DIARY

Book 296

August 26 - 31, 1940
<table>
<thead>
<tr>
<th>Page</th>
<th>Book</th>
</tr>
</thead>
<tbody>
<tr>
<td>167</td>
<td></td>
</tr>
<tr>
<td>273</td>
<td></td>
</tr>
</tbody>
</table>

**Appointments and Resignations**

- Collector of Customs - St. Albans, Vermont:
  - Duffy (Frank, Jr.) suggested by his father, National Committee - 3/29/40.

- Collector of Internal Revenue - Toledo, Ohio:
  - FDR asks delay following death of Charles H. Graves - 8/30/40.

**Bank for International Settlements**

- See War Conditions: Foreign Funds Control

**Belgium**

- See War Conditions: Belgium; Foreign Funds Control

**China**

- See War Conditions: Silver
- Collector of Customs - St. Albans, Vermont
- See Appointments and Resignations

**Collector of Internal Revenue - Toledo, Ohio**

- See Appointments and Resignations

**Customs, Collector of - St. Albans, Vermont**

- See Appointments and Resignations

**Douglas Aircraft Company**

- See War Conditions: Airplanes
- Duffy, Frank, Jr.
  - See Appointments and Resignations (Collector of Customs, St. Albans, Vermont)

**Estonia**

- See War Conditions: Gold (U.S.S.R.)

**Foreign Funds Control**

- See War Conditions

**France**

- See War Conditions: Foreign Funds Control; France
Gasoline (Aviation)
See War Conditions: Export Control

Germany
See War Conditions: Foreign Funds Control

Gold
See War Conditions

- I -

Internal Revenue, Collector of — Toledo, Ohio
See Appointments and Resignations

Italy
See War Conditions: Foreign Funds Control

- J -

Japan
See War Conditions: Export Control

- L -

Latvia
See War Conditions: Gold (U.S.S.R.)

Lithuania
See War Conditions: Gold (U.S.S.R.)

- M -

Machine Guns
See War Conditions

Mexico
Hochschild transmits report — 8/28/40. 296 138

- O -

Ohio
Collector of Internal Revenue, Toledo:
See Appointments and Resignations

Oil
See War Conditions: Export Control

- P -

Plant Expansion
See War Conditions: Airplanes
Reconstruction Finance Corporation
See War Conditions: Airplanes (Plant Expansion)

Revenue Revision
Excess Profits Tax: HMJr (in Canada) told by Sullivan that FDR recommends to Doughton and Cooper a sliding scale on invested capital; Sullivan thinks this would postpone bill at least two weeks; Treasury has advised a different rate schedule for average earnings from that used by those using the invested capital method; privilege tax added for everyone who elects to use average earnings - 8/26/40

Silver
See War Conditions

Sweden
See War Conditions: Export Control

Tanks
See War Conditions
Tax Research, Division of
Report of projects during August 1940

Taxation
See Revenue Revision

U.S.S.R.
See War Conditions: Foreign Funds Control; Gold

Vermont
Collector of Customs, St. Albans:
See Appointments and Resignations
War Conditions

Airplanes:
- Douglas Aircraft Company: Public relations discussed by representative with Gannett - 8/26/40... 796
- Production: FDR asks for correct figures on orders and deliveries at Cabinet meeting - 8/28/40... 95, 122
- Plant Expansion: Reconstruction Finance Corporation attitude brought up-to-date for MR by Young - 8/28/40... 181
- Progress reports sent to Secretaries of War, Navy, etc. - 8/29/40...
- Report on planes awaiting shipment at Port of New York - 8/30/40...
- Belgium: Belgian Congo situation discussed by Belgian representatives with Cochran - 8/26/40...
a) Memorandum on dollar holdings of Belgian Congo corporations...
- Exchange market resumed - 8/26/40, etc...

Export Control:
- Oil: Efforts of oil interests to circumvent restrictions on export of aviation gasoline to Japan reported by Navy Department - 8/29/40...
- Steel Scrap: Henderson memorandum recommending complete embargo in view of certain price aspects - 8/30/40...
- Swedish Orders: Situation reviewed in memorandum from Swedish Minister to State Department - 8/30/40...

Foreign Funds Controls:
Policy (future) discussed by MR, Bell, and Chamberlain - 8/26/40...

a) France: Shall United States proceed as long as francs are available in France against blocked dollars here? German control may refuse to allow Bank of France to sell francs in France against blocked dollars, demanding free dollars instead; Chase National and Guaranty Trust anxious for clarification as well as National City; J.P. Morgan and Company not involved because they did not bring money from France to United States for safekeeping; MR suggests that they be told new business will be entirely at their own risk; $8 million will be provided to take care of situation as of present moment

b) Belgium: New York banks have cut their obligations from about 300 million francs, including acceptances, to approximately 80 million since 1937; above-mentioned banks desire now simply to close out business
1) MR suggests that United States Government "hold out for blocking" in this instance

c) FDR approves - 8/27/40...
<table>
<thead>
<tr>
<th>War Conditions (Continued)</th>
<th>Book</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Funds Control (Continued):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank for International Settlements asks Federal Reserve Bank of New York for clarification of procedure - 8/26/40.</td>
<td></td>
<td>296</td>
</tr>
<tr>
<td>France: J.P. Morgan and Company resume of two French Government dollar loans still outstanding - 8/31/40.</td>
<td></td>
<td>320</td>
</tr>
<tr>
<td>Germany: Transactions with Chase National Bank reported by Federal Reserve Bank of New York - 8/28/40.</td>
<td></td>
<td>141,245</td>
</tr>
<tr>
<td>Italy: Transactions with National City Bank and Chase National Bank reported by Federal Reserve Bank of New York - 8/28/40.</td>
<td></td>
<td>140</td>
</tr>
<tr>
<td>Swedish Orders: Situation reviewed in memorandum from Swedish Minister to State Department - 8/30/40.</td>
<td></td>
<td>292,306,307</td>
</tr>
<tr>
<td>U.S.S.R.: Chase National Bank transactions in Russian accounts reported by Federal Reserve Bank of New York - 8/28/40.</td>
<td></td>
<td>119</td>
</tr>
<tr>
<td>France: Bank of France: Bueff report to American Embassy, Vichy - 8/25/40.</td>
<td></td>
<td>28</td>
</tr>
<tr>
<td>Machine Guns: Resume of situation given by Buckley to HWr - 8/29/40.</td>
<td></td>
<td>171</td>
</tr>
<tr>
<td>Purchasing Mission: Vesting Order: Official sales of British-owned dollar securities - 8/27/40.</td>
<td></td>
<td>61</td>
</tr>
<tr>
<td>Silver: China: Three million ounces of Chinese silver coin from Tientsin offered by Irving Trust Company; Treasury &quot;not interested&quot; - 8/27/40.</td>
<td></td>
<td>63</td>
</tr>
<tr>
<td>Strategic Materials: Steel Scrap: See War Conditions (Export Control)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tanks: Engine Program: Resume of situation given by Buckley to HWr - 8/29/40.</td>
<td></td>
<td>171</td>
</tr>
</tbody>
</table>
August 26, 1940
9:32 a.m.

Bell: Bernstein is out of the building some place.

H.M. Jr: Well, is Professor Chamberlain there?

Bell: Professor Chamberlain is right here. I'm going to put him on.

H.M. Jr: Do you know how to make a record?

Bell: Yes, Mrs. Klotz is here.

H.M. Jr: You do?

Bell: Yes, we're going to make a record.

H.M. Jr: And will you dictate a little memorandum covering this, how you took it up in Cabinet, your various telephone calls with the President --

Bell: Yes, I will.

H.M. Jr: ...and also your conversation with Mr. Hull.

Bell: Yes, sir, I've already done the most of it.

H.M. Jr: Wonderful.

Bell: Okay. Just a moment.

Chamber'n: Hello, Mr. Secretary.

H.M. Jr: Hello, Mr. Chamberlain, how are you?

Chamber'n: Oh, I'm very well.

H.M. Jr: Before we get in on this long harangue --

Chamber'n: Well, I think it's a very important matter, Mr. Secretary, and we've treated it as an important matter.
H.M. Jr: Yes.

Chamber’n: The very important matter of policy. It was considered in our small group and the feeling in the group was not friendly, at first, to going on with the German situation. That, we all thought, our group should not pass on as it is a matter of such important policy.

H.M. Jr: Yes.

Chamber’n: You’re familiar with the Belgian situation?

H.M. Jr: Well, let’s do the Paris one first.

Chamber’n: Oh, all right. The Paris one – the general opinion in our group, with the representative of the law department voting contrary, was that we should go ahead as long as francs were available in France against the blocked dollars here, in the Bank of France. That also involved the possibility of the German control of the Bank of France stopping that outlet, preventing the Bank of France from selling francs in France against blocked dollars here. We thought it was not wise to pass on that proposition, which wasn’t before us. We realize that we –

H.M. Jr: What did you say?

Chamber’n: I said we didn’t pass definitely on that proposal which wasn’t before us.

H.M. Jr: What proposal?

Chamber’n: The idea that what would happen in the event that the Germans refuse to allow the Bank of France to sell francs in France against blocked dollars, that they would demand free dollars. We realize that demand might come.
H.M. Jr: Has the National City got the assurance that if we supply the dollars here and they're blocked, that the Bank of France can supply the francs to the National City in Paris.

Chamber'm: That is our latest information.

H.M. Jr: Well now, Bell explained this to me and this is my thought, if we do this one transaction with the understanding that the National City would definitely go into liquidation and close their office in Paris.

Chamber'm: It isn't the National City alone, Mr. Secretary, there are the other banks: Chase and the Guaranty are concerned, too.

H.M. Jr: Well, I think they ought to all close.

Chamber'm: Well, that's a pretty heavy responsibility to take. We went over the matter carefully with Mr. Hall. He had his men there and both Passovisky and Livesey felt that these banks should not be closed, we ought to go ahead at least as long as the Bank of France was willing to sell francs against blocked dollars and they, I think, would have been willing to go ahead even further.

H.M. Jr: Here's the fish. Supposing we go through with this one transaction, then they take on some new business, then they come back again and want it repeated.

Chamber'm: Well, we told them we would not consider ourselves bound. Furthermore, we've gone over the records of the banks from what records they had here in New York and it looks as if they'd be able to go ahead if they get the amounts mentioned, which would come to about eight million dollars.
H.M.Jr: Does eight million cover all American banks or just the National City?

Chamber'n: Oh no, it covers all the banks in Paris.

H.M.Jr: Oh, all of them.

Chamber'n: Morgans don't want any money at this time. You see what happened, Mr. Secretary, was that some of the banks bought a considerable quantity of money from their assets from France to the United States and have them here. Morgans did not.

H.M.Jr: I see.

Chamber'n: So Morgans say they have francs enough to cover their obligations.

H.M.Jr: Of course, Mr. Hull taking that view influences me, but I still say, supposing we go through with this one transaction, are the American banks in Paris going to do any new business?

Chamber'n: We've refused their request to be assured that they could go ahead with new business. They wanted to know about that. We said we couldn't cover that. We're simply providing --

H.M.Jr: I go half way, instead of telling them to close. Tell them now that the new business will be entirely on their own risk.

Chamber'n: We're telling them that. That was what we've already told them. We're simply giving them this money because we feel that it is necessary to meet their present obligations, both to their depositors and on acceptances.

H.M.Jr: Yes.

Chamber'n: We think we can't distinguish - we've covered that very carefully - we can't distinguish
between the two. They are both obligations. We'd like to have it cover only depositors but that wouldn't be possible because the banks would be closed if they don't take care of their acceptances, also.

H.M.Jr: But with the understanding that we wash our hands of them if they start any new business.

Chamber'n: Yes, that's the understanding that we already have with them, but we'll tell them again that that's your understanding.

H.M.Jr: That's mine.

Chamber'n: Yes, we'll give it to them from you, as well as from ourselves.

H.M.Jr: Well now, have we a deadline as to when new business - what would you call new business, as of when?

Chamber'n: Well, it's practically as of the date of - certainly, of this date and I think practically of the date of the closing order because they haven't been able to do any new business since then of any amount, if any. A little may have drifted in in the way of deposits, but I don't think it is much.

H.M.Jr: Well, are you satisfied with what I am saying?

Chamber'n: Yes, quite so, Mr. Secretary. As I understand it, you're willing to go ahead. I think you can't distinguish between Guaranty and the others. I think we must give them all or none, the National City and the others.

H.M.Jr: Yes.

Chamber'n: Then I understand that you would be willing to go ahead so far and so long as they can get
frances for blocked dollars in the amount that's necessary now to cover their present obligations.

H.M. Jr.: No, that isn't quite what I understand. I understand that in order to clean up their old situation, we'll provide eight million dollars.

Chamber'n: Yes?

H.M. Jr.: I mean that these banks in New York will give us eight million dollars.

Chamber'n: Yes, around eight million.

H.M. Jr.: Which will become blocked.

Chamber'n: Which will become blocked.

H.M. Jr.: All right now, we'll do that one transaction and then we make no promises we'll do any more because that is supposed to take care of all of their old business.

Chamber'n: That's what we understood and what we told them.

H.M. Jr.: Well, then there's no reason why we should agree to do any more.

Chamber'n: None at all. I would think we shouldn't.

H.M. Jr.: Then I will say we do just this one.

Chamber'n: Just this one.

H.M. Jr.: And anything after this will be new business and I'm not going to do any new business. We'll do just this one.

Chamber'n: Just this one and this is the end.
H.M.Jr: That's right.

Chamber'n: All right, I think that, unless something has happened that we know nothing about, this should cover them, for their present situation.

H.M.Jr: Well, we'll just do this one and serve notice on them that anything after that is at their own risk.

Chamber'n: Anything after that is at their own risk.

H.M.Jr: Yes.

Chamber'n: That's it. Thank you, Mr. Secretary.


Chamber'n: That's Paris.

H.M.Jr: Now, Brussels, I don't like at all. I can sum up the Brussels thing.

Chamber'n: Well, the Brussels thing is this: the past history is that they've been reducing their business in Brussels and have cut their deposits down from something around 230 million francs to - their obligations from around 300 million francs, including acceptances, to around 80, I think. Now, they've done that since '37. They've been cutting down evidently steadily and you can see they're pretty nearly out. They say they've no intention of doing any new business. I think we ought not to take responsibility of assisting on that, but they say - both Mr. Rentschler and Mr. Sheppard tell us that all they want is to get out.


Chamber'n: Of Brussels.
H.M. Jr.: Yes, but the money there is what? How much money there in dollars?

Chamber’n: The money, in dollars, that they’ll have to get from the Reichsbank is around a million dollars, about 900 thousand.

H.M. Jr.: They let them block it here?

Chamber’n: No, that’s free dollars. That’s the trouble.

H.M. Jr.: Well, hold out for blocking.

Chamber’n: Well, we can hold out, but I am quite sure that means that they won’t get it; that is, it’s most unlikely that they’ll get it.

H.M. Jr.: Well, try it.

Chamber’n: All right.

H.M. Jr.: Try it.

Chamber’n: And then if we can’t get it, we’ll call you again.

H.M. Jr.: Yes, you can call me again on Wednesday.

Chamber’n: On Wednesday?

H.M. Jr.: Yes.

Chamber’n: All right, Mr. Secretary.

H.M. Jr.: But try – see if they can’t hold out for the blocking.

Chamber’n: We’ll try again and see if we can hold out for the blocking, but I haven’t very much – but I haven’t any confidence that they can.

H.M. Jr.: Well, let’s see what happens.
Chamber'n: Well, all right, sir.
H.M. Jr: Is Bell there?
Chamber'n: Yes, he's right here, Mr. Secretary.
H.M. Jr: Bell?
Bell: Yes.
H.M. Jr: You can report that then to the President.
Bell: Yes, sir.
H.M. Jr: Are you satisfied - well, you're not satisfied, I know it's hard to bluff those things, though.
Bell: No, I'm not dissatisfied.
H.M. Jr: What?
Bell: I'm not dissatisfied. I'm sure you won't get the blocked dollars. As a matter of fact, we have no blocking against Germany and these will belong to the Reichsbank, but anyway, we want to do the French first, so as not to have a precedent in the Belgian case.
H.M. Jr: What?
Bell: We don't want to do the Belgian first. If we did, that would be a precedent for the French.
H.M. Jr: Right.
Bell: So let's do the French first. And give us two days.
H.M. Jr: I'd just as lief let two days pass.
Bell: That's all right. That's fine, but I don't want you to assume the responsibility of
closing an American branch over there and having it turn out to be a great disadvantage with you holding the bag.

H.M.Jr: Well --
Bell: And it doesn't cost much money.
H.M.Jr: What?
Bell: It doesn't cost much money. I don't think the responsibility is worth the money involved.
H.M.Jr: Well, I'm not afraid of that.
Bell: It's only $900,000.
H.M.Jr: I'm not afraid of the responsibility, but we'll do it this way, the way I've outlined it.
Bell: I think that's fine.
H.M.Jr: Hold on to the Brussels thing until Wednesday.
Bell: That'll be all right.
H.M.Jr: Is that all?
Bell: Yes.
H.M.Jr: Hello, Professor Chamberlain?
Chamber'n: Yes.
H.M.Jr: Have you been able to see President Butler?
Chamber'n: No, I haven't, Mr. Secretary. I haven't been away from here. With this matter coming up, and others, it's been pretty - things have been pretty tight.
H.M.Jr: Well, you're going to get a long week-end this week-end, aren't you?

Chamber'n: Well, that depends, Mr. Secretary, I can't say that the prospects are too bright. I hope to.

H.M.Jr: Well, they'd better see that you do.

Chamber'n: All right, I'll see what I can do about it.

H.M.Jr: All right.

Chamber'n: Thank you. Mr. Bell wants to speak to you.

Bell: Have you talked to Sullivan?

H.M.Jr: Have I?

Bell: Have you?

H.M.Jr: No.

Bell: You're going to, aren't you?

H.M.Jr: Well, you'd better get him in the room there now and the rest of you can listen.

Bell: Well, I'll see right away, because I wanted you to talk to him about the situation. He worked all Saturday night and Sunday.

H.M.Jr: What's that?

Bell: He worked Saturday night and all day Sunday.

H.M.Jr: Press for him, and let me talk in the meantime to Philip Young.

Bell: All right.

H.M.Jr: Send for Sullivan and let him talk so that he can make a record.
Bell: Okay. You'll talk to Phil Young in the meantime.

H.M. Jr: In the meantime. But everybody can listen who wants to.

Bell: All right.

H.M. Jr: Hello.

Bell: Yes?

H.M. Jr: Mr. Bell, there's no reason why Mr. Chamberlain or Mr. Cochran should stay, they're not interested, but who else is there with you?

Bell: Just Upham.

H.M. Jr: Well, did he --

Bell: Upham and Mrs. Klotz.

