bell: Oh yes, the usual tax exemption on a bond. These are not defense notes.

White: I thought you were establishing a policy with respect to new bonds.

Bell: No, the law is definite on bonds.

White: On these bonds?

Bell: That is right.

White: It is only on the notes.

Bell: It is only on the notes.

Foley: What is the term of these, Dan?

Bell: 2½%, June 15, '56, callable in '54.

H.M.Jr: The people don't seem to appreciate that to sell a 15 year bond at 2½% - I think it is the best rate we have ever gotten for the Government, isn't it?

Bell: I think so.

H.M.Jr: It is something of an achievement.

White: Particularly in times like these and particularly when it is anticipated there will be a lot of new financing.

H.M.Jr: I think it is very cheap.

White: There hasn't been any change with respect to the policy of tax exempts on the notes, has there, because I heard that --

H.M.Jr: Well, I made a public statement when I was on the Hill.

White: And there hasn't been any change, has there? I heard to the contrary.

Bell: No notes have been issued under that authority.

White: No, but I mean there has been no change in the division?

H.M.Jr: Who has been whispering in your year?

White: Some people who are going to come out with some public criticism.

H.M.Jr: Criticism of what?

White: Of the fact that they were going to be tax exempt.

H.M.Jr: How do they want them?

White: They don't want them tax exempt.

H.M.Jr: Well, they are not tax exempt.

White: That is what I thought, but they seemed to have information to the contrary and I didn't know but what there may have been a change.

H.M.Jr: It is like the information, maybe, that Senator Vandenberg had, that we were going to do away with the Government bond market.

White: It may have come from the same place.

Bell: The same source.

H.M.Jr: What else, Dan?

Bell: That is all.

H.M.Jr: Harry?

White: We have had a man in New York who has been collecting information with respect to the transactions with England that are conducted on the free Sterling and the other rate. We had a special form put out which the importers complain a good deal about. There is some question about

- 7 -

the legal authority, but the lawyers thought we could get away with it. In view of the changed policy of the British Government that they are going to cut down and have begun to cut down on the free rates and in view of its reducing importance, would you want us to continue that?

H.M.Jr: Why not - why wouldn't that be something to take up with Mr. Phillips? I have never seen the study, Harry. How can I pass on it? The last I heard, it was the March figures. The last time I heard it was March and I haven't seen or heard anything since then.

White: Well, I have got more recent figures here. There are still a large volume paid in Sterling, but that still, because of the transactions, relates to those before the new order went into effect.

Well, if you had the slightest interest, since it only involves keeping a man up there, we can keep it up.

H.M.Jr: But you took him away.

White: No, I say we have got somebody up there. I just called him back for a day.

H.M.Jr: But you did call him back.

White: But just to talk with him.

Harris: There are a lot of complaints on this, Mr. Secretary, a great many complaints.

White: Not that can't be handled. We also have been collecting data on exports to Russia, Italy, and other various countries.

H.M.Jr: Is it of any use to you?

White: The chief use was when we wanted to get materials in them that we might wish to

- 8 -

do something about. In view of the fact that there is an export control and in view of the fact that the responsibility for initiating that control, I take it, is not in the Treasury but merely to carry out whatever instructions are given, there is no longer the same need to know.

H.M.Jr: Any use to you, Dan?

Bell: No, I thought we were going to bring the man back.

H.M.Jr: He is back.

Bell: And we were going to let that --

White: Bring what man back?

Bell: And we were going to let that information be gathered by other agencies.

White: We had one man there who was doing all these things.

Bell: Weren't we going to bring him back?

White: If they were on the Sterling - but if he is - we can stop them on that anyhow, but if we have to collect the matters on the Sterling, we will have to keep him up there.

H.M.Jr: If it is of no use and it is annoying people, let's stop it.

Cochran: That Sterling business is ending now. It will just be old transactions.

White: Okay.

H.M.Jr: We don't want to annoy people unnecessarily.

White: All right.

There is, as you probably know, over a billion eight in gold held under earmark now and do you want us again to raise the question of freezing the balances, German and Italian, as was contained in that letter that you had?

- 9 -

H.M.Jr: What letter?

White: That you received from Lothian.

Bell: You mean raise it with Phillips?

White: No, raise it with the State Department again or are they going to take care of it?

H.M.Jr: I am not familiar with it.

Cochran: They got the same letters.

White: The British have asked us again to freeze the balances.

H.M.Jr: Of?

White: Germany and Italy.

H.M.Jr: I certainly would put that on the agenda for Phillips.

White: That is all.

Bell: He probably will ask about it anyway, without it being on the agenda.

H.M.Jr: You have all seen this memorandum about the Credit Suisse in New York?

Cochran: I circulated that around.

Bell: It is probably on my desk. I haven't come to it yet.

H.M.Jr: Is that all, Harry?

White: That is all.

H.M.Jr: Basil, how many ships are you holding up illegally this morning?

Harris: Well, none illegally.

H.M.Jr: Good.

- 10 -

Harris: We always proceed by advice of counsel.

H.M.Jr: There are two, aren't there?

Harris: There are three, I think, but Cairns is going over to see Mr. Hull. He may be over there now. I think we will get a final say on that.

H.M.Jr: Oh, really? Did he get in to see him?

Harris: I think so, yes.

H.M.Jr: The last I heard, he wouldn't see him. He was getting ready for South America.

Sullivan: Cuba.

H.M.Jr: Is Cairns over there?

Foley: Not as far as I know. I haven't heard anything about it.

Harris: He called me about 5:00 o'clock last night and I think that was what he said, that --

Foley: At that time the appointment had not been made definite, Basil.

H.M.Jr: Well, what I thought I would do is, right after this meeting, on the Finnish ship for Petsamo, I have got General Watson working on that and if I don't hear from him by noon, I will let her go, unless the President says to hold it.

Harris: What would you do with one like this? A Greek ship with American sugar for Casa Blanca.

H.M.Jr: I heard about that.

Harris: That is a tough one. It is an Axis power.

H.M.Jr: Who put that one up to me?

- 11 -

- Foley: We mentioned that yesterday afternoon and you said put that one up to Hull.
- Harris: We have a couple of beauties on our doorstep at the moment.
- H.M.Jr: What we will do is this: If I don't hear from Mr. Hull in a reasonable time - he said he would let me know last night and he didn't - I will call him. I had forgotten about this sugar ship. And there is a ship down at Port Arthur, Texas. I won't hold them after noon today. I will let them go, one way or the other. I mean, between now and noon I will speak to Mr. Hull and if Mr. Hull won't make up his mind, I will let them go.
- Harris: Now, on Saturday afternoon, the 27th of July, the new ship America is going to leave the yards of the Newport News Shipbuilding Company and go up to New York when she will shortly thereafter go on a maiden trip. There will be a special train leaving Washington to connect with it and anybody who has got business in New York on Monday morning and wants a ride and wants a week-end off, it is a nice trip, and anybody who would like to go is invited if you can spare them.
- H.M.Jr: Let me get this thing. We are invited to go from here to New York?
- Harris: Yes, via Newport News, that is it.
- H.M.Jr: We can --
- Harris: No ladies allowed.
- White: What kind of a trip is this?
- Sullivan: What kind of a trip do you call that, Harry says.
- H.M.Jr: Wait a minute, let's get this straight. How

- 12 -

do you get from here to Newport News?

Harris: There will be a special train going down.

White: Did you ever hear of the Fall River line?

Klotz: What did he say?

H.M.Jr: Take my advice and don't ask him.

White: That is a New England joke.

Sullivan: It is an old song, isn't it?

H.M.Jr: For myself, thank you, I won't. But if anybody else wants to be cooled off over the week-end, it is their privilege. Maybe you can get some customers.

What else?

I will let you know when I talk to Mr. Hull.

George?

Haas: I have nothing.

Harris: Did you see the memo about the two fellows who got in a fight?

H.M.Jr: Yes.

George?

Haas: I have nothing.

Schwarz: I have this notice that Dr. Mead has called a press conference for 10:30 this morning and the same boys cover the Defense Commission that cover the Treasury. Do we want to ask him if he would like to make a change?

H.M.Jr: No, let them work it out. They have got a press man over there.

Schwarz: I will talk to Wharton as soon as I leave here.

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H.M.Jr: What do you want me to do, cancel mine?

Schwarz: No, sir, not when we are selling bonds.

H.M.Jr: You work it out.

Schwarz: I think they might well postpone it. We have a regular time. He just overlooked it.

H.M.Jr: He ought to know that.

Schwarz: He should. He overlooked it.

H.M.Jr: What else?

Schwarz: That is all.

Cochran: I gave Mr. Schwarz that communique on Phillips.

H.M.Jr: Why not let the newspaper men work it out? Why should we call up Wharton?

Schwarz: I will talk to the president of our association here.

H.M.Jr: Talk to Perlmeter and let him work it out. I wouldn't call up Wharton. If they want - if Mead wants to have a press conference, let him have one.

Schwarz: He knows the same people handle the two.

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

Schwarz: All right.