H.M. Jr: Well, just you and Mrs. Klotz stay, please.

Bell: All right.

(Operator tries to get Phil Young)

H.M. Jr: We'll go ahead and talk until he gets here.

Sullivan: Well, I just wanted to tell you that we've made a great deal of progress over the week-end.

H.M. Jr: That's good.

Sullivan: I didn't want to bother you with anything except just to give you a reassuring report and tell you not to worry about this until and if we have to trouble you.

H.M. Jr: Well, do you know what he told Mr. Doughton and Cooper?
Sullivan: Yes, but that didn’t work out.

H.M. Jr: What did he tell them?

Sullivan: Well, he told them that he wanted a sliding scale on invested capital, but in order to do that, they’d have to open up new hearings and it would postpone the bill by a couple of weeks.

H.M. Jr: I see.

Sullivan: And we’d have trouble getting it out of the Committee, anyway, and if we did it, I think by the time we got around to drafting a bill everybody would be so made at everybody else that we never would get one. Now, what we’ve devised is a different rate schedule for average earnings from that used by those people using the invested capital method, and it does very materially reduce the differential.

H.M. Jr: I see.

Sullivan: And we’ve also put on a privilege tax for everybody who elects to use average earnings. We make them pay an extra 4.1% on their income tax, so I’ve got it now up to around 300 million and I have another schedule that will shoo it up another 75 if I can get them to take that schedule this morning.

H.M. Jr: I see.

Sullivan: But we have to have a bill printed tomorrow afternoon to have any chance at all of the House voting on it this week, and we’re all of a mind that we’d darned well better do it this week.

H.M. Jr: Is it getting pretty hot?
Sullivan: Is it getting hot?

H.M.Jr.: Yes.

Sullivan: No; tempers are getting pretty short.

H.M.Jr.: The same trouble with Doughton?

Sullivan: Oh well, we've gotten by that now. If it hadn't been for Doughton, of course, the bill would have been signed a week ago. It would have gone through both places, but we're in the trouble now and we've just got to get out of it as best we can.

H.M.Jr.: Well, I tell you what I think I'll do. As long as the President is calling you, I think I'll hang up and after you talk to him, I wish you'd call me back from my own office.

Sullivan: All right, sir.

H.M.Jr.: Is Mr. Bell with you?

Sullivan: Yes, Dan is here, and Mrs. Klotz.

H.M.Jr.: Fine.
August 26, 1940
10:29 a.m.

Sullivan: Well, I've reported to him what has happened and he seemed very much pleased. The Speaker was there and we've made arrangements on when we're going to introduce the bill if we can get it ready.

H.M.Jr: When are you going to introduce it?

Sullivan: We hope to introduce it Tuesday afternoon.

H.M.Jr: Oh, good.

Sullivan: It'll be very late tomorrow afternoon, if we get away with that.

H.M.Jr: Well, that sounds good, John. I think you've done a swell job.

Sullivan: Well, I don't know. Let's wait and see how it comes out.

H.M.Jr: What phone did he come in on?

Sullivan: This one.

H.M.Jr: I see. Did Dan have a chance to talk to him about Harris?

Sullivan: No, I asked him about that and he said he had the group there with him and he'd call Mr. Bell as soon as he got back down to his office.

H.M.Jr: Well then, you got your sailing orders direct.

Sullivan: Absolutely.

H.M.Jr: Right. Well, good luck and --

Sullivan: Thanks, we'll need it.

H.M.Jr: Mrs. Morgenthau paid you quite a compliment.
Sullivan:  Well, hooray!

H.M. Jr:  "Isn't it nice to have John Sullivan there at that time and have somebody that you have so much confidence in?"

Sullivan:  Well, you thank her for me, will you?

H.M. Jr:  And I said well, I couldn't be up here if you weren't there looking after the thing.

Sullivan:  Are you catching any?

H.M. Jr:  Oh, yes. This is a fisherman's paradise.

Sullivan:  It is?

H.M. Jr:  I caught 9 or 10 small-mouth black bass up to 2½ pounds on a fly rod.

Sullivan:  That's fun.

H.M. Jr:  And you know what that is.

Sullivan:  You bet! How about the trout?

H.M. Jr:  We're going after speckled this afternoon, and the native trout don't bite here because the water is too low, but we'll try them later in the week.

Sullivan:  Well, by golly, I don't want to hear any more about my running out of gas. You run out of water up there, huh?

H.M. Jr:  Well, but not air.

Sullivan:  (Laughs)

H.M. Jr:  How's that?

Sullivan:  That's fine. Well, your voice sounds good.
I think you're having a good rest, aren't you?

H.M. Jr.: Yes. Am I on the loudspeaker?

Sullivan: No, you're not - yes, you are.

H.M. Jr.: Well, I just want to tell Mrs. Klotz if they'd have them clip any gossip column on why Mr. Hopkins resigned, I wish they'd send it up.

Klotz: I'll see that it goes to you.

H.M. Jr.: Hello. If any gossip writers write anything on why Mr. Hopkins resigned, will you mail it up to us?

Klotz: Dan says they did. It went to you. No, wait a minute, what? Oh, most of the articles, he says, have been because of ill health.

H.M. Jr.: Well, if there's anything else, send it up.

Klotz: From now on.

H.M. Jr.: If you please.

Klotz: Yes.

H.M. Jr.: And I won't talk again until I come out of what they call the bush up here.

Klotz: Yes.

H.M. Jr.: If it's very late tomorrow night, I won't call. Otherwise, I'll call Wednesday morning.

Klotz: Right. Anything you want with Bell?

H.M. Jr.: No.

Klotz: Okay, I hope you have a good time.
H.M. Jr:  I'm sure we will.
Bell:  Good luck.
H.M. Jr:  Goodbye.
Klotz:  Goodbye.
SECRET

Secretary of State,
Washington.

1075, August 26, 5 p.m.

Lozovski read and handed to me today the following memorandum dated August 26, 1940 from the Soviet Government in reply to the memorandum which I delivered on August 12, 1940 in accordance with the Department's telegram 423, August 9, 6 p.m.:

Translation. Having studied the memorandum of the Government of the United States of America dated August 12, 1940 on the question of the retention by American institutions of the gold purchased by the State Bank of the Union of Soviet Socialist Republics from the Central Banks of Estonia, Latvia, and Lithuania, the Soviet Government considers that the statement contained in the Soviet memorandum of July 20, 1940 in regard to the responsibility of the Government of the United States of America for the damages suffered by the Union of Soviet Socialist Republics as a result of the action of American institutions is fully confirmed.

The
-2- #1075, August 25, 5 p.m., from Moscow.

The attempts of the Government of the United States to explain its measures directed against the legal rights and interests of the Union of Soviet Socialist Republics by assertions that the Governments and peoples of the Baltic countries were allegedly deprived of the possibility of disposing legally of the property belonging to them are in full contradiction to the facts and are thus without basis and cannot, therefore, serve as a justification for the above mentioned actions of the American authorities.

The references in the memorandum of the Government of the United States to orders of the executive authorities of the United States to the right of control, etc., cannot serve as a basis for violation of the property rights and interests of the Soviet State. Insofar as the Executive orders of April 10, May 10, June 17, 1940 referred to in the memorandum of the Government of the United States are concerned the orders in question have no relation whatsoever to the present case and the reference thereto only reveals the unwillingness of the appropriate institutions and of the Government of the United States to carry out measures which are entirely within their competency in order to guarantee the due execution of the orders of the banks of Estonia, Latvia and Lithuania and of the State Bank of the Union of Soviet Socialist Republics which are based on their legal rights. In view of
of the foregoing the Soviet Government unreservedly insists on its application of July 20, 1940 for the return to the Soviet Union of the gold purchased by it from the Central Banks of Estonia, Latvia and Lithuania.

THURSTON

TFV
PARAPHRASE OF TELEGRAM SENT

TO: American Consul, Hamburg, Germany
DATE: August 26, 1940, 6 p.m.
NO: 14\4

Please refer to Consulate's despatch dated August 9, no. 915.

Before any action can be taken on this the Treasury Department would have to know what amount of the deposits the depositor wants released and the reason for the withdrawal.

HULL

(FL)

$40,51 Frozen Credits/474

RA: FL: LW
EDA

LONDON

Dated August 26, 1940

Received 1:42 p.m.

Secretary of State
Washington

2907, August 26.

For Treasury from Butterworth.

I have had several inquiries from the city regarding the statement to be found on page 58 of the August 1 Federal Reserve of New York Review of credit and business conditions respecting the new 2½ per cent treasury bonds 1950/56 of which 70 per cent was paid up in cash and "less than 30 per cent by credit to war loan deposit accounts of the Government on the books of the subscribing banks." This cryptic statement is being interpreted here as a description of an inflationary mechanism. It would be appreciated if you could give me the reference to a fuller description so that I may answer these inquiries.

The bombing that the city got on Saturday evening has had a dampening effect on the stock exchange.

KENNEDY
THE ADVISORY COMMISSION TO THE COUNCIL OF NATIONAL DEFENSE
FEDERAL RESERVE BUILDING
WASHINGTON, D. C.

August 26, 1940

My dear Mr. Bell:

Please accept our acknowledgment of the receipt, under cover of your letter of August 22, of Parts I and II covering respectively the airplane and airplane engines program through August 17, 1940.

We are grateful for your continued cooperation which is of fundamental importance to the work of the Advisory Commission.

Sincerely yours,

Stacy May, Director
Bureau of Research and Statistics

The Honorable
The Acting Secretary of the Treasury
Washington, D. C.
August 25, 1940

Acting Secretary Bell

Mr. Cochran

STRICTLY CONFIDENTIAL

At three o'clock this afternoon Mr. Alphand, the new Financial Counselor of the French Embassy, telephoned me from New York. He referred to the cordial reception which Messeur Bell, Chamberlain and myself had extended him last Friday. He expressed astonishment, however, at the action of the Treasury the following day in freezing certain French official accounts in this country, and asked why we had not frankly told him of our plans in this direction when he was here. He asked if I could tell him whether there had been any abuses of the privileges which had been extended to the French official accounts, or what the change in our policy signified. Since Mr. Alphand indicated his desire to come to Washington on Wednesday, I told him that I would be glad to receive him at four o'clock and would arrange for him to discuss the French situation with some of my colleagues.

At the Group Meeting this afternoon I recounted the above matter, and Professor Chamberlain agreed to receive Mr. Alphand shortly after four o'clock on Wednesday.

The above is the only conversation I have had with Mr. Alphand, or any other French official, subsequent to Mr. Alphand's visit of last week.
KAGY 30 3 EX

TO NEW YORK NY VIA MONTREAL QUE AUG 26-40-1228P-

SECRETARY MORGENTHAU

SEIG CLUB QUEBEC-

CAPTAIN BALFOUR AND WAKEFIELD WILL BE MOTORING FROM OTTAWA TO MONTREAL ON SATURDAY. COULD YOU LUNCH WITH THEM IF THEY STOP AT SEIGMORY CLUB ENROUTE? REGARDS.

ARTHUR
Handed by Mr. Opla of the British Embassy to Mr. Cochran in the Treasury at 4:30 p.m., August 26, 1940.

Memorandum for Mr. Cochran and Mr. Cairns

Mr. Gifford reports as follows:

1. He cannot sell securities without affixing stamps because this would disclose that H.E.M. Government is selling the securities.

2. Reimbursement.

(a) It would be undesirable to put in a claim for reimbursement for the whole period up to say July 31st because this might lead to a leak of information with respect to past sales.

(b) Mr. Gifford therefore suggests that facilities for reimbursement might be provided on the basis of certificates from the Bank of Montreal stating that (i) stamps to the amount of a certain sum have been affixed, or (ii) the purchasers of securities have been allowed to deduct the value of stamps of given amount. (i) or (ii) above would refer to sales up to a certain date, but details of the number of shares sold would not be given.

Mr. Gifford believes that some such procedure as the above would allow him to make claims covering a period closer to the date of the claims.

THE BRITISH EMBASSY,
WASHINGTON, D. C.,
August 26th, 1940.

COPY

inc

Regarded Unclassified
PARAPHRASE OF TELEGRAM RECEIVED
FROM: American Embassy, (Paris) Vichy, France
DATE: August 25, 1940, 7 p.m.
NO.: 431
FOR THE TREASURY DEPARTMENT FROM MATTHEWS.
This morning I saw Rueff at Chatel Guyon. The Bank of France’s main anxiety just now concerns the demand of Germany for payment of the “costs” of occupation; for the first two months of occupation the Germans request a payment of between 26 and 30 billion francs. The question of the amount to be paid is still “under discussion” — but there is not much expectation on the part of the French that such “discussions” will bring about any material lowering of the amount set by Germany.

The German request for the above-mentioned sum is additional to the substantial amounts of kredit kassenschein which are being circulated. The latter, as I reported previously, are circulating at a monthly rate of about 8 to 10 billion francs.

Apparently Germany would use the amount charged for purchasing French products to be exported to Germany; the sum asked for amounts to practically the whole value of the normal annual exports of France without payment therefor.

Reference:
Reference: telegram of July 30, 5 p.m., No. 213 from the Embassy. Rueff now is at last convinced that it is Germany's intention to bring about in France the same sort of inflation suffered in Germany after the first World War. Present bank note circulation, Rueff said, is 200 billion francs.

I asked Rueff whether the Bank of France would, under present circumstances, start publishing the weekly bank statement again. He indicated that at the present time they would not do so. The Bank had requested that Germany stop the circulation of the kredit kassenschein, and instead the Bank would furnish the franc equivalent, and in this way they would have a better understanding of actual note circulation; however, the Germans would not agree to following such a plan.

In the occupied area, Rueff said, the Germans are maintaining a rigorous control over prices.

The Governor of the Bank of France, Fournier, has gone back to Paris again and so it was not possible for me to see him. Rueff and all the others who did see him say that the Governor is more depressed than he ever has been. There has of course been no progress in getting the Germans to permit free communication between the territory which is occupied and that which is not occupied; also, the Germans have
have completely forbidden the transfer of funds from occupied to unoccupied zones.

Governor Fournier has some personal contact with Schaefer now, and it is my understanding that Schaefer has not as yet made extensive use of the broad veto powers he holds over the operations of the Bank. However, he has made requests for an increasing amount of information both from the Bank of France and from other banks.

Rueff said he thought the time would soon come when Germany asks for gold, foreign exchange and foreign securities; it is of course inevitable that such request will be made, the only factor about which there is uncertainty is the timing of the request. With a smile Rueff remarked that he supposed as far as the United States is concerned, we would make it impossible to effect any such transfer.

There is talk among the various banks at Chatel Gueyn of moving to Lyon for the winter months because of the lack of heating facilities, and because communication arrangements with the rest of unoccupied France are weak. However, no decision has been made so far as concerns the Bank of France; that will depend of course on what the Government does — these mornings the air is so snappy that officialdom here is thinking apprehensively of a heatless winter cure.
There is also a feeling that there will be increasing pressure on the part of the Germans to bring home to the Government and people of unoccupied France the fact that Germany won the war – here there is still a remarkable unwillingness to face the grim reality. Should this be so, it may be that the Government will soon be handed some unpleasant ultimatum to which it will either have to submit or wake up some morning to find that Germany has “occupied” the whole of France.

This morning Schaefer told the Paris Embassy that it is hardly likely that there would be authorization for exchange transactions in the occupied zone for a few weeks; he intimated that a single bank might be given such authority when the time does come. He said that the Paris banking situation was essentially unsound, that there were too many banks, and if a “healthy” situation is to be restored it will be necessary to reduce the number. I understand that he did not say anything to indicate that any of the four American banks were included in his remarks.

END OF MESSAGE.

MATTHEWS.
The export of vegetable oils, animal fats, and various other products of the Belgian Congo is of great interest to the United States. About 77 per cent of all the exports of the Congo are destined for markets in the United States, while only 12 per cent are sent to the United Kingdom. It is expected that the exports of Congo products will continue to increase in the future because of the Commonwealth's desire to participate in the world's economic system.

On the other hand, the Belgian Congo is an important trading partner for the United States. About 75 per cent of all the imports into the Congo are destined for markets in the United States, while only 12 per cent are sent to the United Kingdom. It is expected that the imports of American products into the Congo will continue to increase in the future because of the Congo's desire to participate in the world's economic system.

Mr. Barn's interest in the Congo is well-known to the United States government. He has been a long-time supporter of the United States' foreign policy and has consistently advocated for the strengthening of the United States-Belgian relationship.

The Belgian Congo is an important trading partner for the United States. About 77 per cent of all the exports of the Congo are destined for markets in the United States, while only 12 per cent are sent to the United Kingdom. It is expected that the exports of Congo products will continue to increase in the future because of the Commonwealth's desire to participate in the world's economic system.

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radium, gold (40,000 ounces monthly to the Bank of England), and other tropical products. Mr. Horn anticipates that the Belgian Minister of Colonies will, after spending a brief period in the Congo, come to the United States to discuss the extension of trade between the Congo and this country.

August 27, 1940

There is attached hereto as a second enclosure a copy of a memorandum addressed by Vice President Knox to President Harriman of the Federal Reserve Bank of New York in regard to Mr. Horn's memorandum.
 memo to the Treasury at 9.15 p.m., August 25.

MEMORANDUM ON DOLLAR HOLDINGS OF BELGIAN CONGO CORPORATIONS.

I. (a) The Banque du Congo Belge – the chartered central bank of the Belgian Congo Colony and Ruanda-Urundi territories – has been entrusted by a Congo Government Ordinance of May 31, 1930, with a monopoly in foreign exchange transactions. The Banque du Congo Belge will henceforth be referred to as the “Bank” and the Belgian Congo Colony and Ruanda-Urundi territories jointly as the “Congo”.

(b) Under the terms of the above mentioned ordinance all sums of foreign exchange accruing from the export of Congo produce must be placed at the disposal of the Bank. The Bank will sell foreign currencies solely for requirements of the Congo administration and trade and personal needs of residents in the Congo.

(c) The Bank of England has opened an unlimited credit available throughout the Sterling area to the Bank and the Bank has opened an unlimited credit to the Bank of England, the parity between the pound sterling London and the Belgian Congo Frane being fixed at 176 6/5 francs to the pound.

The Congo Government delivers to the South African Reserve Bank, Pretoria, the entire output of gold derived from Congo mines (at present about forty thousand ounces fine a month), an ordinance having made the Congo Government the sole authorized first purchaser of such gold. Sterling thus obtained goes to the Congo Bank.

(d) While the British Empire has a first call on exportable Congo produce deemed useful for the prosecution of the war, a portion of the Congo’s exports goes to the United States of America. The dollars derived from these exports are paid to accounts of the Bank at the Banque du Congo for L’Stranger (Overseas) Limited, New York. These accounts show at present credit balances of about $2,300,000.