H.M.Jr: I don't want you to call him.

Schwarz: All right.

H.M.Jr: Let Perlmeter do it.

Cochran: I have given him that thing.

H.M.Jr: John?

- 14 -

- Sullivan: Professor Haig of Columbia, whom Randolph Paul was so anxious to see, is up in the Canadian woods and I think Randolph is going up. I hope he doesn't get into difficulty. It is one of the nicest pieces of salmon water in the world.
- H.M.Jr: Listen, where are you going to hold the meeting?
- Sullivan: That is why I say I hope they don't get into trouble and have to call me up, because it is such good salmon water.
- H.M.Jr: What is the trouble, John?
- Sullivan: The trouble is, they may not have a boat up there, so if we can get an amphibian to fish from, that might help some.
- White: Why don't you take Basil's boat up there?
- Sullivan: I don't know, we might work something out on that line.
- H.M.Jr: You haven't been around here long enough, you see. If you could sort of work this thing out that both men and women are needed up there, you see, at this place - in other words, make it coeducational, see - we might get a teletype in up there and we might have to go and all visit Professor Haig.
- Sullivan: I think perhaps I had better take a reconnaissance trip and report on it.
- H.M.Jr: And get --
- Sullivan: Bell wants another Haig there.
- H.M.Jr: Seriously, what are you going to do in the next couple of days, anyway?
- Sullivan: What am I going to do in the next couple of days?

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H.M.Jr: Yes.

Sullivan: I haven't a thing in the world to do. Why, did you have something you wanted me to do?

H.M.Jr: I want to know when that bill is going to be ready.

Sullivan: 9:00 o'clock on the 22nd. That is Standard Time.

H.M.Jr: With or without gasoline?

Sullivan: Yes, on a bicycle.

H.M.Jr: On the 22nd?

Sullivan: Sure.

H.M.Jr: Make a double note of that.

Sullivan: I will sign the transcript.

H.M.Jr: When do I see it?

Sullivan: About half past eight that morning, probably.

H.M.Jr: On Daylight Saving Time.

Sullivan: No, sir.

H.M.Jr: I win.

Sullivan: You win, but you haven't seen it yet.

H.M.Jr: All right, keep up the good work.

Sullivan: It is going to be ready and I think the fact that the amortization provision is in there will be very helpful in getting speedier action on the bill than we otherwise get.

H.M.Jr: Well, Mr. Knudsen was at this meeting last night at the British Embassy and he tried to put on a show and I am afraid

- 15 -

I deflated it. He said that he already had tackled one business man that wanted a Government contract and as a result of this thing his face was beaming and everything was lovely.

Sullivan: One thing that hasn't been discussed at all in all of these meetings is whether or not this amortization is to apply to excess profits taxes or income taxes or both.

H.M.Jr: Well, you saw the statement that said there would be no particular falling off of revenues due to this thing?

Sullivan: I saw it.

H.M.Jr: Well, don't scare the boys today.

What else?

Sullivan: Nothing. I was just indicating that there is a field of compromise if there is too much trouble on the Hill.

H.M.Jr: And the interesting thing, a man who knows last night told me that the trouble with Packard was not depreciation but that he didn't want to do business with RFC, and this fellow that told me that last night knew what he was talking about. He whispered in my ear.

Foley: Here is a letter to Congressman Schafer. He asked you what authority you had to let contracts for airplanes. I told him we don't have any.

H.M.Jr: Apparently he has been misled.

Foley: He talks about the Rolls Royce engines and says, "What authority do you have to do it in the Treasury?"

There is a diary for that meeting out at John's house the other night.

H.M.Jr: Any jokes in it?

Sullivan: There wasn't a joke, no fooling. It was awful.

Foley: Here is that problem we were going to talk to Hull about, about procedure.

I thought Mrs. Morgenthau might be interested in that report of the Committee - the Attorney General's Committee on Procedure. They are very laudatory, as far as I have seen, on the thing, and she was very instrumental in working out the details with Mr. Oliphant.

H.M.Jr: I understand you can pay the expenses of our foreign service people when they come over.

Foley: Yes.

H.M.Jr: That is nice. Anything else? Okay.

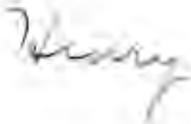
JUN 11 1940

Dear Jesse:

This will acknowledge receipt of your letter of May 24, 1940, enclosing copy of your letter to Chairman Schram of the Reconstruction Finance Corporation concerning the handling of requests of banking institutions for preferred stock subscriptions, and a copy of your letter to Chairman Steagall of the Banking and Currency Committee suggesting that there be eliminated from H. R. 9687 that section which deals with the request for purchase of preferred stock in banks and insurance companies by the Reconstruction Finance Corporation.

I appreciate your action in this connection and assure you that the Treasury will do all in its power to give the Reconstruction Finance Corporation 24-hour service on its preferred stock recommendations. You realize, of course, that there may be cases on which we would want to have conferences and on which we would want to secure more information than may be in our files. I am sure you will agree that if any such cases arise they could not possibly be handled on a 24-hour basis. I feel, however, that practically all of the cases can be handled within this time.

Sincerely yours,



Honorable Jesse H. Jones,
Federal Loan Administrator,
Federal Loan Agency,
Washington, D. C.

File to Mr. Thompson

DWD:ELR
June 6, 1940

By Messenger 18 45

PAGES 346 THROUGH 433

DATES JUNE 12, 1940,

PLACED IN BOOK 272

STATEMENT OF "BALANCED" "BARBARED GOLD" AND "SHORT-TERM
INVESTMENTS" HELD FOR FOREIGN ACCOUNT BY THE FEDERAL RESERVE
BANK OF NEW YORK AS OF THE CLOSE OF BUSINESS, THURSDAY, June 12, 1946
(000 Omitted)

COUNTRY	ACCOUNTS	BALANCES	BARBARED GOLD	SHORT-TERM INVESTMENTS (maturing within one year from date of this statement)	
				Original Term One Year or Less	Original Term More than one Year
Belgium, National Bank of Belgium		677	170,721		
Bulgaria, National Bank of Bulgaria		1,009			
Czechoslovakia, Czechoslovak National Bank		1			
Denmark, Bank of Denmark		-			
Denmark, Danmarks Nationalbank		2,133	22,009		
England, Bank of England		62,567	90,043		
Finland, Finlands Bank		17,244	8,355		
France, Bank of France		46,938	579,734		
Germany, Reichsbank		323			
Greece, Bank of Greece		10,773			
Holland, Netherlands Bank		-	338,994		
Holland, Royal Netherlands Government		6,186	40,057		
Hungary, Hungarian National Bank		-			
Italy, Bank of Italy		98			
Latvia, Latvijas Banka		4,612	3,430		
Lithuania, Lietuvos Bankas		246	2,307		
Luxembourg, Banque Nationale		21,962	17,139 (a)		
Poland, Bank Polski		45			
Portugal, Bank of Portugal		1,967	24,052		
Romania, National Bank of Roumania		266	12,114		
Sweden, Sveriges Riksbank		71,915	88,624		
Switzerland, Bank for International Settlements		11,303	17,312	3,921	
Switzerland, Swiss National Bank		91,468	157,098		
U.S.S.R., State Bank of the U. S. S. R.		511			
Yugoslavia, National Bank of Kingdom of Yugoslavia		299	5,251		
AFRICA					
South Africa, South African Reserve Bank		5,071			
AMERICAS					
NORTH					
Canada, Bank of Canada		69,709			
Mexico, Bank of Mexico		296	13,295		
CENTRAL					
Costa Rica, National Bank of Costa Rica-		953	597		
Income Department		511	292		
El Salvador, Central Reserve Bank of El Salvador		44	5,230		
Guatemala, Central Bank of Guatemala		428	1,223		
Nicaragua, National Bank of Nicaragua					
SOUTH					
Argentina, Central Bank of the Argentine Republic		5,170	67,737		
Bolivia, Central Bank of Bolivia		16	1,436		
Brazil, Banco de Brasil as Fiscal Agent of the Brazilian Government		-	13,276 (b)		
Chile, Central Bank of Chile		1,270	67		
Colombia, Bank of the Republic		428	1,415		
Peru, Central Reserve Bank of Peru		271	22,520		
Uruguay, Bank of Republica Oriental del Uruguay		74	3,565		
Venezuela, Bank of Venezuela		-			
ASIA					
China, Central Bank of China		17,393	1,107		
Japan, Bank of Japan		-			
Java, De Javasche Bank		953	15,302 (a)		
Siam, Royal Treasury of Siam		-	4,000		
Taiwan, Central Bank of the Republic of		2,133	6,477		
AUSTRALIA					
Commonwealth Bank of Australia		6,498			
		Total	1,000,124	1,000	

(a) Of this amount \$1,015 held by F.R.B. of San Francisco as a fiscal agent and the remainder held by us as fiscal agent of the U. S.
(b) Of this amount \$502 held by F.R.B. of San Francisco as a fiscal agent and the remainder held by us.

June 11, 1940
9:00 a.m.