(e) The mission of the undersigned is to develop trade between the Congo and the United States of America – the supply of goods and services by this country no less than imports to the American market.

It is hoped that the Bank’s dollar account will show substantial movements.

Anxious to assist Britain in every possible manner, the Congo Government intends to direct the Bank to place at the disposal of the Bank of England its dollar balances in excess of the reasonable requirements of the Congo.
(f) The Treasury has granted the Bank licenses to operate its dollar accounts with the Banque Belge pour l’Étranger (Overseas) Limited, but these licenses are granted for 30 days only. Although they will in all probability be renewed, licenses for a much longer period would appear desirable so as to enable forward exchange contracts notably in favour of clients wishing to pass orders for deliveries in relatively distant dates.

It may be mentioned that the Bank operates under the personal supervision of the undersigned.

II. (a) A number of Congo mining transportation and trade corporations have dollar holdings (bank deposits) acquired prior to May 31, 1940 and since as a result of their trading with this country.

It would appear desirable that they be granted licenses enabling them to use these holdings for their own trade, both in the Congo and this country, thus increasing the amount of dollars at the disposal of the Bank for the purposes indicated hereabove.

(b) Could not a ruling be laid down by the Treasury defining the conditions which a corporation operating in the Congo must fulfill in order that it be regarded as in no manner open to the pressure of any hostile power? The principal corporations operating in the Congo have availed themselves of the facilities afforded by the Belgian law of February 2nd, 1940 (in the case of Belgian companies) or the Congo decree of February 19th, 1940 (in the case of Congo companies) so as to free their executives and their assets outside of occupied territories from any control at the hands of persons resident in occupied territories.

The undersigned is informed by the London branch of the Bank that the British authorities released sterling accounts of the corporations who have shown that their actual control is established outside of any territory held to be under enemy occupation.

New York, 22nd of August, 1940.  (Signed) N. Horn

(N. Horn)
With reference to the attached note of Mr. Hern's and
his memorandum "Dollar Holdings of Belgian Congo Corporations", I
suggest that if you want to do something for Mr. Hern who is now in
Washington, you ask Mr. Bell to receive him.

In this connection Mr. Bell should know that the Banque
Belge pour l'Étranger now has a 30 day license expiring on August 31
to make all payments and transfers from the account on its books in
the name of Banque du Congo Belge, Leopoldville, Belgian Congo, upon
instructions from the Leopoldville office only. There is now before
the Treasury application No. HY3693 made by the Banque Belge pour
l'Étranger. This application was forwarded by us on August 19 for
a renewal of the present license without recommendation "because we
are not familiar with Treasury Department's attitude on transactions
of this type." It now seems to us here that in view of Mr. Hern's
memorandum we might well recommend favorably on Mr. Hern's request
for a renewal for an unlimited period. We could, of course, do this
in the routine way but I would recommend that Mr. Hern take this up
himself with Mr. Bell or with any person whom Mr. Bell may designate.
According to his note to you Mr. Hern is now at the Belgian Embassy
in Washington. That being so, he might well consider taking the
Belgian Ambassador along and have him back Mr. Hern's requests.
That goes particularly for the second part of Mr. Hern's memorandum,
If (a) and (b), which in its present form is too vague for us to do
anything at all.

Yours,
TREASURY DEPARTMENT  
INTER-OFFICE COMMUNICATION  

TO: Secretary Morgenthau  
FROM: Mr. White  

Subject: Recent Developments in Gold and Capital Movements  

1. There was a net inflow of capital of $43 million in the week ended August 14, 1940. The net capital inflow during 1940 now amounts to $824 million.

<table>
<thead>
<tr>
<th>Short-term banking funds:</th>
<th>Official</th>
<th>Private</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign funds held here</td>
<td>$ 44.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States claims on foreigners</td>
<td>4.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic security transactions</td>
<td>- 6.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign security transactions</td>
<td>.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brokerage balances</td>
<td>- .4</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 43.1</strong></td>
<td><strong>$ 4.9</strong></td>
<td><strong>$ 48.1</strong></td>
</tr>
</tbody>
</table>

2. The principal changes in foreign funds held in this market during the week ended August 14, 1940 are as follows:

<table>
<thead>
<tr>
<th>Country</th>
<th>Official</th>
<th>Private</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>+ 7.3</td>
<td>- 6.0</td>
<td>+ 1.3</td>
</tr>
<tr>
<td>France</td>
<td>- 2.1</td>
<td>- 0.1</td>
<td>- 2.2</td>
</tr>
<tr>
<td>Netherlands</td>
<td>+ 11.9</td>
<td>- 3.6</td>
<td>+ 8.3</td>
</tr>
<tr>
<td>Sweden</td>
<td>+ 5.7</td>
<td>- 0.3</td>
<td>+ 5.4</td>
</tr>
<tr>
<td>Switzerland</td>
<td>+ 4.8</td>
<td>+ 0.9</td>
<td>+ 5.7</td>
</tr>
<tr>
<td>Other Europe</td>
<td>+ 0.4</td>
<td>+ 0.3</td>
<td>+ 0.7</td>
</tr>
<tr>
<td>Canada</td>
<td>+ 17.3</td>
<td>- 0.8</td>
<td>+ 17.5</td>
</tr>
<tr>
<td>Argentina</td>
<td>- 0.8</td>
<td>+ 6.0</td>
<td>+ 5.2</td>
</tr>
<tr>
<td>Other Latin America</td>
<td>+ 0.9</td>
<td>- 0.8</td>
<td>+ 0.1</td>
</tr>
<tr>
<td>Asia</td>
<td>- 1.8</td>
<td>+ 5.8</td>
<td>+ 4.0</td>
</tr>
<tr>
<td>Other countries</td>
<td>- 0.2</td>
<td>- 1.7</td>
<td>- 1.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 43.9</strong></td>
<td><strong>$ 0.2</strong></td>
<td><strong>$ 44.1</strong></td>
</tr>
</tbody>
</table>

Regraded Unclassified
3. The week's trading in United States domestic securities was featured by net sales for British account of $2.3 million, for Italian account $3.3 million, and for Canadian account $0.5 million.

4. Gold imports, adjusted for earmarking operations, amounted to $83 million in the week ended August 21, 1940, as compared with $116 million in the previous week.

<table>
<thead>
<tr>
<th>Net Gold Imports Adjusted for Changes in Earmarking</th>
<th>Week ended</th>
<th>Week ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>August 14, 1940</td>
<td>August 21, 1940</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>$ - 11.7</td>
<td>$ - 19.6</td>
</tr>
<tr>
<td>Netherlands</td>
<td>18.8</td>
<td>-</td>
</tr>
<tr>
<td>Sweden</td>
<td>1.4</td>
<td>6.4</td>
</tr>
<tr>
<td>Switzerland</td>
<td>4.4</td>
<td>- 1.0</td>
</tr>
<tr>
<td>Canada</td>
<td>85.3</td>
<td>87.1</td>
</tr>
<tr>
<td>Argentina</td>
<td>7.0</td>
<td>-</td>
</tr>
<tr>
<td>Colombia</td>
<td>4.5</td>
<td>-</td>
</tr>
<tr>
<td>Union of South Africa</td>
<td>3.3</td>
<td>-</td>
</tr>
<tr>
<td>Australia</td>
<td>-</td>
<td>7.3</td>
</tr>
<tr>
<td>Other countries</td>
<td>3.4</td>
<td>1.2</td>
</tr>
<tr>
<td>Total</td>
<td>$ 116.4</td>
<td>$ 83.4</td>
</tr>
</tbody>
</table>
International Capital Transactions – United States

Black indicates inflow of capital
Red indicates outflow of capital

(In thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>Week ending August 7, 1940</th>
<th>Week ending August 14, 1940</th>
<th>From January 4, 1940 to August 14, 1940</th>
<th>From December 29, 1939 to August 16, 1940</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital flow</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banking funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Change in official balances with New York Federal Reserve Bank</td>
<td>49,766</td>
<td>43,864</td>
<td>536,400</td>
<td>70,510</td>
</tr>
<tr>
<td>b. Change in all other short-term balances</td>
<td>97,526</td>
<td>5,164</td>
<td>194,515</td>
<td>823,692</td>
</tr>
<tr>
<td>Security transactions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Domestic securities</td>
<td>162</td>
<td>6,295</td>
<td>23,919</td>
<td>46,012</td>
</tr>
<tr>
<td>b. Foreign securities</td>
<td>935</td>
<td>771</td>
<td>62,939</td>
<td>44,519</td>
</tr>
<tr>
<td>Brokerage balances</td>
<td>440</td>
<td>391</td>
<td>19,326</td>
<td>37,334</td>
</tr>
<tr>
<td>Gold imports (including changes in gold held under mark for foreign account)</td>
<td>128,391</td>
<td>116,386</td>
<td>2,912,103</td>
<td>1,773,342</td>
</tr>
</tbody>
</table>

Based on the consolidated reports of the twelve Federal Reserve Districts through June 19, 1940 and the reports of the New York Federal Reserve District through August 14, 1940.

August 29, 1940.
U.S. INTERNATIONAL CAPITAL MOVEMENTS AND POSITION AND U.S. GOLD MOVEMENTS AND HOLDINGS

Gold Movements

- Graph showing gold movements from 1939 to 1940

International Capital Movements

- Graph showing international capital movements from 1939 to 1940

International Capital Position

- Graph showing international capital position from 1939 to 1940

Gold Holdings

- Graph showing gold holdings from 1939 to 1940

Note: All figures are estimated from the records of the New York Federal Reserve District and revised after the reports for the end of the first quarter of 1940.
August 26, 1940

Professor Chamberlain

Mr. Cochran

As you may be aware, I am charged by the Secretary with seeing that communications from the Department of State, or its Foreign Service officers, addressed to or referred to the Treasury Department, are answered. It is the rule that all telegrams of the State Department that are for action by, or of interest to, the Treasury Department, pass over my desk.

Since the freezing control system has been set up, I have been the intermediary for messages to the State Department in reply to communications from our field officers, as well as to notes addressed to the State Department by foreign missions in Washington. In checking over my records I find the following communications without indication thereof that any action has been taken by our Control. (It is possible, of course, that some action may have been taken, but my office fails to find any notice thereof.) With the view to clarifying our records, therefore, it is recommended that the Control check over and report briefly to me the status of the following cases:

LATIN AMERICA

Argentina

Despatch No. 1028 dated July 30 from Ambassador Armour at Buenos Aires, in regard to request of the Belgian Minister concerning transfer of funds.

Brazil

Despatch No. 3205 dated June 25 from the Commercial Attaché, at Rio de Janeiro, concerning inquiry of the Bank of Brazil regarding funds of the Banco Frances e Italiano.

Chile

Despatch No. 652 dated July 19 from Ambassador Beaver at Santiago, concerning blocked funds of the Belgian Minister to Chile.

Despatch No. 695 dated July 27 and subsequent telegrams from the Ambassador at Santiago, regarding French contracts for beans and lintile.

Martinique

Despatch No. 13 dated August 21 from Vice Consul Blocker at Port-de-France, concerning license required for transfer of French funds.
Mexico

Despatch No. 11167 dated August 8 from ambassador Daniels at Mexico City concerning account of Alexandre Rauff & Co.

State Department note of August 16 transmitting two communications of August 7 from the Mexican Ambassador in Washington regarding transfer of funds.

Peru

State Department note of August 16 transmitting communication dated August 14 from the Peruvian Ambassador in Washington requesting the licensing of transmittal of funds to Peruvian diplomatic and consular officers in territories occupied by Germany.

Belgium

Cablegram of July 20 from Consul Hallet at Leopoldville in regard to funds belonging to Belgian Congo.

Bulgaria

Cablegram No. 67 dated July 20 from Charge d'Affaires Millard at Sofia concerning account of Bank France Bulgare.

Department of State note of August 19 transmitting a Pro Memoria from the Bulgarian Minister in Washington.

Denmark

Despatch No. 163 dated July 5 from Charge d'Affaires Peckham at Copenhagen, transmitting letter received from Denmarks Nationalbank.

Despatch No. 173 dated July 10 from Charge d'Affaires Peckham at Copenhagen regarding application of Pellandier & Hall with respect to their blocked account.

Germany

Despatch No. 2361 dated July 16 from Charge d'Affaires Hisk at Berlin concerning blocked funds of the Brazilian Ambassador.

Ukraine

Cablegrams No. 161 of July 16 and 169 of July 25 from Minister Montgomery at Washington regarding grain transactions.

Reference to memorandum of August 12 to Professor Chamberlain, has come to the attention of the State Department and dealt with concerning extension of our freezing controls to Vinnia territory.

Regraded Unclassified
Despatch No. 660 dated May 31 from Charge d'Affaires Cox concerning International Nitrogen Corporation.

Cablegram No. 941 dated August 23 from Consul Preston at Oslo in regard to account of Salo Venture Plovdiv.

Romania

Cablegram No. 336 dated July 3 from Minister Gunther at Bucharest regarding Banco Commercial.

Spain

State Department note of August 7 enclosing a memorandum dated August 6 from the Spanish Embassy concerning La Cia de Seguros La Union y El Fénix Español.

Sweden

Cablegram No. 692 of July 3 from Minister Sterling at Stockholm concerning account of Harro Harrson.

Cablegram No. 640 of August 16 from Charge d'Affaires Greene at Stockholm concerning transaction by Scandinaviska Banken.

Cablegram No. 635 of August 17 from Charge d'Affaires Greene at Stockholm concerning deposit of Langaker.

Syria

Cablegram No. 78 of August 9 and 76 of August 14 from Consul General Palmer at Beirut concerning Treasury handling of blocked funds. Before a reply can be drafted, information should be disclosed as to the action taken with respect to the funds of the Banque de Syrie mentioned in the third paragraph of the first of these two messages.

Turkey

Despatch No. 1512 of August 3 from Ambassador MacKerrey at Instanbul in regard to funds of Belgian Minister and Counselor of Belgian Legation.

Yugoslavia

Cablegram No. 297 of July 6 from Minister Lase at Belgrade concerning Franco-

Serb Bank.
The gold and silver prices in London on Saturday were received in New York today. The Mexican peso recorded to 199.14, 1995. The noon quotations were 475,153.00, and the balance of the gold bullion at 475,153.00. The Mexican peso was quoted at 35.80 up by 23 per cent. The Mexican peso has been fairly steady.

The Federal Reserve Bank reported that there were no gold transactions commencing by us today. There were no gold transactions commencing by us today.

The Mexican peso recorded to 199.14, 1995. The noon quotations were 35.80 up by 23 per cent. The Mexican peso has been fairly steady.
The report from the Federal Reserve Bank of New York, which lists deposits for the account of banks, as reported by the New York agencies of American banks as of August 1st, showed that such deposits totalled $57,095,000 as of August 21st. Included in this total were $3,928,000 in deposits with the Bank of Japan and $3,560,000 deposited on the books of the Union Bank of Japan in London. The latter figure was $2,326,000 in deposits with the Bank of Japan and $2,500,000 in deposits with the Bank of Japan in London. The latter figure was $2,500,000 as of August 21st. The deposits of American banks in London, as reported on August 16th, included in this total were $3,560,000 in deposits with the Bank of Japan and $3,560,000 in deposits with the Bank of Japan in London. The latter figure was $2,500,000 as of August 21st. The deposits of American banks in London, as reported on August 16th, included in this total were $3,560,000 in deposits with the Bank of Japan and $3,560,000 in deposits with the Bank of Japan in London. The latter figure was $2,500,000 as of August 21st. The deposits of American banks in London, as reported on August 16th, included in this total were $3,560,000 in deposits with the Bank of Japan and $3,560,000 in deposits with the Bank of Japan in London. The latter figure was $2,500,000 as of August 21st.

The Treasury's purchases of silver for foreign exchange, all of which consisted of new production from foreign countries, for foreign exchange, are shows that such deposits totalled $57,095,000 as of August 21st. Included in this total were $3,928,000 in deposits with the Bank of Japan and $3,560,000 in deposits with the Bank of Japan in London. The latter figure was $2,326,000 in deposits with the Bank of Japan and $2,500,000 in deposits with the Bank of Japan in London. The latter figure was $2,500,000 as of August 21st.

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August 26, 1940

Professor Chamberlain

Mr. Cochran

At 10:15 this morning the Minister of Uruguay telephoned me. He stated that
he had received a communication from his Government inquiring in regard to further
payments due Uruguay under contracts entered into by the French Government. The
message stated that the total of goods purchased by and shipped to France from
Uruguay packing plants amounted to $223,611.98. The $210,000 payment which we
had approved for the French American Bankring Corporation is the only payment so far
made on the above total covering actual shipments. The Uruguayan Government is
naturally interested in having the balance paid as soon as possible. Furthermore,
contracts totaling $1,126,667.36 were entered into by the French Government with
Uruguay packing houses. The goods covered by these contracts have not yet been
shipped. The Minister asked whether we were holding up payment therefor. I told
him that I would look into the two categories of payments, but remarked that the
social category presented a real question, since there was the probability that the
goods could not be shipped to France and that the British Government might conser-
vably take over such contracts and pay for the goods in sterling. I promised that we
would let him know the results of our investigation.
August 26, 1940

Mr. Livesey

Mr. Cochran

Will you kindly send the following telegram, for the charge of the Stabilization Fund of the Treasury:

"American Embassy,

Berlin.

For payment from Cochran. (Signed)

Your letter dated July twenty-two. Two checks totaling two hundred three dollars deposited."
August 25, 1940.

To: Mr. Cochran
From: L. V. Knott

I am enclosing copy of a cable dated August 24, 1940 received today from Bank for International Settlements, also copy of Article 20 of the bank's statutes to which reference is made in the first paragraph of the cable.

I shall call you on the telephone tomorrow for further discussion.
INCOMING CABLEGRAM

Chateau d'Oex, August 26, 1940

Federal Reserve Bank of New York
New York
No. 365

In making suggestion in paragraph 5 my 326 to divide Bank for International Settlements account with you I had in mind principle underlying article 20 Bank for International Settlements statutes whereby all transactions of this bank in New York are subject to your approval. You are thus free to lay down whatever conditions you consider suitable in respect of any account which we might wish you to open in our name. Treasury ruling is not necessary to make suggested special account for license countries subject to appropriate restrictions.

If you agree we should like to open forthwith such an account so that you will be in a position to recognize payments of such characters that they would require Treasury license if made by an American bank and we hope that subsequent transactions passing through general account may be considered to fall under general license and may thus be free from vexatious formalities and delays. An anxious to co-operate whole heartedly with you and Treasury in any arrangements which may first help get rid of special Treasury rulings as to nationality of Bank for International Settlements which we cannot accept and second facilitate business which would not in an American bank fall under executive orders. Should greatly appreciate your consent to special account and any you may feel able to give.

McKittrick
Bank for International Settlements
Art. 20. The operations of the Bank shall be in conformity with the monetary policy of the central banks of the countries concerned.