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Present: Dr. Mead
Mr. Young

H.M.Jr.: Hello, how are you?

Mead: Fine, how are you?

H.M.Jr.: Hello, Phil.

Young: Good morning.

H.M.Jr.: Well, look George, what I want you to do for old time's sake (laughs) is kind of bring me up to date on these things because I have been reading a lot of stuff, especially in the newspapers, which just doesn't make sense - like Ford building an engine something similar to the Rolls Royce engine.

Mead: I haven't even seen this morning's papers so I'm not very up to date on them.

H.M.Jr.: Well, I thought since you were going to see Ford today that you might know something.

Mead: I haven't seen him yet. He's coming into my office around 10 o'clock.

H.M.Jr.: Yesterday I called up Mr. Sloan and talked to him. I'm going to keep up my contacts with him since Knudsen isn't there any more. Mr. Sloan was out there himself two days last week. Did you know that?

Mead: No, I didn't know that but you know what happened.

H.M.Jr.: Well, he was under the impression that you would give him a green light on the 300 engines. He's pinning that on you.

Mead: Sure.

H.M.Jr.: I just wanted you to know that.

Mead: Yes, Sloan is pinning that one on me for some reason or other.

- H.M.Jr.: Now I have an idea which may not be worth anything but just the same I want to tell you about it. After all, this C type is only 750 HP, isn't it?
- Mead: Well, that's what we have out it back to.
- H.M.Jr.: And the F type - couldn't you get Allison to say, "All right, we will complete the contract for the 300 Cs and then 300 of the higher HP?"
- Mead: Well, I think the trouble there is this - the so-called F engine has a lot of questionable points and they are going to work that the same way we have run the C engine, but it will take a little time. They tell me the 25th is the first date they can get it going. It will take them some time to straighten out everything on that type.
- H.M.Jr.: Well, still coming back to the thought - I just wondered if for fighting purposes a C engine is going to be very useful. It may be that it would be too slow. What do you think, George?
- Mead: Here's the trouble. We need some engines even though they are only 750 HP and we can get the Cs quicker than we can get the Fs.
- Now the Air Attache up there called me up and said he would like to know about either one, but with this trouble with the Allison engine, I told him he would have to wait a short time and I would let him know later. I don't think they should get excited about it.
- H.M.Jr.: You know I went out there to that other plant about five or six weeks ago, and I told them they had a very pretty landscape and nice aluminum fittings on the windows but they didn't have any planes.
- Mead: Yes, you told me about it and I agree with you on that score entirely.
- Young: Yes, sir.

- 3 -

- H.M.Jr.: Now about the Rolls Royce engine - what are you doing for my customers, the Allied Purchasing Mission, on that end?
- Mead: Well, in the first place, Edsel Ford will be here at 10 o'clock, and then I will find out whether his company is going to try to make Allied engines or not. The Navy doesn't want any. We have that signed by the proper official. You saw that, didn't you (turning to Mr. Young)?
- Young: (Nods yes.)
- Mead: The Army didn't want any Merlins but they did order some Griffins. The Griffin is 1600 and the Merlin 1185.
- H.M.Jr.: Is that what they call Model XX?
- Mead: No, the Griffin is a bigger engine than the Merlin.
- H.M.Jr.: Is that a success?
- Mead: Well now that's the point. That engine is still in the experimental stage although they used it for a racing engine, and I get the impression that with the proper amount of work in six months it would be a proven engine. The French and the British wanted 1600 instead of 1185 so we had to tell them that it would be a six-month period at least before they could get the 1600s, and the only engine we could build right away would be the Merlin. That's 800 a month from the French and a thousand from the British. The French and the British said they would take it because they couldn't get anything else at this time.
- H.M.Jr.: On the Merlin engine, when can they start?
- Mead: Well, we hope that Ford will agree to be ready in a year.
- H.M.Jr.: And the Army and the Navy doesn't want Merlins?
- Mead: That's right.
- And I will try to find out from Edsel Ford whether he would go on in 6 months or X months in the manufacture of these engines.

Mead: But now we have no word from them on the Griffin engines so that I am a little at a loss to understand that point. Do they want this same quantity of Griffin engines?

H.M.Jr.: Purvis is coming in at 10 o'clock and I could probably find out from him for you.

Mead: If you could let me know then it would be fine.

H.M.Jr.: Yes, Purvis is coming in at 10 o'clock, and I wanted to get some of the background on this stuff before I saw him.

Mead: Well, in my opinion, Army and Navy are wrong, especially Army. However, I do think their conception of this production of Rolls Royce is nearly five times what we are talking about over here. Now how the British can use all those engines, I don't know.

H.M.Jr.: George, let me ask you another thing. Where do we stand on the building of those two airplane engine factories somewhere in the Middle West?

Mead: Well, the Wright Company has come through very nicely on that. They have chosen a site out there around

H.M.Jr.: Near Cincinnati?

Mead: In that vicinity.
Do you know this fellow Vance?

H.M.Jr.: Who?

Mead: Vance. He has been very helpful. He is running machine tools for Knudsen. He's a darn nice fellow and very able. They have a meeting scheduled for Thursday.

H.M.Jr.: That's scheduled for Thursday?

Mead: That's right - Thursday.

H.M.Jr.: Is the Government going to build that plant for Wright?

Mead: Probably they would finance it.

H.M.Jr.: That's still 40 or 45?

Mead: That's 50.

H.M.Jr.: But it's still 1200 engines a month.

I don't know what Knudsen has been doing along this line.

Mead: We are going right along with what we had started.

H.M.Jr.: From the way the conversation went, he doesn't seem to think that a day has passed but almost 10 days have gone by.

Mead: Now Pratt and Whitney balked. They wanted somebody to take a license to build the place and I apparently impressed them with the fact that while from their standpoint

H.M.Jr.: Look, George - if I may interrupt a moment - the more I thought of it the more I was convinced it is much better to have these people supervise these things.

Mead: It is our only chance to get the job done.

H.M.Jr.: Now what about the training plane situation?

Mead: Well, it's beginning to settle down now that we know the data, etc., and I have asked those two fellows what big engines they would have to push back in delivery in order to make these training deliveries on time. They will know that probably Thursday or Friday.

H.M.Jr.: I was reading Aviation magazine and I see this concern - what's its name - Fairfield?

Mead: Fairchild.

H.M.Jr.: Well, their Ranger engines ran around five or six hundred hours.

Mead: Navy uses quite a few of them.

H.M.Jr.: Is that an engine that could go into production fairly rapidly?

Mead: I don't know how many orders they have or just exactly how fast the work could be done. In that connection, we have a brand new book that has all the plans and engine requirements brought up to date and adjusted. You should have a copy of that.

H.M.Jr.: On engines?

Mead: Engines and airplanes and all the requirements.

H.M.Jr.: Well, what would be my chance of getting one?

Mead: I don't see any reason why I shouldn't send you one if you'll sign for it.

H.M.Jr.: (Referring to chart) Let's just see now. Menasco has 7 orders on hand; Ranger has 210.

Mead: Menasco is down to 7 and Ranger only has 210?

H.M.Jr.: Yes.

Mead: That's quite a different engine.

H.M.Jr.: Isn't it pretty good? The Navy uses them for its planes.

Mead: They probably are.

H.M.Jr.: Well, in the meantime, I think we will tell Mr. Purvis we want a firm answer from him what he wants on Griffins.

Mead: That's fine.

(Thereafter ensued an off-the-record conversation between the Secretary and Dr. Mead.)

H.M.Jr.: This is my suggestion to Mr. Mead - I will take full responsibility for this - make them put in \$200 as a protection. Maybe the Rolls Royce people will want to shade that some but I think they will have to be satisfied.

Mead: All right. Whatever you say as long as we have something to work with. Should we write you a letter so that we will have in our records something back from you?

H.M.Jr.: Let Ed. Foley sit in on forming that contract. He will know all about the legal end.

Mead: Sure.

H.M.Jr.: But I would put in \$200 an engine.

Mead: If the price is 20,000, it would be double that.

H.M.JR.: Oh, well . . .

Mead: I don't know. I tried to find out yesterday what the price was so that we could talk to Mr. Ford.

H.M.Jr.: Merlin engine - do you think you could make that for \$10,000?

Mead: Allison is 19,000.

H.M.Jr.: That's 4 million, isn't it?

Mead: Something like that.

H.M.Jr.: 20,000 times 200 is 4 million.

Mead: 20,000 times 200 would be 4 million.

Young: That's right.

H.M.Jr.: That's enough.

Mead: I should think so.

H.M.Jr.: I should think so, too. Would you make it 250?

Mead: Of course, they might want to shade it some but I don't know what their price for engines is.

H.M.Jr.: Let's make it 250 and you can always knock off \$50. Make it 250. And that would come to me for the United States Government to hold in escrow for the British Government. It would come to me.

Mead: Now another point - if we are going to do this much business for the Allies than the English ought to release the men necessary to come over here. They said they couldn't let us have any, you know.

H.M.Jr.: Yes, they should and may be they will.