Before any financial operation is carried out by or on behalf of the Bank on a given market or in a given currency the Board shall afford to the Central bank or central banks directly concerned an opportunity to dissent. In the event of disapproval being expressed within such reasonable time as the Board shall specify, the proposed operation shall not take place. A central bank may make its concurrence subject to conditions and may limit its assent to a specific operation, or enter into a general arrangement permitting the Bank to carry on its operations within such limits as to time, character and amount as may be specified. This Article shall not be read as requiring the assent of any central bank to the withdrawal from its market of funds to the introduction of which no objection had been raised by it, in the absence of stipulations to the contrary by the central bank concerned at the time the original operation was carried out.

Any Governor of a central bank, or his alternate or any other Director specially authorized by the central bank of the country of which he is a national to act on its behalf in this matter, shall, if he is present at the meeting of the Board and does not vote against any such proposed operation, be deemed to have given the valid assent of the central bank in question.

If the representative of the central bank in question is absent or if a central bank is not directly represented on the Board, steps shall be taken to afford the central bank or banks concerned an opportunity to express dissent.
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Paraphrase of Code Cablegram Received at the War Department 2:16 p.m., Aug. 26, 1940

London, Filed 13:26, August 26, 1940.

(This cablegram is a continuation of the cablegram filed in London, 09:43, August 22, 1940, summarizing a strictly confidential memorandum prepared jointly by the three British Chiefs of Staff for the visiting American military and naval observers – G-2.)

14. Considerable evidence now available to us leads us to the conclusion that our bombing of targets in Germany has shown considerable accuracy and has been very effective. Enemy night bombardment, and day bombardment delivered in the face of substantial opposition, has up to this time not proved very accurate. When these enemy attacks have not been given effective opposition they have achieved considerable effect, especially against merchant shipping, in large part due to the large numbers employed. The enemy used their bombers against Allied land forces with great effect during the campaign on the Continent. Again this effectiveness was due primarily to their great numerical superiority and the larger number of supporting fighters utilized. The enemy Air Force exploited to its full extent the moral effect of dive bombing against troops who had not at that time become accustomed to such attacks and did not realize that the bark of these bombers was worse than the bite.

15. Except for the sinking of or damage to a considerable number of transporters and destroyers in the narrow waters of the North
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Sea and the Channel, comparatively little damage has been inflicted on our naval vessels by attacks from the air. However, it is our policy not to expose, unless this is absolutely necessary, important units of the Fleet to air attacks on a heavy scale unless they are escorted by fighters. In the Mediterranean we have relaxed this policy to some extent for in that theater the threat of Italian aviation is probably less serious than that from German aviation in Home waters.

16. The threat of very heavy air attacks on this country and on our shipping remains our greatest anxiety. We require all of the fighters, trained air crews and antiaircraft guns that we can obtain to meet this threat. Since prolonged aerial combat imposes a serious strain on the personnel involved, the production of trained air crews is at present our most pressing need. It is possible that the number of pilots available may soon be outstripped by our supply of aircraft.

LRR

Copies to: General Watson
Secretary of War
State Department
Secretary of the Treasury
Asst. Secretary of War
Chief of Staff
ONI
NPD

CONFIDENTIAL
- 2 -
TENTATIVE LESSONS FROM THE RECENT
ACTIVE CAMPAIGN IN EUROPE

NOTICE
This document is being given an approved distribution, and no additional copies are available in the Military Intelligence Division. Its reproduction in whole or in part is subject to the provisions of letter TAG, November 15, 1939, AG 350.05 (11-1-39) HBM, "Dissemination of Military Information by the Military Intelligence Division and by Recipients of M.I.D. Information".

The information contained in this series of bulletins will be restricted to items from official sources which are reasonably confirmed. The lessons necessarily are tentative and are in no sense mature studies.

BRITISH AND FRENCH DEFENSE AGAINST TANKS

Contents

I. INTRODUCTION

II. MATERIAL
   A. General
   B. Weapons
   C. Weapon Transportation
   D. Ammunition
   E. Obstacles

III. ORGANIZATION AND TRAINING

IV. TACTICS

I. INTRODUCTION

The information contained in this bulletin is from various Allied sources, chiefly British. It is based upon observations made before and during the campaigns in Holland, Belgium, and France.
II. MATERIAL

A. General

Most authorities agree that British and French antitank material was of high quality but that, in general, neither army had sufficient numbers of weapons to prevent the advance of German tanks. Conversely, German successes in stopping Allied tanks are largely attributable to the liberal distribution of antitank weapons in the German Army. Where standard Allied guns had targets within their power of penetration, they were effective, but the German trend towards heavier armor required a steady and substantial increase in the penetrating power of antitank weapons.

B. Weapons

1. **The French 75mm. Antitank-Field Gun** is an entirely new Bourges dual purpose weapon. It completed successful trials in March, 1940. When used on a three-armed mounting for antitank work, it has a traverse of 360° and fires 14-lb. solid shot. It is heavier than the 75mm. field gun, model 1897/33.

2. **The French 47mm. Antitank Gun** is known to have stopped tanks up to the German Panzer Kraftwagen IV, a 22-ton tank with 30 to 43mm. of armor. Although definite evidence is lacking, this gun is believed to have stopped 35-ton German tanks at short ranges and with normal angle of strike on the body of the tank.

A British official source reports that the French used the following models of 47mm. antitank guns:

a. 47mm. Naval Model 1902: Muzzle velocity, 2260 f.s.; shell, 4.4 lbs.; mounted as antitank weapon in fortified positions.

b. 47mm. Casemate Model 1934: Length of bore, 50 cal.; elevation, 10°; depression, 15°; traverse, 45°; muzzle velocity, 2800 f.s.; shell, 3.8 lbs.; weight in action, 220 lbs.; model with deepened rifling mounted in fortifications.

*Note:* This model was also used with non-deepened rifling. In such a case it had a muzzle velocity of 2260 f.s. and fired a shell of 4.4 lbs. It was employed only in fortifications.

c. 47mm. Model 1937: Length of bore, 50 cal.; muzzle velocity, 2800 f.s.; shell, 3.8 lbs.; solid shot, capped; maximum range, 5500 yards; elevation, 15°; depression, 16°; traverse, 60°; weight in action, 2310 lbs.; penetration, 60mm. at 30° at 600 yards and 80mm. at 15° at 200 yards; used for antitank defense in fortifications on twin mounting as well as on normal wheel mounting.
3. **The British 40mm Antitank Gun** is known to have stopped the German 22-ton tank, but there is doubt as to whether it can stop the 36-ton tank. It will not penetrate the turret of a heavy tank except under extremely favorable conditions. In Norway, three British 40mm antitank guns are said to have accounted for four medium tanks, four or five light tanks, and seven armored cars in one action.

4. **The French 37mm Gun** is a Hotchkiss gun used as an emergency antitank weapon, and the Germans consider it the best anti-tank gun used by the Allies. The French employed the following models:

   a. **37mm, Rapid Fire Model 1916**: Length of bore, 21 cal; muzzle velocity, 1970 f.s.; shell, 86 lbs.; elevation, 17°; depression, 8°; traverse, 34°; rifling, 12 grooves and twist of 6°; weight in action, 240 lbs.; original weapon, with muzzle velocity of 1300 f.s., was issued as an infantry support gun.

   b. **37mm, Caseante Model 1934**: Length of bore, 50 cal.; muzzle velocity, 2680 f.s.; shell, 1.38 lbs.; elevation, 25°; depression, 15°; traverse, 45°; rifling, 12 grooves and twist of 7°; weight in action, 1100 lbs.

5. **The French 35mm, Antitank Gun** was successfully used against lightly armored vehicles, including light tanks. There is definite record of a case in which a 35mm gun split a light tank from top to bottom, possibly as a result of the accurate placing of a group of shots close to a welded joint. In Belgium, a British infantry antitank company with nine 35's is credited with having stopped 44 light tanks and armored cars. The French used the following models:

   a. **35mm, Semi-Automatic Model 1934**: Length of bore, 64 cal.; muzzle velocity, 3000 f.s.; shell, .70 lbs.; maximum range, 11,400 yards; elevation, 15°; depression, 8°; traverse, 60°; rifling, 12 grooves and twist of 6°/10°; weight in action, 1050 lbs.; penetration, 40mm. plate at 30° at 400 yards and 60mm. plate at normal at 100 yards.

   b. **35mm, Semi-Automatic Model 1935**: Length of bore, 50 cal.; muzzle velocity, 3000 f.s.; a shortened 35mm. Model 1934 for use on armored cars.

6. **The Boys Antitank Rifle**. .55 caliber shoulder magazine rifle with bolt action, weighs 36 pounds. Where tanks are known to be lightly armored, fire is directed at the body; otherwise, at the sun-
persion or caterpillar mounting. The Boys rifle has stopped heavy
tanks when several shots at short range could be placed in the
tread as the tank approached head-on.

7. Antitank Mines have been effective even when placed
under water. This fact may be significant when linked with the re-
port that some Italian tanks can run for a short distance under water.
The French antitank mine was in the form of an oblong metal box,
painted a neutral color. It had a corrugated lid provided with a
safety rod. The mines were packed for transport in fours, and the
fuses were carried separately, 25 to a box. Not altogether satis-
fied with their mine, the French were experimenting with another
type at the time of capitulation.

C. Weapon Transportation

This has been discussed in TENTATIVE LESSONS BULLETIN NO. 10,
Paragraph 3, a, and in TENTATIVE LESSONS BULLETIN NO. 5, Paragraph 3.

D. Ammunition

Considerable study has been given to the relative merits of
high explosive and solid armor-piercing ammunition in antitank defense.
The British at one time recommended the use of high explosive or in-
cendiary armor-piercing shell in all weapons of more than .55 caliber,
with fire directed at the bodies of light tanks and at the suspensions of
heavy tanks. When this recommendation was made, the German 20mm,
gun and the French 25mm. gun were the smallest caliber antitank weapons
using explosive shell. It was reported that a French commander, after
using both solid ammunition and high explosive shell for antitank fire,
stated a preference for the latter.

This view is at variance with a later report on the subject,
which is as follows:

"The best obtainable French opinion strongly favors solid
projectiles for all calibers of antitank weapons up to and including
75mm. Experience has shown that the solid projectile, upon piercing
the walls of a tank, breaks off fragments which are as effective as
those from explosive projectiles. After numerous tests, explosive
projectiles are considered impractical because of the difficulty of
setting the time fuses so as to insure explosion inside the tank.
Many projectiles explode on impact without penetrating."

An official British report of recent date states that the
following French guns fired solid armor-piercing shot (See Paragraph
II,B.): The 75mm. antitank-field gun; 47mm. Model 1937 and Model 1939;
37mm. Model 1934 (solid shot with ballistic cap); 25mm. Hotchkiss
E. Obstacles

1. Wire, if used in sufficient depth, was considered effective by the French against tanks and armored cars. Coils consisted of sixty turns of 3/4mm. steel wire, similar to concertina wire but not barbed. When wire was used as an obstacle against medium or heavy tanks, antitank mines were concealed in the first two or three coils.

2. Rails constituted the chief French antitank defenses. For movable obstacles, 90-pound railway rails were sunk into prepared concrete sockets in the ground, while for more permanent obstacles, the same type of rails were driven in to a depth of three or four feet and then concreted if necessary. Semi-mobile obstacles, known as the bascule and the tetrahedron, were made out of railway rails and box sections respectively.

The bascule consisted of rails or steel sections bent at right angles, each arm being about four feet long and welded at the bend in a plane at right angles to another steel section six feet long. The obstacle was laid with one arm horizontal and pointing in the direction of the enemy. When a tank struck the vertical arm, the horizontal arm tended to rise and lift the tracks off the ground. In barrages of three rows, the obstacles were effective against all tanks, even up to 35 tons.

The tetrahedron was a pyramid 3'3" high. It was constructed of welded steel box sections, and when these were chained together three rows deep, they formed a very effective obstacle. High cost prevented production on a large scale.

III. ORGANIZATION AND TRAINING

These subjects have been covered in TENTATIVE LESSONS BULLETIN NO. 5, Paragraph 3; NO. 10, Paragraphs 3.b. and 3.c.; NO. 24 Paragraph 4.

IV. TACTICS

This subject has been covered in TENTATIVE LESSONS BULLETIN NO. 10, Paragraph 3.a.

(Note: For German defense against tanks, see TENTATIVE LESSONS BULLETIN NO. 12, NO. 16, and NO. 26, Paragraph 3.g. For Finnish defense against tanks, see TENTATIVE LESSONS BULLETIN NO. 7.)
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TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE August 27, 1940

TO Secretary Morgenthau
FROM Mr. Cochran

The reporting banks had a very dull day in registered sterling as indicated by the transactions listed below:

Sold to commercial concerns £5,000
Purchased from commercial concerns £2,000

The Federal Reserve Bank of New York reported that it sold £50,000 to the New York Agency of the Bank of Taiwan. We understand that this sterling is to be used by the New York Agency to establish a balance with its office in London for use in expediting transactions between them.

In the open market sterling was first quoted at 4.02-1/2. At about mid-afternoon it sold at 4.03-1/4. The closing rate was 4.03.

Transactions of the reporting banks in open market sterling were as follows:

Purchased by commercial concerns £44,000
Purchased by foreign banks (Venezuela) £10,000

Total £54,000

Sold by commercial concerns £2,000

The other currencies closed as follows:

<table>
<thead>
<tr>
<th>Currency</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Swiss franc</td>
<td>.2278</td>
</tr>
<tr>
<td>Swedish krona</td>
<td>.2385</td>
</tr>
<tr>
<td>Canadian dollar</td>
<td>12-7/8% discount</td>
</tr>
<tr>
<td>Lira</td>
<td>.0505</td>
</tr>
<tr>
<td>Reichsmark</td>
<td>.4005</td>
</tr>
<tr>
<td>Mexican peso</td>
<td>.1996 bid, 2016 offered</td>
</tr>
<tr>
<td>Cuban peso</td>
<td>11-15/16% discount</td>
</tr>
</tbody>
</table>

We purchased $50,000,000 in gold from the earmarked account of His Britannic Majesty's Government.

The Federal Reserve Bank of New York reported the following shipments of gold to it:

50,000,000 from Canada, shipped by the Bank of Canada, to be earmarked for account of His Britannic Majesty's Government.

5,786,000 representing two shipments from Portugal, by the Bank of Portugal to be earmarked for its account.

$55,786,000 Total
The Federal Reserve Bank was informed by the Exchange and Arbitrage Company that the total, short position of all dealers was about the equivalent of $1,283,000 in the short position. The short position is the amount of silver offered to the.bull to buy. In September, the London market for silver in sterling had moved up. The long position is the equivalent of the dollar price per ounce. The London market for silver in sterling had moved up about 25%.

The dollar equivalent of the silver price was $1.56. The equivalent of the silver price was $1.56.

The London market for silver in sterling had moved up about 25%.

The dollar equivalent of the silver price was $1.56.
PARAPHRASE OF TELEGRAM RECEIVED
FROM: American Embassy, Vichy (Paris)
DATE: August 27, 1940, 9 p.m.
NO.: 441.

On the recommendation of Bouthillier-Marha, Pétain has appointed Robert Lacour-Gayet, who formerly was a financial secretary in Washington, as general coordinator of the financial and economic activities of France in the United States. Among his duties will be the liquidation of the affairs of the French purchasing bureau. Information has reached me privately that assistance in orienting Alphand is to be given by Lacour-Gayet. M. Lacour-Gayet paid me a visit today. He stressed the fact that his mission is important and pressing. It is his hope that passage on the Clipper at an early date can be arranged for him by the Department.

MATTHEWS
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

TO	Secretary Morgenthau
FROM	Mr. Cochran

DATE	August 27, 1940

STRICTLY CONFIDENTIAL

Official sales of British-owned dollar securities under the vesting order, effective February 19:

<table>
<thead>
<tr>
<th>No. of Shares Sold</th>
<th>$ Proceeds of Shares Sold</th>
<th>Nominal Value of Bonds Sold</th>
<th>$ Proceeds of Bonds Sold</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 19 1,111</td>
<td>$11</td>
<td>$11</td>
<td>$11</td>
</tr>
<tr>
<td>20 1,111</td>
<td>$11</td>
<td>$26,000</td>
<td>$11</td>
</tr>
<tr>
<td>21 200</td>
<td>3,749</td>
<td>28,000</td>
<td>19,477</td>
</tr>
<tr>
<td>22 1,200</td>
<td>101,425</td>
<td>20,000</td>
<td>13,487</td>
</tr>
<tr>
<td>23 5,400</td>
<td>110,261</td>
<td>7,000</td>
<td>4,718</td>
</tr>
<tr>
<td>24 6,800</td>
<td>215,455</td>
<td>83,000</td>
<td>56,364</td>
</tr>
</tbody>
</table>

Sales from February 22 to August 17

| TOTAL FEBRUARY 1,424,452 | 49,248,467 | 3,230,000 | 2,778,140 |

Mr. Pinson reported that sales of non-vested securities for the week ending August 17 totaled $500,000.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE        August 27, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

I talked by telephone at 8:50 this morning with Mr. Knoke in regard to gold for Afghanistan. Yesterday, August 26, was the date by which the Bank of Afghanistan should have accepted the offer made through the Federal Reserve Bank of New York for the Treasury to sell gold to Afghanistan. No reply has yet been received to the cablegram of the Federal making this offer. Consequently I suggested to Mr. Knoke this morning that he get in touch with Mr. Omar, the Commercial Representative of Afghanistan in New York who has been negotiating with the Federal for gold, and ask that Omar remind his people that no reply to the Federal was received within the specified time. Furthermore Mr. Omar was to be informed that if Afghanistan desired an extension of the time within which it might desire to purchase the gold, the United States Treasury would welcome a cable to this effect. Mr. Knoke and I agreed that no message should be given which would constitute an offer on the part of the Treasury to sell gold forward.
To Secretary Morganthau, Head of the Treasury

To: Secretary Morganthau, Head of the Treasury

From: Mr. Cameron, Manager of the Foreign Department of the Federal Reserve Bank

Subject: Silver Exchange

Date: August 27, 1940

Dear Mr. Cameron,

I have just received the attached copy of a letter addressed to the Foreign Department of the Federal Reserve Bank from the Chief of the Division of International Affairs. The letter concerns the matter of the offer of 5,000,000 ounces of Mexican silver upon which the British government has been informed by their Treasury Department.

I have been informed by Mr. Akenson, a Foreign Service officer in the Foreign Department of the Treasury, that the Treasury Department is interested in arranging for the purchase of the Mexican silver by the United States. The offer was made by the Mexican government on July 10 to the President of the United States, who then forwarded it to the Mexican government on May 20.

I am forwarding the letter to you for your information and assistance. Please let me know if you have any questions or need further information.

Sincerely,

[Signature]

Mr. Cameron, Manager

Foreign Department

Federal Reserve Bank

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Consequently, I have determined that the Treasury Department is not interested in purchasing Mexican silver. The Treasury Department has been informed that the offer of 5,000,000 ounces of Mexican silver shall be made by the Mexican government upon the request of the United States government.

The letter states that the Treasury Department will not accept the offer of 5,000,000 ounces of Mexican silver. The letter also states that the offer of 5,000,000 ounces of Mexican silver shall be made by the Mexican government upon the request of the United States government.

[Signature]
In France the total amount of silver coins in circulation during 1928/1929, as recorded by the Central Bank, was $50,000,000, of which $30,000,000 were stored in the French Commissary in Paris, and $20,000,000 in London.

In Britain the total amount of silver coins in circulation during 1928/1929 by the Central Bank, was $50,000,000, of which $30,000,000 were stored in the British Commissary in London, and $20,000,000 in Paris.

The concern that silver coins had been withdrawn from circulation during the war has been a matter of great concern to the British and French governments. In order to create a foreign exchange reserve to meet the needs of the British and French economies, the two governments have been working closely together to ensure the stability of their currencies.

As a result of these efforts, a new agreement has been reached between the British and French governments. This agreement, known as the “Agreement on Foreign Exchange”, was signed on July 1, 1926, and is intended to provide a framework for the exchange of currencies between the two countries.

This agreement is an important step in the process of stabilizing the economies of Britain and France. It is hoped that this agreement will help to ensure the continued stability of the economies of both countries.

As a result of this agreement, the British and French governments have been able to resume the exchange of currencies, which had been suspended during the war. This has allowed the two countries to resume normal trade relations and has helped to stimulate economic growth.

The success of this agreement has been due to the efforts of the British and French governments, as well as the support of the International Monetary Fund. The IMF has played an important role in ensuring the stability of the economies of Britain and France, and has provided financial assistance to both countries in order to help them to achieve their economic goals.

As a result of these efforts, the economies of Britain and France have been able to achieve significant growth and development. The success of this agreement is a testament to the commitment of the British and French governments to work together for the benefit of their respective economies.

I refer to the conversations we have had concerning the proposed alignment of our currencies on the basis of $0.000,000,000.00, as published in the local press on 21st June, 1926, of the text of the agreement. In addition, the agreement makes provision for the placement of a $100,000,000.00 note at the disposal of the local authorities in the event of any disturbance of the exchange value of the local currency.

As an exacting test relative to the silver held in the Bank of England, the British and French authorities have agreed to test the silver held in their respective countries. This test will be carried out in a manner that is mutually acceptable to both parties.

As a matter of fact, the British and French authorities have agreed to test the silver held in their respective countries. This test will be carried out in a manner that is mutually acceptable to both parties.

I am confident that this agreement will be successful in ensuring the stability of the economies of Britain and France, and I look forward to working closely with you and your colleagues in the future.

Yours sincerely,

[Signature]

Charles E. Brown
Vice-President

Foreign Division

One Wall Street

August 23, 1926.

Mr. J. C. Crookson
Manager of Foreign Department
Federal Reserve Bank of New York
33 Liberty Street
New York, N. Y.

Regraded Unclassified
3) As a result of the opposition from the local authorities – already under strong Japanese influence – the shipment of this silver from Tientsin to Shanghai or abroad was impossible and it had to be kept here in custody, in the Concessions, under the supervision of a "Joint Silver Supervisory Commission" comprising representatives of the Chinese Government Banks, Bank of China and Bank of Communications, and of the local Chinese Authorities.


5) In order to give to the new notes issued by the Federal Reserve Bank a backing otherwise lacking, the Provisional Government began to claim for the surrender of the silver stocks still in the Concessions, a claim which was then strongly opposed by the Central Government.

The Concession Authorities adopted the point of view that they could not agree to the surrender of the silver without the agreement of the Central (Chungking) Government and the result of their stand was the blockade of the two Concessions since the middle of June, 1939.

6) It appears now that an account of the war in Europe and of the pressure due to the blockade here, the Concession Authorities have been compelled to adopt a more conciliatory attitude and to accept from now on that the silver be transferred to the custody of One Anglo-Japanese and One Franco-Japanese Commissions without Chinese representatives.

We must here point out that we are not yet able to ascertain whether the Chungking Government has accepted that agreement or actually protested.

7) It is now certain that a few days ago one British Bank has already been effectively put in control of a quantity of silver equivalent to $200,000,- as provided for in the agreement and that this stock will be sold in Bombay and proceeds used for purchases of Australian flour.

8) The disposal of the $200,000,- to be set for relief purposes out of the stocks held in the French Concession will be entrusted to the Banque de l'Indo-Chine and to the Banque Franco Chinoise pour le Commerce et l'Industrie S.A. and we have commonly agreed that it would be safer to conduct the sale in the U. S. A. provided of course that the purchase may be accepted by the American Treasury.

We thought that you might have been aware of the general lines of this so-called "silver agreement" and that is why we took the liberty to telegraph to you without explanations.

As it seems that it is not the case and as the purchase of the silver by the American Treasury may give rise to delicate diplomatic issues on account of the control of the silver market in your country we have thought correct to give you all the above rather lengthy information.
Mr. D. J. Cameron

5-23-40

We do not need to insist on the fact that we expect you to use them very confidentially especially if you feel from our very frank statement, that there is little chance to obtain the purchase of the silver by the American Treasury.

The above facts are known already to the U. S. A. Foreign Office which is probably also aware of the real stand of the Chungking Government in relation to the "T/T Silver Agreement" and we assume that it must therefore be possible to ascertain the stand of your Government "in principle" regarding this sale of silver, but if you are afraid of any complication, kindly let us know and we shall put the question through normal diplomatic channel.

It will be appreciated if, as requested by our correspondent, the above is treated confidentially.

Thanking you for your kind cooperation,

Very truly yours,

(Signed) C. W. Brugger
Vice-President.
August 27, 1940

Professor Chamberlain

Mr. Cochran

I have this morning spoken with Mr. Henderson who handles the Eastern
European desk in the Department of State concerning the following communication
which we received from the Latvian Minister, and which was mentioned at our Group
Meeting yesterday:

"I would greatly appreciate it if you could furnish me with all possi-
ble information with regard to funds deposited in the United States and
belonging to Latvian private citizens, juridical persons and missions
abroad and to the Latvian Government. This information, of course, would
be considered confidential. I am requesting it on the basis of special
powers conferred upon me by the constitutional Government of Latvia, a
copy of which I enclose for your information."

I told Mr. Henderson that we should like to know informally his opinion on
this matter before taking any action on it ourselves or before referring it formally
to the State Department. Mr. Henderson confirmed that the State Department still
recognized Mr. Milmanis as the Latvian Minister in Washington. He would be sur-
priised if the Treasury Department might see fit to give all of the detailed infor-
mation requested by the Minister, but thought that we would be warranted in treat-
ing this inquiry in a manner similar to that which we might receive from the only
accredited diplomatic representative of one of the other invades countries whose
assets had been blocked by the United States.
August 27, 1940

Professor Chamberlain

Mr. Cochran

By appointment, Mr. Nikula, Secretary of the Finnish Legation, called on me at 10:30 this morning. He left with me the attached Aide-Memoir concerning the
enigram which he had received from Finland. I suggested that his Legation write
a letter to the National City Bank in New York, the only bank mentioned in the
attached enigram, and with which institution the Finnish Legation has an account.
In this letter I suggested that the Legation ask the National City to make a formal
application to the Federal Reserve Bank for a license to cover the transaction in
question,setting forth all available data,including the fact that the purchase of
American products for which the $10,000 was transferred to a Norwegian bank had
never been carried out and consequently the transfer back to Finland of this amount
was requested.
Raiding being in Hervey during the Finnish Session for the Director of O/Y Sanka A/B Mr. Jussi paid through the Legation of Finland in Oslo to the "Son Turku Kreditbank" 10,000 dollars for the purchase of different goods from the United States.

The Ministry for Foreign Affairs in Helsinki would like to know whether it would be possible for the Treasury Department to let the "Son Turku Kreditbank" credit the account of O/Y Thiyepankki of Helsinki in the National City Bank of New York with the said amount.

Washington, D. C., August 27th 1940.
August 27, 1940

Acting Secretary Bell

Mr. Cochran

At 4:30 yesterday evening I received Mr. Opie, Acting Financial Counselor of the British Embassy, in regard to the question of paying twice the transfer tax on British securities whose title has been vested in the Government. Acting General Counsel Burns was then good enough to receive us, having with him Messrs. Manning, Speer and Lindsay of the Bureau of Internal Revenue and Mr. Fielder of his own staff. The question was discussed at some length. The gentlemen from the Bureau of Internal Revenue were to check in their own office in regard to possible action, and Mr. Opie was to communicate again with Mr. Clifford in New York with respect to the possibility of the Treasury being obliged to give publicity to any action which it might take toward reimbursing the British Government for a second payment of the above tax, or of exempting the British Government from such second payment.
TENTATIVE LESSONS FROM THE RECENT
ACTIVE CAMPAIGN IN EUROPE

NOTICE

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The information contained in this series of bulletins will be restricted to items from official sources which are reasonably confirmed. The lessons necessarily are tentative and are in no sense mature studies.

MISCELLANEOUS INFORMATION

Contents

I. PAINT ON GERMAN VEHICLES  
II. GERMAN DESTRUCTION OF LAND MINES  
III. ARMOR ON RUSSIAN T35 TANKS  
IV. EFFECTS OF BOMBING ON TROOPS IN FRANCE

CONFIDENTIAL

-1-
I. PAINT ON GERMAN VEHICLES

The following quotation is from an American source:

"Their (the Germans') motor transport and such motorized and mechanized divisions as I have seen appeared to be excellent, and the gun-metal or lead gray paint used on these vehicles is, I believe, superior to any olive drab color that I have ever seen. The German aviators with whom I have talked tell me these vehicles are very difficult to see on the road. I understand that the French aviators are of the same opinion."

II. GERMAN DESTRUCTION OF LAND MINES

According to a British official source, a captured German document describes an explosive net manufactured for the purpose of clearing passages through mine fields by detonating the mines.

The net is made in units about 45 feet long by 8 feet wide, with 5 inch square mesh. It is constructed of instantaneous detonating fuse similar to commercial fuse. Detonation is by means of safety fuse. When rolled up for transport, each net is about 8 inches in diameter and weighs about 20 pounds. Two nets, which can be carried by one man, are considered sufficient for clearing a passage through almost any mine field. Nets are laid under cover of darkness.

The German document warns that the fuse of which the net is constructed is easily set off by shell splinters or rifle bullets. Thus the net must be laid as late as possible before the intended tank advance. If possible, detonation should be concealed by simultaneous artillery fire.

An unconfirmed report states that the Germans also make use of a small circular net for individual mines in advance of tanks. It is said to be a hoop of heavy stiff wire to which explosives similar to blocks of TNT are attached. These are electrically detonated. Personnel operating the nets accompany tanks in their advance.

III. ARMOR ON RUSSIAN T35 TANK

An American source reports that the Russian Army, as a result of recent German field experience, has strengthened the armor of its T35 tank from 35mm. to 60mm. and has redesigned the superstructure. It is believed that the improved unit is now in mass production.

The T35 is a Mark II heavy Soviet Vickers tank weighing about 35 tons and armed with one 76mm. gun, two 37mm. or 45mm. guns, and two
Regraded Unclassified

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...to troops, mortars, and other small arms.
Handed by Mr. Stopford of the British Embassy to Mr. Cochran in the Treasury at 1 p.m., August 27, 1940.

I am informed from London that Societe Generale London holds in the name of Societe General Alsacienne, Zurich, bearer securities of about 3000 pounds declared to be property of a non-enemy named Andre Wick of 539 West 45th Street, New York. The ingenious suggestion has been made that the name "Andre Wick" might be an alias for Count A. Westrick.

/s/ R. J. S.

The British Embassy, 27th August, 1940.
Handed by Mr. Stopford of the British Embassy to
Mr. Cochran in the Treasury at 1 p.m., August 27, 1940.

I am informed from London that the
Credit Suisse, New York, have received
Fourteen Thousand Dollars ($14,000) which
they are holding at the disposal of
L. Hombrink Enschede for account of Fabrica
Cubana de Tejidos.

This looks very like cloaking Dutch funds
by holdings on customers accounts.

/s/ R. J. S.

The British Embassy,
27th August 1940.
Handed by Mr. Stopford of the British Embassy to Mr. Cochran in the Treasury at 1 p.m., August 27, 1940.

INFORMATION RECEIVED FROM LONDON.

SECRET.

I am informed that DE BARY, Amsterdam, has asked New York Trust for authorities' consent for delivery free to Brown Brothers for account of Amsterdamsche Bank of 100 shares of U. S. Rubber Company. They add that they have obtained permission of Dutch authorities for this transfer.

/s/ R. J. S.

26/8/40
Handed by Mr. Stopford of the British Embassy to Mr. Cochran in the Treasury at 1 p.m., August 27, 1940.

I am informed that the suggestion is being made by American Flange, New York, to Van Leer VANDERBILT PAUMAKER that as the latter are not allowed to remit royalties amounting to hundred thousand dollars per annum, release of Dutch frozen assets to the equivalent amount should be obtained.

/s/ R. J. S.

The British Embassy,
27th August 1940.
Handed by Mr. Stopford of the British Embassy to
Mr. Cochran in the Treasury at 1 p.m., August 27, 1940.

INFORMATION FROM LONDON

Secret

On 27th July the American Express Company, Amsterdam, advised their New York office that they had been informed that the Rotterdamsche Bankvereeniging, Rotterdam, had sold $4,400. travellers cheques but that the application forms had been destroyed by fire. They added that no cover had yet been received owing to the foreign exchange restrictions, but that an application had been filed.

On 8th August the Banque Populaire Suisse, Zurich, asked the American Express Co., New York if the payment of $25,000. to the Chase Bank by order of the American Express Co., Amsterdam, had yet been made.

/s/ R. J. S.
28/8/40.

COPY
Handed by Mr. Stopford of the British Embassy to Mr. Cochran in the Treasury at 1 p.m., August 27, 1940.

Secret

I have received a report that the French Potash Sales Organization in the U.S. is in process of liquidation and that the French stocks of Potash in this Country are now being marketed by the Pioneer Potash Corporation, which is the sales organization here of the German Kali Syndicate. The French organization referred to is presumably the French Potash and Import Company Inc., which was formed in September 1939 to take over the business of the former joint Franco-German selling organization. I have not yet been able to confirm this information.

/s/ R. J. S.
26/8/40.

[Copy]
I am informed by London that there is some reason to suppose that Secretary General of the League of Nations has recently made an attempt to transfer assets of the League in U.S. back to Geneva, an attempt which has very properly been frustrated by the League Treasury.

2. In view of the possibility that further attempts will be made, and of danger that if they were successful these assets might pass under hostile control, I am instructed to inform United States Government informally of the matter in case they feel able to take precautionary steps.

/s/ R. J. S.

The British Embassy,
27th August, 1940.

COPY
Handed by Mr. Stopford of the British Embassy to
Mr. Cochran in the Treasury at 1 p.m., August 27, 1940.

Information received from London

Secret

1. On 27th July 1940 the Nederlandsche Indische Handelssociëteit
   advised the New York Trust Company in New York that the
   latter could remit the counter-value of payments to be made
   in guilders, in Swiss francs to the Swiss Bank Corporation
   in Zurich for the free account of the Nederlandsche Indische
   Handelssociëteit. The official rate was stated to be 42.72
   guilders per hundred Swiss francs.

2. On 30th July, the Chase Bank advised Kampmann Saxild &
   Company, Axt, Copenhagen, that they were endeavouring to
   obtain the approval of the Federal Reserve Bank for Kampmann
   Saxild to operate the account at Teheran. The Chase Bank
   had transferred on the 8th July $115,025 to the Goteborg
   Handelsbank and $100,000 to Kampmann Saxild, Teheran.
   Copenhagen were asked to instruct Teheran to indicate the
   free account when disposing of this money.

3. On 26th July the Norsk Aluminium, Oslo advised Aluminium
   Ltd., 520 Fifth Avenue, New York, that the figure already
   advised of $287,835,27 includes $8,527,55 belonging to
   Sigurd Klemunt. The balance still to be paid when exchange
   possibilities permitted amounted therefore to about $22,000.

4. On 3rd August Pancoa Marves Co. of Lisbon advised the
   Amsterdamsche Bank, Amsterdam, that the insurance of bank
   rates by registered airmail against transport risks would
   be 1/4 and against war risk free of all capture would be 1/2.

5. On 26th July the Banco Almeia Transatlantico, Buenos Aires,
   advised the Reichsbank that they were crediting their account
   with 227,591 paper pesos by order of the German Embassy.

6. On 30th July Theo. Gillissen, Amsterdam, advised Gillissen,
   New York, (telegraphic address "Gillmarks"), that they had sold
   for joint account 100 shares Hayon at 15½. On August 7th
   they advised New York that New York would receive from
   Laidlaw & Co., New York, 110 Japanese Govt. Sterling %
   1910-1970, against payment of $1980. They ask for information
   about the fluctuation of artificial silk shares.
I am informed that the general manager
of Banque Francaise et Italienne at Buenos Ayres
is perturbed by a story of possible concentration
with Federal Reserve of blocked assets of various
concerns in which he is interested. He asks general
manager of Banco Commerziale Italiano, Milan to try to
get unblocking of assets of Olandese Azoto and of
Citrice Belga and of Banco Commerziale Italiano France
and Banque Francaise et Italienne pour l'Amerique du
Sud, Paris and others amounting to one and a half
million dollars. He adds that Milan will know how
to submit "ample and convincing documentation".

/s/ R. J. S.

The British Embassy,
27th August, 1940.
Handed by Mr. Stopford of the British Embassy to
Mr. Cochran in the Treasury at 1 p.m., August 27, 1940.

Secret

I learn from London that stolen old masters
and modern French paintings are being offered by
Berlin to Durand-Ruel and Bignou Gallery Limited.

What is the character of control import into the U.S.A.
of works of art and antiques?

/s/ E. J. S.

26/8/40.
I have been asked by London to say what the practice of U. S. authorities is with regard to

1. Dollars purchased by banks in occupied territories against payment in their local currencies.


3. Do U.S. authorities distinguish between territories declared enemy under U.K. law and other French territories?

E. J. S.

The British Embassy
27/8/40
INFORMATION RECEIVED FROM LONDON.

SECRET.

I am informed that on August 12th National City Bank of New York advised Deutsch Laendesbank Berlin that under the terms of executive order 8493 they were, pending clarification, apparently prohibited from reimbursing Laendesbank for further payments of debentures or coupons of the American I. G. Chemical Corporation 5-1/2% issue due 1949 unless permitted by the Treasury Department. I presume this action must be taken in accordance with section 13A, paragraph 2. Is there any possibility that Treasury authority for such reimbursements may be withheld?