- 8 -

H.M.Jr.: Now I would push just as hard as I could to get this order in for the Allies. And could you give me a little ring this afternoon and let me know how you get along with Edsel?

Mead: I will do that.

June 11, 1940

My dear Admiral Noyes:

Will you please send for me by secret
naval code the following message to Ambassa-
dor Kennedy:

QUOTE - When and where will I
receive plans and specifications
from the Rolls Royce Manufacturing
Company? UNQUOTE

Sincerely yours,

Rear Admiral Leigh Noyes, U.S.N.,
Director of Naval Communications,
Room 2622,
Navy Department.

June 11, 1940

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Director of Naval Communications,
Room 2622,
Navy Department.

June 11, 1940
11:13 a.m.

H.M.Jr: Hello.

Operator: Mr. Knudsen is not in his office, but she thinks she can locate him in the building.

H.M.Jr: Well, is Mr. George Mead around?

Operator: I think that's another branch. I'll try.

H.M.Jr: Well, I want one or the other.

Operator: All right.

11:14 a.m.

H.M.Jr: Hello.

Operator: Here's Mr. Knudsen. He just walked in. Go ahead.

H.M.Jr: Hello.

Wm. S. Knudsen: Yes.

H.M.Jr: Morgenthau.

K: Good-morning, sir.

H.M.Jr: How are you? I have the Allied Purchasing Mission here with me now and I'm authorized to say that they definitely want to get 1800 Rolls Royce engines a month.....

K: Yes.

H.M.Jr: of the so-called Merlin type.

K: Merlin?

H.M.Jr: Yes. So if you have a chance to put that up to Mr. Ford, who I understand will

K: Well, Mr. Ford is here now.

H.M.Jr: Yes.

K: And he, of course, doesn't want to deal entirely with the Allied engine. He wants some United States engines.

H.M.Jr: I see.

K: And Mead and I have been talking it over here and we feel it would really be prudent to take six and four -- you know 60% Allied engine and 40% of United States engines.

H.M.Jr: Well, that sounds like horse sense to me.

K: Does that sound reasonable?

H.M.Jr: Yes.

K: And then start them off with equipment for 40 a day and two shifts.

H.M.Jr: 40 a day

K: That's a thousand a month with two shifts.

H.M.Jr: I see.

K: You see, when you buy equipment, Mr. Secretary, you don't get it all in balance and it's better to buy for a minimum of 40 and then balance it out after you get in production.

H.M.Jr: 40 a day on two shifts.

K: That's right.

H.M.Jr: And 60% for the Allies and 40% for the U. S. Government.

K: That's right.

- 3 -

H.M.Jr: Well, that'd be for the start on two shifts.

K: That's right.

H.M.Jr: And if they went to three shifts, would that mean 60 a day?

K: That would mean, perhaps that or more if he had to put it in, but you see the Griffin engine comes in about that time.

H.M.Jr: Oh, then, about that time the Griffin engine would come in.

K: That's right.

H.M.Jr: Well, maybe you can

K: But then we'll tell them -- excuse me, sir.

H.M.Jr: Go ahead.

K: We are telling them to buy equipment that's large enough to handle the Griffin engine.

H.M.Jr: Fine.

K: See? So that all they have to do is change tools.

H.M.Jr: Well, could you ask somebody -- George Mead, or somebody to give me a little memorandum on that?

K: Yes, sir, if you agree. If you agree, we'll tell Mr. Ford he can go ahead and figure on that basis.

H.M.Jr: Now, wait a minute, we're talking big business. Can you hold on a minute or shall I call you back in a minute.

K: No, I can hold on.

H.M.Jr: Because they're sitting right here. I'll talk so you hear me and see if I'm repeating it correctly. What they're going to tell Mr. Ford

- 4 -

is to put in the equipment to manufacture a 1,000 engines a month of the Merlin type, 60% for the Allies and 40% to the United States Government and then, I gather, as soon as the Griffin engine is approved

K: As soon as we know, yes, as soon as we can get the drawings.

H.M.Jr: as soon as they get the drawings for the Griffin engine, they'll ask him to go into production on the Griffin engine. Is that right?

K: They're going to take an option for 10,000 engines on the -- an order for 10,000 engines on the Merlin 20 and an option for 10,000 to be determined later whether it will be the Merlin 20 or the Griffin engine.

H.M.Jr: May I repeat this?

K: Yeah.

H.M.Jr: They're taking -- will you -- you want to give Ford an order for 10,000 Merlin engines -- 10,000 -- 6,000 of which will be for the Allies, 4,000 for United States Government and an option with Ford that he should produce 10,000 of the Griffin engines.