/s/ R. J. S.
28/8/40.
In reply refer to
RG 040.51 Frozen Credits/505

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a translation of a note dated August 22, 1940, from the Mexican Ambassador at Washington requesting favorable action with respect to the payment of certain checks drawn by the Brussels branch of the National City Bank of New York against the latter.

Enclosure:

From Mexican Ambassador, Washington,
August 22, 1940.
[TRANSLATION]

EMBASSY OF MEXICO

Washington, August 22, 1940.

Mr. Secretary:

According to information received by this Embassy, the National City Bank of New York has asked the Federal Reserve Bank that the payment of 18 checks with a total value of $3,630.28, drawn by the office of the said bank in Brussels against the main office in New York, be authorized.

These 18 checks are as follows: 7 for $93, payable to the order of the Consulate of Mexico in Milan; 4 checks for $351.17 each and another for $351.17 payable to the order of Roberto Orellana; 6 checks for $214.26, $214.26, $204.05, $200.62, $200.62 and $200.62, payable to the order of Filomeno Mata.

The persons in whose favor the above checks are issued occupy the following posts: Juan P. Accárate, Minister of Mexico in Berlin; Roberto Orellana, Consul of Mexico in Milan, Italy; Filomeno Mata, Clerk in the Consulate of Mexico at Milan, Italy.

Having the honor to communicate the above to Your Excellency, I take the liberty of begging you that

His Excellency
Mr. Cordell Hull,
Secretary of State,
etc., etc., etc.
the corresponding subordinate offices of the American Government be authorized to pass favorably in cases like the present one on transfers of funds between banking institutions in Europe and their correspondents in the United States.

Due to the situation which prevails in Europe at the present time, the Mexico Government considers that the authorization which I have the honor to solicit is particularly important for enabling the pay and other emoluments of the personnel of the Mexican Foreign Service assigned to certain European cities to be met.

I thank Your Excellency in advance most cordially for the attention which you may be good enough to pay to this note, and I avail myself of the opportunity to renew to you the assurance of my highest and most distinguished consideration.

F. CASTILLO HÁJERA
Ambassador.
TELEGRAM SENT

GRAY
August 27, 1940
11 a.m.

AMBASSY
BERLIN

2321

FOR HEATH FROM COCHRAN.

Your letter July twenty-two. Two checks totaling two hundred three dollars deposited.

HULL
(FL)

EA: PL: LNW
August 28, 1940
9:30 a.m.

Bell: Hello.
H.M. Jr: Hello, Dan
Bell: How are you?
H.M. Jr: Okay.
Bell: Did you catch a lot of fish?
H.M. Jr: Oh, yes! Is Sullivan there?
Bell: Yes, right here.
H.M. Jr: Well, the family caught 17 rainbow trout in two days.
Bell: Seventeen?
H.M. Jr: Yes, running up to - oh, they were as much as 20 inches long.
Bell: Gee whiz! Those were some fish.
H.M. Jr: I caught five.
Bell: You caught five of the twenty.
H.M. Jr: That’s my limit for one day.
Bell: Sullivan wants to know if Mrs. Morgenthau caught the other seventeen - the other fifteen.
H.M. Jr: She caught four. They were divided up. I think each member of the family caught a few.
Bell: Well, that’s good.
H.M. Jr: Everybody got three or four.
Bell: What did you do, go up there in the woods and stay all night?
H.M.Jr: Yes.
Bell: That's swell.
H.M.Jr: And the family said one minute I was knocking on the door for silence and the next minute I was snoring. They said it was a miracle; they don't know how I do it.
Bell: Well, that's good.
Doc Burgess just missed you one day.
H.M.Jr: What?
Bell: Doctor Burgess.
H.M.Jr: He missed me?
Bell: Missed you one day.
H.M.Jr: How?
Bell: He was there.
H.M.Jr: Oh, I didn't know that.
Bell: He was there, I think, for a week and he left the day before you arrived.
H.M.Jr: I see.
Bell: He said he didn't know it until he had, I think, gotten down to Ottawa, or he'd have stayed over a day just to say hello. But he was up in that neighborhood, I think for two weeks.
H.M.Jr: Anything on your mind?
Bell: No, nothing new at all. Nothing happened at Cabinet yesterday to amount to anything.
H.M.Jr: Cabinet yesterday?
Yes, there was a short session. The President wanted to go away last night and he said he'd be away over the week-end and he thought he'd just have a short session.

I see.

So there wasn't anything of interest.

I see.

And I haven't heard anything more from Professor Chamberlain on the Belgian situation, so I think that we'll let that ride another day or two.

Did the President okay what we all --

Yes, he okayed what you approved.

Yes.

And didn't raise any question about it.

On the telephone?

I gave it to him through Miss LeHand, and she telephoned back that the President said to go right ahead.

Okay.

So I've got the memorandum of all that sent into your files.

Good.

Gaston and Sullivan are both here.

All right.

Which one do you want to talk to?
H.M.Jr: Whoever's nearest the phone.
Bell: Well, Sullivan is sitting right across the desk.
Sullivan: Hello, Mr. Secretary.
H.M.Jr: Well John, it looks as though you've put it across.
Sullivan: Well, so far, it's coming out of the House tomorrow.
H.M.Jr: Are you my red-haired boy today?
Sullivan: Boy, I'll say I am!
H.M.Jr: Or has it turned white?
Sullivan: I'm going to be red-faced when we get in the Senate, though.
H.M.Jr: I see.
Sullivan: Harrison said yesterday that they thought they'd have to have hearings because the whole thing had been changed. I told them nothing had been changed but the rates and so he said, "Well, I'll call you later in the day and come up and we'll have a conference."
H.M.Jr: A little louder, please.
Sullivan: He said, "I'll call you later in the day and you can come up and we'll have a conference."
H.M.Jr: Yes.
Sullivan: But he held the conference with Doughton and Stam, without calling me. He and George are very much disturbed by this and apparently they are going to try to cut it to pieces.
over in the Senate. That's all right with me because if they do, I think it will bounce back. I think I've got all of about half of the House conferees and I think I can get another one and we'll probably end up with a stronger bill than we have even now.

H.M.Jr: I see.

Sullivan: It just means a longer fight. I was hoping that the Senate could get through with this by next Tuesday or Wednesday.

H.M.Jr: John, there's one thing that I'd like you to do, which you may find useful. I read on the front page of Tuesday's Times about how they were giving orders for about 6700 airplanes.

Sullivan: Yes, sir.

H.M.Jr: Well, of course, these people are turning out more phoney - or rather, misleading information but their facts were right, but the thing is that that stuff was all placed a long time ago. They used my statistics.

Sullivan: I see.

H.M.Jr: What I would like, between you and Bell, to find out from the Bureau of the Budget is how much money is available right now that the Army and Navy could use for airplanes, which they haven't got on order, you see?

Sullivan: Yes, sir.

H.M.Jr: Because they've certainly got the public so confused. They've got me so confused. I mean, they were talking about - they left the impression - that article left the impression on me that every dollar that Congress has voted, that they'd put it in order, you see?
Sullivan: Yes.

H.M.Jr: I don't think that's true. I think what you'll find - Bell can check me - I think that there was a series of three appropriations. There's the first one and the second one which passed. They were combined into one - and I don't know just when that passed - which made available a lot of money to the Army, and I think Stimson's statement was correct, that out of that money which provided "X" number of planes, they only ordered 33 or 34.

Bell: That's right.

H.M.Jr: What?

Bell: That's right. That's what Stimson told the Committee at the time of the tax hearing. Now, this came up yesterday at the Cabinet meeting.

H.M.Jr: Yes.

Bell: The President said, "I'm looking right at the Secretary of War and Navy - the public is becoming very confused on this whole airplane matter," and he said, "I want you two fellows to get in touch with Steve Early and give out some correct figures." And Stimson said that of 4200 planes, for which appropriations were made, I think, under the May 10 message, 2200 of them, I think - 2300 of them are under order, under contract. So he said more than half of them are under contract, and they both went into Steve Early's office after Cabinet meeting to give Steve the full story.

H.M.Jr: Well, because that Tuesday story certainly was a phoney.

Bell: That's right. Well, Byrd didn't help it any.
H.M. Jr: What?
Bell: Byrd didn't help it any.

H.M. Jr: No, the one I'm talking about was the one that was in my Tuesday morning Times.

Bell: Oh, I see. I thought Byrd was the one that gave out the information on letters he'd gotten and that was the basis of the story.

H.M. Jr: Well, I mean the whole thing is - they've got everybody so confused they don't know what the situation is.

Bell: That's right. That's what the President said.

Sullivan: Well, I think yesterday's story, Mr. Secretary, straightened it out fairly well.

H.M. Jr: Which one?

Sullivan: I beg your pardon?

H.M. Jr: Which story?

Sullivan: You haven't got yesterday's New York Times yet, have you?

H.M. Jr: You mean Wednesday's?

Sullivan: Tuesday's.

H.M. Jr: I've got Tuesday's. That's the story I'm referring to, but I gathered Bell was at Cabinet Tuesday afternoon and there's another story to come now.

Sullivan: Well, it should be in this morning's New York Times. It came out yesterday afternoon.

H.M. Jr: Well, that's the one I'm looking for.
Sullivan: Yes, sir, I think you'll find that straightens it out fairly well.

H.M. Jr: I'm glad that the President and I both were confused.

Sullivan: Yes, that's right. Well now, what do you want us to do with this information if we get it for you?

H.M. Jr: If they've given it out, that's all I wanted. I was going to suggest that a correct, accurate story be given, but evidently the President did that in Cabinet and that's all I wanted.

Sullivan: But I haven't seen the Times this morning yet.

H.M. Jr: I'll read it and if it doesn't ring true to me, I'll let you know the next time I'm on the phone.

Sullivan: All right, then we'll stand by on that until we hear from you, shall we?

H.M. Jr: That's right.

Sullivan: Here's Mr. Gaston.

H.M. Jr: I just want to say, John, I'm simply delighted with the way you're handling this thing on the Hill.

Sullivan: Well, you rap on wood three times, will you?

H.M. Jr: Well, my head is nearer.

Sullivan: (Laughs) Well, we'll keep swinging.

H.M. Jr: All right.

Sullivan: Thank you, sir.
Gaston: Hello.
H.M.Jr: Hello, Herbert.
Gaston: Yes; good morning.
H.M.Jr: How are you?
Gaston: Very well.
H.M.Jr: I have nothing. I had a message sent back to Mrs. Klotz, which she'll give you.
Gaston: All right.

Rockland, the press relations man for Douglas, was in to see me yesterday. He was to tell me that they were establishing a joint public relations office with some of the big manufacturers, but he told me that Douglas had been assured for orders of, I think, some 3500 planes and they are buying materials and all that, but they're not signing a contract until the tax bill is passed, but Douglas himself would like to have the Government build his plant. He thinks that's the right way, and get rid of all these headaches about amortization and so on. He thinks that's a lot of nonsense, trying to fix up a contract which will conceal the real situation which is that the Government really owns the plant.

H.M.Jr: Well, I agree with him.
Gaston: I think he's entirely right.
H.M.Jr: Herbert, Mrs. Morgenthau wants to know why you're molesting all these poor women who get off of airplanes.
Gaston: Well, just a little sociological experiment, that's all.
H.M. Jr: (Laughs) Is that what you call it?

Gaston: I heard it explained on the radio last night. I didn't know what it was all about, but the radio man explained that there was a lot of diamonds and so on in Lisbon that were being smuggled over, and also some counterfeit money, so they fixed up their own explanation that's okay.

H.M. Jr: Well, who was this efficiency expert, administrative assistant that —

Gaston: Oh, that's Liddy. He's one of the old-time employees up there at Customs. Well, the real fact is that we were looking for British currency that was trying to leap in under the deadline by coming through the United States, and the point was that some of that might have been shipped over here by the Germans. As a matter of fact, there was none.

H.M. Jr: All right, we just wanted to know what it was. Are you going to continue to do it?

Gaston: No, we're all through because the deadline is ended.

H.M. Jr: I see.

Gaston: The deadline is today.

H.M. Jr: I have nothing else.

Gaston: You have nothing else?

H.M. Jr: No.

Gaston: All right. Mrs. Klotz has the stuff about the.... All right.
H.M. Jr: I hope my Lockheed Lodestar comes through in time.

Gaston: Well, he was to leave this morning, I think, from Burbank.

H.M. Jr: Good. All right, Herbert.

Gaston: Goodbye.


Bell: Goodbye.

H.M. Jr: (To operator) I want to talk to Philip Young, please.
BRITISH EMBASSY,
WASHINGTON, D. C.
28th August 1940

Safe Hand

My dear Cochran,

I enclose some information which I received from Santiago with regard to an attempt on the part of the French Legation there to secure release of blocked funds in the United States in order to complete old contracts for the purchases of beans, when these contracts are being taken over by the British Government. I do not know whether this is the case to which you referred this morning but you may like to know about it.

Yours sincerely,

/s/ Robert J. Stopford

E. Merle Cochran, Esq.,
United States Treasury Dept.,
Washington, D.C.
Secret

I am informed from Santiago that the French Legation there is endeavouring to secure the release of blocked funds in the United States to complete contracts for the purchases of beans made before the Armistice. They have persuaded the Chilean Government to enquire of the United States Government whether the release of such funds can be permitted. In order to release Chilean exporters from their difficulties and to avoid any excuse for pressing unblocking of funds in the United States the British Ministry of Food have offered to take these contracts on an equitable basis.

Some of the exporters concerned under pressure from the French Legation are refusing our offer as the French Legation assure them that funds will be forthcoming from the United States.

There is therefore no need to consider the release of French funds for this purpose as His Majesty’s Government are willing to take over the contracts against payment in sterling.

Confidentially I understand that some time ago the American Ambassador in Santiago was approached by the French Minister for his support in this matter but the American Ambassador saw no grounds for recommending the release of blocked funds in view of the offer of His Majesty’s Government to purchase the beans.
My dear Cochran:

I enclose a copy of the message to which I referred this morning. I have asked London if they can get any further details as to the nature of the bonds or where they were deposited.

Yours sincerely,

/s/ Robert J. Stopford

H. Merle Cochran, Esq.
United States Treasury Dept.
Washington, D.C.
I learn from most secret and absolutely reliable source that a certain Vecchiotti on August 19th withdrew 100,000 dollars bonds and informed the Italian Exchange Institute.
Dear Mr. Cochran,

Referring to our recent conversation, I am taking the liberty of submitting below some particulars regarding the Banque Italó Belge.

The Treasury Department has granted this bank a license permitting the withdrawal of 25% of its funds blocked in the United States, besides the sums which would be deposited to its accounts.

The Banque Italó-Belge informs me that this license places it in a discriminatory situation in relation to other banks, particularly German and Italian financial institutions, the funds of which are not blocked.

This inconvenience is manifested, on the one hand, in regard to matters concerning exports. According to Argentine regulations, the value of the merchandise exported must be placed at the disposal of the Central Bank of the Republic of Argentine at the time of embarkation. However, the bank which extends the credit in
 Argentine for this purpose, is not reimbursed until the American bank which has extended the confirmed credit receives the documents. These transactions require that considerable funds be made available and being unable to dispose of these funds, the Banque Italo Belge is obliged to decline the business. This also applies to importations as there is a certain delay between the time when the Government grants the license and the payment of the merchandise. The importers want to know in advance if the bank will extend them the necessary credit.

Under these circumstances, may I suggest that the Treasury Department increase, to a certain extent, possibly 50%, and as an experiment, the amount of the funds released in favor of the Banque Italo Belge. As you receive reports of all transactions, it will be simple for you to verify the use made of the authorization granted.

Yours sincerely,

The Counselor of the Embassy

/s/ Baron de Gruben

COPY
TELEGRAM SENT

GRAY

August 28, 1940

7 p.m.

AMERICAN EMBASSY

LONDON

2531.

FOR BUTTERWORTH FROM TREASURY.

Your 2907, August 26.

The following information may assist you in explaining the statement quoted in your paragraph one:

Under Treasury regulations any incorporated bank or trust company designated by the Secretary of the Treasury as a special depositary may pay for any Government securities allotted on account of their subscriptions for their own account or for account of their customers, by crediting the amount due on such subscriptions to the Government's account with such bank or trust company. The amounts so credited are subject to withdrawal from time to time by the Secretary of the Treasury in his discretion as these funds are needed to meet Government payments. This procedure was authorized by the Second Liberty Bond Act approved in September, 1917 and has been in effect since then.

In view of
In view of large excess reserves now in our banking system the banks for the past few years have preferred to make payment for a substantial part of their subscriptions to Government securities in cash rather than by credit. Following this preference payments for subscriptions to the recent Treasury offering of 2-1/4% Treasury bonds were paid for in cash to the extent of about 70% and by credit to the extent of about 30%.


HULL
FL

EA:FL:EH5
DEPARTMENT OF STATE
WASHINGTON

August 28, 1940

In reply refer to

The Secretary of State presents his compliments to
the Honorable the Secretary of the Treasury and transmits
a copy of a note dated August 27 from the Peruvian Embassy
at Washington, regarding the release of funds belonging
to a citizen of Peru.

Enclosure:

From Peruvian Embassy,
August 27, 1940,
The Peruvian Ambassador presents his compliments to His Excellency the Secretary of State and has the honour to inform His Excellency that Mrs Teresa Barreda de Pardo, widow of Mr. Felipe Pardo, former Peruvian Minister to the United States, at present residing in France, has with the Guaranty Trust Company of New-York 1000 shares of "La Negociación Tunán", Peruvian Sugar Enterprise which do not reside in Peru.

As His Excellency is aware, such funds are retained and Mrs Pardo is very anxious to obtain permission for their release and subsequently authorization for their transfer to Peru, only way through which she can obtain the payment of the respective dividends on these shares.

The Peruvian Embassy would therefore deeply appreciate if instructions may be kindly imparted to the Federal Reserve Bank for this purpose.

Washington, August 27, 1940.
AS

PLAIN

Budapest

Dated August 28, 1940

Rec'd 1:23 a.m., 29th

Secretary of State,

Washington.

192, August 28, noon.

Please ask competent authorities release funds
of Charles Poujol and Marcel Gautier, Commercial
Councillors at French Legation here, now blocked with
Chase Bank, New York. Money urgently required for
their living expenses.

MONTGOMERY

MoL

B.H.

COPY
Secretary of State,

Washington.

163, twenty-eighth.

Department's No. 144, August 26, 6 p.m.

Inform Treasury Department that Freimanis requests the American Express Company New York instruct their Hamburg office to place at his disposal amount not exceeding two thousand dollars. He wishes this sum released in order to pay living expenses of his family in Hamburg and to buy transportation to Yugoslavia where he intends to reside.