K: If it's ready, or we can switch to the same engine, Merlin 20, if the Griffin isn't ready.

H.M.Jr: And if the Griffin isn't ready, they'll take the second 10,000 -- they'll take Merlin. And on the second 10,000 will it be 60-40?

K: Well, we don't have to decide that now.

H.M.Jr: You don't have to decide that now.

K: No, sir.

H.M.Jr: I see. What about delivery on the first 10,000.

- 5 -

K: On the third 10,000?

H.M.Jr: On the first 10,000.

K: On the first 10,000. Well, they say about 8 months.

H.M.Jr: About 8 months.

K: 8 months he can get in production.

H.M.Jr: 8 months he can get into production.

K: And with the 40 a day I imagine that it will be at least 12 to 14 months.....

H.M.Jr: I see.

K: before he got to 40 a day.

H.M.Jr: I see. And -- well, now let me see whether these gentlemen -- we're moving pretty fast. (Talks aside)
(Purvis: Yes, for the amount of money that is involved, we will have to get some authority, but that is the general plan. What commitment would we have to make with Ford today to place the orders.)

H.M.Jr: They want to know how firm a commitment they have to give, or you will have to give, Ford today.

K: 10,000 engines, 6 and 4.

H.M.Jr: Can you translate that into money?

K: Yes. \$160 million

H.M.Jr: \$160 million

K: plus the tools.

H.M.Jr: which -- 60%.

K: That would be \$960 million -- ah --

H.M.Jr: \$96 million.

K: \$96 million, and I expect that the tools will cost something like \$30 million which would be split on the same basis.

H.M.Jr: (Talks aside. but it will be split on the same basis.

Purvis: I think the answer will undoubtedly be, yes, but let him go ahead but give us a little chance to get confirmation. That is a considerable amount of money to spend.)

H.M.Jr: You have taken their breath away.

K: I beg your pardon.

H.M.Jr: You have taken their breath away, they're breathless.

K: Why, sir?

H.M.Jr: Well, I don't-- they say it is a lot of money.

K: Well, we can't tell yet, sir, we can only put up a provisional price of \$10 a horse power to be adjusted after they have operated six months.

H.M.Jr: (Talks aside to be cleared after six months.

Purvis: We can develop this pretty quickly, but we will have to clear this. Beaverbrook will be delighted to hear this, but I just want to get in touch with Beaverbrook and say this is possible.)

Hello. What he wants to do is either telephone or cable Lord Beaverbrook at once. Hello?

K: Yes.

H.M.Jr: And have him confirm this thing, but he says they're quite sure that he'll be delighted to get -- to get it.

K: Who says this -- Mr. Purvis?

H.M.Jr: Arthur Purvis.

K: Yeah. Well, now, have you any idea what the Rolls Royce engine costs in England?

H.M.Jr: No. No, but he says he'll try to get it.

K: I see.

H.M.Jr: He'll get it.

K: That will help me somewhat.

H.M.Jr: All right. Well, when he leaves the office here, he'll get on the telephone and telephone over there and he ought to get an answer -- well, I should think he'd have an answer by tonight or tomorrow.

K: Yeah. Will I hold the Ford people here?

H.M.Jr: Yes, yes. This is big. I'd hold them here.

K: I'll ask them to stay over.

H.M.Jr: Yes, hold them here.

K: All right. And

H.M.Jr: And the deliveries begin in 3 months.

K: Yes, sir.

H.M.Jr: (Talks aside) Well, beginning in the ninth month, how many do you think they could deliver.

K: Oh, I don't know. I suppose 10, or 5, or something like that.

H.M.Jr: I see.

K: Well, you know, I told you I thought that 12 to 14 months would see the 40, and that's putting quite a load on them.

H.M.Jr: I see. Let me ask a question, did George Mead sit in on this?

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K: Yes, sir. He's right here with me.

H.M.Jr: Well, could he come right over now to Nelson's office so he could tell them what happened so then they could get it first hand and then telephone to London?

K: Yes, sir.

H.M.Jr: Could Mr. Mead come right over to Mr. Nelson's office?

K: To whose office?

H.M.Jr: Tell him to his old office.

K: To his old office.

H.M.Jr: The one he used to have before Nelson put him out.

K: (Laughs) All right, sir.

H.M.Jr: What?

K: I'll send him right over.

H.M.Jr: And he can come over and give it to him first hand and then they can put in a call for England.

K: All right, sir.

H.M.Jr: And you're going to hold the Ford people here.

K: Yes, sir.

H.M.Jr: Fine. Fine. Thank you so much.

K: All right.