KERLINGER

NPL

eh
The Federal Reserve Bank of New York reported a decline of $200,000 in the gold balance of the Bank of Mexico on March 11, 1947. To secure the withdrawal of the excess of gold on deposit at the Bank of Mexico, the Bank of Mexico indicated it would be willing to sell its gold at the rate of 600.000 units of gold for 1,000.000 units of silver. The Bank of Mexico also indicated it would be willing to sell its gold at the rate of 700.000 units of gold for 1,000.000 units of silver. The Bank of Mexico also indicated it would be willing to sell its gold at the rate of 800.000 units of gold for 1,000.000 units of silver. The Bank of Mexico also indicated it would be willing to sell its gold at the rate of 900.000 units of gold for 1,000.000 units of silver. The Bank of Mexico also indicated it would be willing to sell its gold at the rate of 1,000.000 units of gold for 1,000.000 units of silver. The Bank of Mexico also indicated it would be willing to sell its gold at the rate of 1,100.000 units of gold for 1,000.000 units of silver. The Bank of Mexico also indicated it would be willing to sell its gold at the rate of 1,200.000 units of gold for 1,000.000 units of silver. The Bank of Mexico also indicated it would be willing to sell its gold at the rate of 1,300.000 units of gold for 1,000.000 units of silver. The Bank of Mexico also indicated it would be willing to sell its gold at the rate of 1,400.000 units of gold for 1,000.000 units of silver. The Bank of Mexico also indicated it would be willing to sell its gold at the rate of 1,500.000 units of gold for 1,000.000 units of silver. The Bank of Mexico also indicated it would be willing to sell its gold at the rate of 1,600.000 units of gold for 1,000.000 units of silver. The Bank of Mexico also indicated it would be willing to sell its gold at the rate of 1,700.000 units of gold for 1,000.000 units of silver. The Bank of Mexico also indicated it would be willing to sell its gold at the rate of 1,800.000 units of gold for 1,000.000 units of silver. The Bank of Mexico also indicated it would be willing to sell its gold at the rate of 1,900.000 units of gold for 1,000.000 units of silver. The Bank of Mexico also indicated it would be willing to sell its gold at the rate of 2,000.000 units of gold for 1,000.000 units of silver.

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<thead>
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<th>Date</th>
<th>Amount of Gold</th>
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<tr>
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<td>2-6/47</td>
<td>10,000,000</td>
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The rate of exchange for the sale of gold to the Bank of Mexico is 2,000.000 units of gold for 1,000.000 units of silver. The rate of exchange for the sale of gold to the Bank of Mexico is 2,500.000 units of gold for 1,000.000 units of silver. The rate of exchange for the sale of gold to the Bank of Mexico is 3,000.000 units of gold for 1,000.000 units of silver. The rate of exchange for the sale of gold to the Bank of Mexico is 3,500.000 units of gold for 1,000.000 units of silver. The rate of exchange for the sale of gold to the Bank of Mexico is 4,000.000 units of gold for 1,000.000 units of silver. The rate of exchange for the sale of gold to the Bank of Mexico is 4,500.000 units of gold for 1,000.000 units of silver. The rate of exchange for the sale of gold to the Bank of Mexico is 5,000.000 units of gold for 1,000.000 units of silver.

The Treasury Department

Date: August 25, 1946

Category: Unclassified

CONFIDENTIAL

To Secretary of the Treasury

From Treasury Department

Interoffice Communication

113
The U. S. equivalent of the gold price in Bombay was considerably lower at $34.30, off 47¢ from yesterday. The equivalent of the silver price was 45.46¢, off about 5/16¢. The reductions in the gold and silver equivalents just about cancel the increases of yesterday.

The fixing prices in London for spot and forward silver were each off 1/16d at 23-3/8d and 22-15/16d respectively. The U. S. equivalents were 42.44¢ and 41.65¢.

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

We made only one purchase of silver under the Silver Purchase Act and that was for 100,000 ounces from the Bank of Canada, under our regular monthly agreement.
Hon. E. Merle Cochran,
Treasury Department,
Office of the Secretary,
Washington, D. C.

Dear Mr. Cochran,

The National City Bank of New York filed an application to the Secretary of the Treasury #6834 dated August 1st through the Federal Reserve Bank of New York, to send $250. to Mrs. Wilfrid Morrissey.

Up to the present writing the National City Bank has received no approval of this application.

While this problem may not come within your field, I would greatly appreciate it if you would let me know what the situation is in the Treasury Department and whether action is likely to be forthcoming shortly.

At my telephonic request, my secretary, Mr. Morrissey, came over to this country last November to help me in the raising here of funds to keep the American Library in Paris alive. This effort was temporarily suspended with the German occupation of Paris but may be resumed at any time. In any event, Mr. Morrissey cannot return to France because he would be immediately interned as a British subject and Mrs. Morrissey and her children have no means of maintaining themselves other than by funds I can get to her.

As Mr. Morrissey came to this country on a visitor’s visa, since extended for an additional six months, I cannot pay him any salary under the law until he takes out first papers for United States citizenship. It is to be hoped that arrangements can be made for him to take out his first papers in the very near future.

With thanks in advance and with kindest personal regards,
believe me,

Sincerely yours,

(Signed)  E. A. Sumner
Edward A. Sumner

E.A.S.
W.N.

Curtis Hotel,
Lenox, Mass.
August 28th, 1940.

Regraded Unclassified
PARAPHRASE OF TELEGRAM RECEIVED
FROM: American Consulate General, Beirut, Lebanon
DATE: August 26, 1940, 9 a.m.
no: 83

I should be glad to be able to inform the High Commissioner if application for the release of funds mentioned in my telegram No. 74 of August 9 has been received and is under consideration.

PALMER.
Secretary of State,

Washington.

3770, August 25, 1 p.m.

Re 3312, July 31, 9 p.m.

The decree of the Food Minister fixing food rations for the period from September 23rd to October 20th published in the REICHSANZEIGER of August 26th contains no changes in rations of principal foodstuffs from those for the period August 26th to September 22nd. The decree announces the resumption of margarine production, the allocation of margarine to the retail trade around October 7th and discontinues the replacement of margarine by butter rations. The temporary extra allocation of 125 grams of cheese is discontinued.
The Carlton
Washington, D.C.

Wednesday, 28th Aug.

Dear Mr. Marquethan,

I was very sorry indeed to miss you when I first came to Washington on my arrival from Europe—especially that it was due to my misunderstanding that you were leaving the same day for Canada. You know already from Parent the circumstances and reasons of my coming here; but I am looking forward to see you soon, and renew our absent contact which, however, Thanks to Parent, never seemed to me to have been discontinuance all during the war.

Please put my respects and compliments to Mrs. Marquethan and with kind regards,

Yours sincerely,

[Signature]
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE August 28, 1940

TO Secretary Morgenthau
FROM Mr. Cochran

Mr. McKeon of the Federal Reserve Bank of New York gave us the following information regarding transactions in Russian accounts maintained with the Chase National Bank.

Principal changes in the State Bank of Russia's dollar account during the period August 8 to August 28, inclusive were as follows:

**August 8 to August 14, inclusive**

<table>
<thead>
<tr>
<th>Amount Credited</th>
<th>Received From</th>
<th>Amount Debitied</th>
<th>Paid To</th>
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</thead>
<tbody>
<tr>
<td>$160,000</td>
<td>Antorg Trading Company</td>
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<td>Commercial Letter of Credit Account</td>
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<td>84,000</td>
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**August 15 to August 21, inclusive**

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Regraded Unclassified
August 27, 1940.

Mr. Garston,

I had a good talk and very informative meeting with Mr. Douglas last night and have been on the phone with him today. He is very much interested in the possibility of a new airplane being built by his company to meet the needs of the Air Force. He was very enthusiastic about the project and promised to provide all the necessary assistance.

I also discussed the situation with Mr. Boeing and he expressed similar sentiments. He was impressed with the design of the new airplane and believes it could be produced within the requested timeframe.

Please do not hesitate to contact me if you have any further questions or concerns.

Yours sincerely,

[Signature]

Regraded Unclassified
Cabinet meeting - August 27th

The President said that he would like to have some correct figures on airplane orders and deliveries. He thought that the information given out in connection with the discussion of the conscription bill is terrible and made the Administration appear ridiculous. Both Secretaries Stimson and Knox said that they had compiled the latest figures and had them available if he would like to discuss them. He said he did not at this time, but he wanted Steve Harly to talk with these two gentlemen immediately after Cabinet and prepare the information for him for his four o'clock Press conference. In passing, Secretary Stimson said that more than one-half of the 4200 planes which were authorized by the appropriation granted as the result of the President's Message of May 10th are now under contract.

Secretaries Hull and Stimson and I had nothing to take up at this meeting.

Mr. Jackson said that the Department of Justice is going ahead with the registration of aliens but was having some difficulty with the Canadian border matter, because of the Canadian desire not to be fingerprinted. He realized that he had to write regulations that would cover both the Canadian and Mexican borders and that he could not discriminate. He thought, however, that the regulations could be so drawn that there might be a little more diligence used in applying them to the Mexican border than to the Canadian border.
Mr. Jackson then brought up the question of the activities of Sir George Faish in this country. He said that the impression was being spread around that he was a representative of the British Government and over here for the definite purpose of getting us into the war on the side of Great Britain. There was a great deal of discussion about this matter and it was finally agreed that Secretary Hull should informally take the matter up with the British Ambassador and ask him if something could not be done to get Faish to go back home. If this could not be done, then Mr. Jackson might ask him to show cause why his visitor's permit should not be cancelled.

After Mr. Farley said that he had nothing to report, the President stated that this was Jim's last Cabinet day and he wanted to say that he was very sorry to see him leave the official family. He knew everybody would agree with him that Jim had done a wonderful job and he wanted to tell him that after he had made his fortune, he could return to the Cabinet any time he wanted to.

The President then told him that he had appointed a committee composed of the Secretaries of War and Navy and the Director of the Bureau of the Budget to consider the ways and means of conducting the draft, and that he had directed this committee to get in touch with the Postmaster General with a view to working out arrangements to conduct at least the registration through the medium of the post offices.

Secretary Knox said that the matter of reserve midshipmen which he had previously discussed with the President was coming along and it was going to work out very nicely. He said that he had a recommendation that he would like to make to the State Department for additional consuls
in the South American area. He handed this recommendation and a list to Secretary Hull, who said he would give it immediate consideration. He also furnished the President with names of naval officers for the committee on bases. Secretary Stimson said he was prepared to do the same thing.

Secretary Knox stated that American industry was producing well over 800 planes of all types during the month of August, would exceed 900 by September, and by November they would be producing planes at the rate of more than 1,000 a month. He also said that he had some reports on employment in naval establishments which were quite encouraging. He said the increase in the past week had been 33-1/3 per cent.

Acting Secretary Wirts then discussed the recent bill which had passed the Philippine Legislature, giving the President of the Philippine Islands dictatorial powers. The President apparently thought that he would have to approve this bill before it became law and, therefore, took very little interest in the legislation while it was pending. Mr. Wirts told him that it would have to come to him for approval but he wanted to know if the President thought we should intervene. The President said very definitely he would want to intervene and he thought the Interior, War, Justice, and State should study the whole legislation as it has passed and map out a course of procedure for the President to pursue so that he could keep close tab on what President Quezon does under this legislation, and admonish him beforehand that we were watching him very closely and that we were not at all satisfied with legislation of this character in a democracy.
Acting Secretary Hinckley said that the air program was progressing satisfactorily and that there would be a meeting tomorrow in the office of the Secretary of War. He said he had prepared a report that showed that this country would need 4,000 airports of the larger design in order to accommodate not only the large transports but the Army and Navy bombers. He said this program would cover a six-year period, but it was everyone's hope that it could be completed in 3 years. The President then asked him when the local airport would be ready for dedication.

Mr. Hinckley said that it would be ready early in September and that they had contemplated dedicating it about the 14th of September. The President called his attention to the fact that that was Saturday and probably he would not be in town, but if he wanted to set the date for the 17th or 18th it would be quite satisfactory. Mr. Hinckley said that he would take care of this. It was their hope that the airport could be opened on December 17th, which would be the 37th anniversary of the Wright flight.

Secretary Wallace and Secretary Perkins said that they had nothing to discuss.
From: Spagent, Shanghai, China
To: Secretary of the Treasury

Message from Mr. Nicholson.

The Japanese are demanding the French concession authorities to close the Shanghai offices of the Salt Administration located therein and hand over the files to them. This administration was organized with an international staff to collect and safeguard revenue pledged against foreign loans issued through American, British, French, German and Japanese bankers. Americans are specially interested in Rukang, Keicag Bank, and Pacific development loans. The offices are located here in China's financial center and under foreign officers and are charged with looking after loan interests, keeping track of records, and periodically issuing staff privileges and setting up retirement pay. These activities are not inconsistent with the neutral position of Shanghai foreign settlements and concessions, but serve to hold the organization together and maintain its position, pending resumption of functions when conditions permit. The associate director general, who is an American, believes American and other foreign interests would suffer by compliance to Japanese demands, since retention of the Shanghai office is vital to the maintenance of the integrity of the administration and continuity of its affairs.
CABLE
FROM: Commercial Attaché Nicholson
Shanghai, China
DATE: August 26, 1940

For the Secretary of the Treasury.

Current situation Shanghai for week ending August 24th exchange very steady through week estimated that two million U.S. dollars of overbought position in foreign currencies liquidated during the period STCP Stock market showed steady gain through week in both volume and price level and was strong at close STCP July as compared with June customs figures for trade of Shanghai show imports over up 20% exports down 18% total trade down over 3% STCP on sterling basis this comparison shown imports up 14% exports down 19% total trade up 5% STCP compared with July 1939 customs figures show imports up 46% exports up 134% total trade up 63% STCP on sterling basis this comparison shown imports up 59% exports up 6% total trade up 61% STCP July as compared with June number of ships entered and cleared at Shanghai for abroad was up 12% while tonnage was up 15% STCP Number entered from coast ports was down 25% while tonnage was down 20%.

NICHOLSON
August 20, 1940

Acting Secretary Bell,

Mr. Goodwin

At 2:05 yesterday I met again with Acting General Counsel Adams and several officers from the Bureau of Internal Revenue in regard to the matter of taxes on securities sold on this market by the British Government. In accordance with the decision reached at this meeting, I telephoned Mr. Ogle of the British Treasury and it was arranged with him through Mr. Clifford last evening that Mr. Bell, an officer of the Bank of Montreal Agency in New York, will come to Washington on Thursday, accompanied by a tax expert of that Bank who is familiar with Mr. Clifford's recent covering British-owned securities. It is understood that the Bank of Montreal does all the bookkeeping on this business. The two visitors are coming to my office at 2:30 p.m. on Thursday and I am then to take them to Mr. Adams' office for the conference.
TENTATIVE LESSONS FROM THE RECENT ACTIVE CAMPAIGN IN EUROPE

NOTICE

This document is being given an approved distribution, and no additional copies are available in the Military Intelligence Division. Its reproduction in whole or in part is subject to the provisions of letter TAG, November 15, 1939, AG 350.05 (11-1-39) M-B-M, "Dissemination of Military Information by the Military Intelligence Division and by Recipients of M.I.D. Information".

The information contained in this series of bulletins will be restricted to items from official sources which are reasonably confirmed. The lessons necessarily are tentative and are in no sense mature studies.

NOTES ON GERMAN ARMORED DIVISIONS

SOURCE

The following notes on the organization and employment of German armored divisions are from a British official report dated June 27, 1940.

CONTENTS

I. STRENGTH OF ARMORED FORMATIONS.

II. RECENT CHANGES IN ORGANIZATION.

III. GROUPING OF ARMORED DIVISIONS IN RECENT OFFENSIVE.

IV. TASKS OF ARMORED DIVISIONS.

V. TASKS OF MOTORIZED INFANTRY DIVISIONS.

VI. MOBILITY OF THE ARMORED DIVISIONS.

VII. TACTICAL NOTES.

A. Action on Meeting Resistance.

B. Tank-Proof Localities.

CONFIDENTIAL
C. Tank versus Tank.
D. Enemy Antitank Guns.
E. Slow-Flying Planes.
F. Reinforcements.
G. Ammunition.
H. River Crossings.

VIII. AIR COOPERATION.

IX. SUPPLY.

X. MAINTENANCE.

XI. REASONS FOR SUCCESS.

XII. INDUCTIONS FROM THE SPANISH WAR.

I. STRENGTH OF ARMORED FORMATIONS.

A. It is estimated that on May 1, 1940, the total number of German tanks available was 7,000-7,500, i.e., the equivalent of some 70 mixed tank battalions at normal establishment.

B. There are known to have been 10 armored divisions, or approximately 40 mixed tank battalions, engaged in the fighting since May 10.

C. It is probable that about half the tanks in these divisions have become casualties, either in the fighting or from mechanical reasons, and have been replaced from reserves.

D. If this assumption is correct, then there may still be some ten battalions (approximately 1,000 tanks) in reserve and unused. To this must be added any salvaged tanks.

II. RECENT CHANGES IN ORGANIZATION.

A. Light tanks have been employed in support of armored cars and are possibly now incorporated in divisional reconnaissance units. Their role in the light companies of mixed tank battalions of armored divisions will probably be taken over by former light, medium types, such as the 11½-ton and 16½-ton Czech tanks, and the 18-20-ton German tank.

B. The medium companies of mixed tank battalions are now probably equipped with either the new 22-ton German tank or the new 36-ton German tank. Examination of recent reports from various
sources suggests that the numbers of tanks in mixed tank battalions may have been reduced.

III. GROUPING OF ARMORED DIVISIONS IN RECENT OFFENSIVE.

Two or more armored divisions and one or more motorized infantry divisions were included in a corps, but ad hoc groupings were made from time to time for specific tasks. The extreme flexibility of the German organization was again apparent.

All headquarters, whether formations or regimental units, were always well forward, and the German staff showed itself to be thoroughly capable of handling mechanized formations. Commanders of armored corps and divisions remained in positions where they could keep closely in touch with the fighting and take immediate decisions as to future actions.

IV. TASKS OF ARMORED DIVISIONS.

The main tasks of armored divisions were to secure control of the system of communications in the area attacked and, in particular, the nodal points, thus disorganizing the enemy organization and line of communications and opening up the way for the motorized and infantry divisions. The advanced elements spread out across the road system and pushed on ruthlessly, seeking to increase the area of ground captured without attempting to consolidate it in any way. Armored divisions covered an average distance of 25 miles per day. On one occasion, a tank which had strayed from its unit covered 190 miles between 10 a.m. and 7:30 p.m. on one day. The Germans relied on speed and surprise to nullify any enemy counter-measures. Prisoners appear to have been disarmed, paroled, and left to their own devices.

V. TASKS OF MOTORIZED INFANTRY DIVISIONS.

The motorized infantry divisions were used either to take over the ground gained by the armored divisions or to protect the flanks of the break-through of the armored divisions, such as by holding the line of the River Aisne. They were, in turn, relieved by ordinary infantry divisions. In the later stages when organized resistance had, in places, broken down, they were used alongside the armored divisions.

VI. MOBILITY OF THE ARMORED DIVISIONS.

This was due to:

A. The speed of the tanks.

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VII. TACTICAL NOTES.

A. Action on Meeting Resistance. Once the breakthrough had been achieved, the tactics generally adopted by the various armored formations, large or small, were to cover the advance by reconnaissance detachments of motorcyclists, armored cars, and light tanks. As soon as resistance was encountered, the light tanks would endeavor to locate the antitank defense, and, if progress could not be made, air or artillery support would be called for. Heavier tanks then came forward and attempted to outflank the centers of resistance. If necessary, the motorized infantry of the division would be brought up. In wooded country, the tanks gave way to the latter, which was more suitable for the passage of such obstacles and was used to clearing paths for the tanks.

B. Tank-Proof Localities. The use of villages as strong points and as centers of resistance was largely rendered impossible by the action of dive-bombers using incendiary bombs.

When armored formations met with resistance from a tank block in a village, at a bridge, or from antitank guns beside a road, the tactics regularly employed were as follows:

The motorcyclists made a reconnaissance and the tanks made contact and attacked. In case of a check, or when antitank guns came into action, aircraft arrived and carried out dive-bombing attacks. The tanks then attacked again, and so on until resistance ceased.

In some cases, a direct attack was made on the antitank weapons in the strong point. The leading tank advanced and drew the fire of the antitank guns. The latter were immediately engaged by one of the following tanks, which remained at a safe distance and got the range by carefully observing the gun flashes.

In other cases, where the antitank guns were not protected by any sort of obstacle, they were, after opening fire, immediately engaged by the supporting infantry, who attempted to encircle them and neutralize them by fire from their automatic weapons.

C. Tank versus Tank. The Germans have evolved a way of dealing with the heavy French tanks which had specially thick armor.
High explosive fire from several tanks was concentrated against the tracks of these armored fighting vehicles, and when these were broken and the heavy tank immobilized, the superior speed of the lighter German tanks enabled them to close the heavy tank and set it on fire. When fired on by enemy tanks, German tanks normally halted and took cover to return fire.

D. Enemy Antitank Guns. The Germans noted that enemy antitank guns were generally sited for flanking fire and attacking tanks found that it was frequently possible to destroy a gun before it could face in the new direction.

E. Slow-Flying Planes. All commanders were supplied with a Fieseler Storch slow-flying plane.

F. Reinforcements. Armored units suffered severe officer casualties. In anticipation of this, one officer per company was withdrawn into reserve before going into action. In this manner a reserve of leaders was kept in hand.

G. Ammunition. Tanks carried both explosive and armor piercing shell. The former was used to destroy the tracks of the enemy tanks.

H. River Crossings. A noticeable feature of the German advance was the thorough preparation made for the crossing of water obstacles. Armored divisions had, in addition to their own bridging unit, one or more corps bridging units attached to them and were followed by special construction (Bau) battalions.

The following is a description of the method of crossing the River Meuse, just south of Namur, at a point where the river runs in a deep valley with steep banks on either side.

On arrival at the banks of the Meuse, the Germans found one bridge standing; an armored car troop and light tank were ordered to cross, but the first armored car which tried to rush the bridge had only got half-way across when the bridge was blown. The demolition was complete, the armored car being totally destroyed; portions of the bridge girders were said to have been thrown as far as 500 yards.

Reconnoitering further, the Germans found a dam or weir with some iron footway for operating the sluices undamaged, but covered by fire from a machine gun.

On arrival at the river, the plan had been to force a crossing and establish a bridgehead as a deliberate operation. However, the opposite bank was found to be so lightly held that the
advanced troops, in this case a company of motorcyclists, were able
to cross by the footway at once, though they were not, in fact, able
to hold the small bridgehead they had formed and were obliged to
retire at nightfall. Nevertheless, the following morning at dawn,
they were able to regain a footing on the far bank without much dif-
culty, and were reinforced by other troops, who crossed both by
the weir and in rubber boats. The latter were apparently fairly
vulnerable, and about 50 per cent were badly damaged by small arms
ammunition fire. The tanks forming part of the advanced guard could
not use the foot bridge and were obliged to wait until a deeper
bridgehead had been formed on the other side, and it was possible to
commence ferrying operations.

The Meuse at this point is between 50 yards and 100 yards
wide, and runs between steep banks about 200 feet high, the valley
itself falling fairly sharply to the river on either side. As soon
as the heights immediately commanding the river on the far side had
been captured, rubber boats and light rafts constructed of rubber
boats were used for ferrying antitank guns across. The larger Ger-
man rubber boat is capable of taking the 30-mm. antiaircraft, anti-
tank gun; rafts would be needed for larger calibres. The Germans
were thus in a position to offer strong resistance to a French
counter-attack with tanks which developed later in the day.

By the time the bridgehead was from three to four kilo-
meters deep, it was possible to ferry across the first light tanks
on rafts made of pontoons and towed by the motor boats which form
part of the normal pontoon bridging equipment.

Following this, heavier pontoon ferries were constructed
for taking the 22-ton tanks.

The bridgehead was by now well established, and the Germans
made a tank attack. Although an extensive minefield was encountered,
the mines themselves were found to have been left at safety in the
beast of the retreat. In this connection, it is interesting to note
that, although the mines were not armed, the weight of the heavier
tanks was such as to destroy the safety device, and in quite a few
cases, mines exploded. One heavy tank, under which a single mine
had exploded, sustained damage to a track and a shock absorber, which
was later repaired under unit arrangements. Another tank, under
which three mines went off, had its whole side blown out, though the
crew suffered only from concussion.

VIII. AIR COOPERATION.

Both by intensive preliminary bombing of the area to be
attacked and throughout the subsequent phases of the break-through
and exploitation, cooperation between Air Force and armored formations,
both tactically and for supply purposes was at the closest. Each armored corps was allotted a dive-bomber (Stuka) group, and when armored units were held up, a call for air support would be answered within 15 to 30 minutes.

II. SUPPLY.

It was the responsibility of divisional staffs to get supplies forward by improvised arrangements, according to circumstances. The bottle-neck of the single available bridge over the Ouse caused delays in the arrival of both supplies and vehicles returning from repair, but on the whole had little effect on the mobility of armored formations. Tank trucks were brought forward during the hours of darkness. Limited amounts of food, gasoline, and ammunition were transported in some cases by air, but, in the case of food, and occasionally of fuel, units lived from the supplies found in conquered territory.

A number of tanks also carried extra fuel containers, each of 25 litres. In one instance, four such containers were carried behind the turret.

I. MAINTENANCE.

All units had their own workshops. In addition, full use was made of local resources for maintenance purposes. On arrival in an area, immediate use was made of such local repair shops, garages, etc., as were left undamaged. Cases were known of tanks being repaired in workshops in forward areas within 48 hours. No statistics are available regarding the amount of wear and tear suffered by tanks, but it is pointed out that the distances covered were not very great. Several reports agree in stating that tracks are not changed up to 3,000 km. or even more. Water in the radiators very seldom need replenishing. Up to June 5 the maximum distance covered by any armored division is thought not to have exceeded 500 miles.

II. REASONS FOR SUCCESS.

The success of the German armored divisions appears to have been due to:

A. The Thorough Training Received by Officers and Men who particularly benefited from the experience gained in the handling of armored formations during the occupation of Austria and Czechoslovakia and the campaign in Poland.

B. The Use of Tanks in Large Numbers. An armored division normally contains more than 400 tanks, and the Germans believe that

CONFIDENTIAL
-7-
success can best be obtained by employing these 400 tanks at one
time. Moreover, it is a commonplace of German strategy and tactics
that success can best be assured by the employment of overwhelming
numbers, whether in infantry or tanks.

C. Close Cooperation with the Air Force, which (1) pro-
vided excellent information as to enemy movements, and (2) gave di-
rect support by dive-bombing, thereby obviating, to some extent, the
necessity for artillery support. This cooperation is much facili-
tated by the fact that in peacetime, a crew of dive-bombers
(30-40 airplanes) is permanently allotted to cooperate with each
armored division.

D. Technical Designs. The experience gained during large-
well maneuvers and operations during the last two years enabled
faults to be eliminated.

E. Flexibility of German Organization which allows the
switching of armored formations from one command to another to ex-
plot success. The same flexibility is noticeable in the organiza-
tion of infantry corps and divisions.

F. An Elastic and Well Developed System of Maintenance
which allowed armored formations to be supplied by air if their
ground rear services could not function and also permitted the re-
pair of vehicles in the forward areas.

III. DEDUCTIONS FROM THE SPANISH WAR.

The Germans owe much to their thorough study of the war
in Spain, from which they deduced (1) that the 15-cm armor on their
tanks was insufficient, (2) that the antitank gun will always beat
armor. As a result, they increased the armor on their tanks, elimi-
nating from armored divisions, except for reconnaissance purposes,
the lightly armored light tanks, and decided that speed in a tank
was essential in order to defeat the antitank gun.
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LONDON, filed 1400, August 29, 1940.

The activities of the enemy during the night of August 28-29 were heavy. The Midland area was the main objective of these attacks, the heaviest being made on Coventry where considerable damage was done to private property and a naval supply depot. Minor bombing attacks were made on many districts of London, using incendiary bombs and some high explosive. Little damage was reported. Throughout other parts of England widespread bombing attacks resulted in the blocking of roads and railroads. Rockford airbase was attacked with 25 tons of bombs. The field was damaged but is still serviceable.

My visit to Dover on the 28th indicated that that city is not badly damaged but that it is no longer used for shipping. I witnessed the aerial battle that was given a big write-up in their press. These narratives were highly colored.

German submarines are now reported to be operating in the Atlantic as far west as the 77th Meridian. Five British ships totalling 20,740 tons were sunk on the 28th. Of these, four were in convoy.


The electricians strike on which we reported in our last letter was in part settled promptly, as far as Torreon, Mazetlan and Zacatecas were concerned, where the strikes were concluded on Thursday last by agreement before the Labor Department, the Companies conceding lump sums to be distributed by the Unions amongst their men. However, no settlement has been reached by the Tampico and Veracruz Companies, and the strikes at those two places continue, with few indications pointing toward a settlement. Today's press announces a general strike of electricians on the 6th of September, if by that time the Tampico and Veracruz strikes are not solved. This will not affect, however, Mexico City and such districts as are served by the Mexican Light & Power Company, whose men belong to a different Union, but the whole system under control of the Electric Bond and Share Company would be affected.

While the Labor Department is reported to make every effort to solve the Tampico and Veracruz strikes, it does not seem possible to overcome the stubbornness of the workmen. Lombardo's C.T.M. is heading the striking unions.

As talking about strikes, the one at Guanajuato continues in the same status as before, and will complete its fifth month on September 5th. We understand that the new Executive Board elected by the General Miners' Union Convention, which has just closed its session in this city, is trying to bring the Guanajuato strike to an end. Agustin Guzman, a former General Secretary, has again assumed this position, and it would seem that general dissatisfaction has been voiced by the Convention in regard to the activities of the outgoing Executive Committee, which, according to our information, is particularly true in regard to the Union's finances. This has led to the Union's withdrawal of all financing of Cooperatives, a development which does not come as a surprise to us. Most Cooperatives are in bad shape and will be more so as ore reserves are diminishing, and some of them have depended entirely on the financial assistance of the Union. From now on they will have to stand on their own feet or vanish. Or it is that several of them will be unable to carry on for long. The Union may have learned a good lesson. There was even a rumor that the Union was weakening and that its dissolution might be expected. However, these rumors should be greatly discounted.

Fumillio is having the discussions of the collective contract at present. Real del Monte has already had to start their discussions, sponsored by the Union, although their contract does not expire until December. Some of the A.S.A.E. Units are likewise in discussions. So, the Union has its hands full.

Finance Secretary Lic. Eduardo Suarez, returned to the city on Sunday from New York, where he had just after the Havana conference. He stated that his visit to the United States had been purely private; and in regard to the Havana conference he expressed himself very optimistically, saying that he expected economic benefits to be derived by Mexico in the near future. [??]
Politically, everything seems to be quiet. Candidate Almazan is reported to have arrived in the United States. On the surface there are no signs of unrest. The President will inaugurate the new Chambers on September 1st, and his message will be the last to be delivered by him. The Chambers are then expected to make the official declaration of who will be the new President, to take office in November. There is no doubt any longer that Avila Camacho will be the one, and the only doubt is if Almazan and his followers will accept defeat.

With no major occurrences politically and economically, the exchange has hardly fluctuated and continues at close to 5.
Treasury Department

Inter Office Communication

Date: August 23, 1930

To: Secretary Morgenthau

From: Mr. Cochran

Mr. McKeon of the Federal Reserve Bank of New York gave us the following information regarding transactions in Italian accounts maintained with the National City Bank and the Chase National Bank.

### National City Bank

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</thead>
<tbody>
<tr>
<td>August 7</td>
<td>$ 25,000</td>
<td>Bank of Rome</td>
<td>Export Credit Bank, Berlin</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>a/c Deutsche Bank, Berlin</td>
</tr>
<tr>
<td>August 8</td>
<td>50,000</td>
<td>Bank of Naples Trust</td>
<td>Swiss Bank Corporation, N. Y.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Company, N. Y.</td>
<td></td>
</tr>
<tr>
<td>August 9</td>
<td>260,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>August 13</td>
<td>40,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>August 19</td>
<td>32,000</td>
<td>Banca Commerciale Italiani, N. Y.</td>
<td>Standard Oil Company of New Jersey</td>
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### Chase National Bank

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount Debited</th>
<th>Account Debited</th>
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<tbody>
<tr>
<td>August 17</td>
<td>$ 51,000</td>
<td>Credito Italiano, N. Y. Credit Suisse, N. Y.</td>
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</tr>
<tr>
<td>August 18</td>
<td>195,000</td>
<td>Bank of Italy</td>
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</tr>
<tr>
<td>August 26</td>
<td>100,000</td>
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</table>

Regraded Unclassified
Mr. McKeon of the Federal Reserve Bank of New York gave us the following information regarding transactions in German accounts maintained with the Chase National Bank.

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount Debited</th>
<th>Account Debited</th>
<th>Paid To</th>
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<tbody>
<tr>
<td>August 8</td>
<td>$ 105,000</td>
<td>Banco Germanico, Rio de Janeiro</td>
<td>German Gold Discount Bank for account of Hazi</td>
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<tr>
<td>August 12</td>
<td>70,000</td>
<td>German Asiatic Bank, Shanghai</td>
<td>Hideo Itoha, Manager, Showa Tsuku Kaisha, 1775 Broadway, N. Y.</td>
</tr>
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<td>August 14</td>
<td>730,000</td>
<td>German Gold Discount Bank, Berlin</td>
<td>New York Trust Company for account of Allgemeine Waverflanz Kierungs Gesellschaft, Berlin</td>
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<tr>
<td>August 15</td>
<td>513,000</td>
<td>German Gold Discount Bank</td>
<td>Chase National Bank for account of Stockholm Enskilda Bank, Stockholm</td>
</tr>
<tr>
<td>August 15</td>
<td>620,000</td>
<td>North German Lloyd S.S. Company</td>
<td></td>
</tr>
</tbody>
</table>
According to reports, more Italian troops are moving to Albania, but units are not identified, and numbers not known. Most Italian forces in Albania are concentrated on the Greek border. On the German-Austrian frontier, there are said to be 200 divisions of Russian troops as against 80 Germans. This report lacks confirmation.

Also lacking confirmation is information to the effect that some Italian officers have been detailed to watch German operations against England and have gone to French and Belgian Channel ports.

A Vatican source, considered reliable, states that Portugal and Spain are being strongly urged by Germany and Italy to enter the war and that the German main attack against England will be launched within the next week.

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      Secretary of Treasury
      Amt. Secretary of War
      Chief of Staff
      War Plans Division
      Office of Naval Intelligence

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Regraded Unclassified
RECEIVED at the War Department at 4:30 P.M., August 28, 1940.

RECOMMENDED

Confidential, filed 15155, August 29.

Foreign Ministry have believed French will accede to Japanese demands for right to land troops in Indo-China to attack China hence Foreign Minister's announcement of the 20th that China will meet this threat by crossing border wherever necessary.

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Secretary of Treasury
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Chief of Staff
War Plans Division
Office of Naval Intelligence

RECOMMENDED
August 29, 1943

Professor Chamberlain

Mr. Cochran

STRICTLY CONFIDENTIAL

Yesterday morning Professor Chamberlain telephoned me that Mr. McCasky had come to see him in regard to a personal matter involving Mr. Donagan, whom I had introduced to the Central, and who had entered the employ of the Central. I told the Professor that I would be glad to talk with Mr. McCasky in regard to any problem involving Donagan. Mr. McCasky immediately came to my office and showed me the attached note in which Mr. Pumphrey made complaint against Mr. Donagan, alleging that Mr. Donagan's scholastic record had been falsified.

I told Mr. McCasky that I had seen signed letters from Mr. Donagan's professors at the University of Virginia before I referred him to Mr. Pehle for consideration for employment. Furthermore I had the word of his father in regard to his university training. With Mr. McCasky present, I then telephoned the University of Virginia at Charlottesville and spoke with Mr. Anne Vaughn in the office of the Registrar. I told her that the Office of the Secretary of the Treasury was considering Mr. Donagan for a confidential position, and desired information concerning his record with the University. She consulted her files and told me that Mr. Edgar Donagan had received his Bachelor of Science in Commerce on June 9, 1936; and his Master's degree in Economics on June 12, 1939. She did not have the record of his grades immediately available but volunteered that his record had been very good, certainly above average, and that he had been on the Dean's List four times. She had been personally acquainted with Mr. Donagan and said that they had all liked him very much in the University.

The foregoing statements as to the two degrees and the courses pursued confirmed the data filed by Mr. Donagan with his application.

In agreement with Mr. McCasky, I telephoned Mr. Pumphrey and had him come to my office. I spoke with Mr. Pumphrey alone. I reminded him that he had entered Treasury employ giving me as one of his references. I had now been advised by Mr. McCasky that he had brought charges against another man in his section. Incidentally this man had also entered the employ of the Treasury as result of my presenting his to Mr. Pehle. Incidentally the second man was the son of a man who had been my colleague in the Foreign Service for thirty years and who himself had occupied positions of great trust under our Government. I told Pumphrey that before engaging Donagan the Treasury had been shown documents sufficient to convince it of Donagan's scholastic record. Nevertheless, I had now telephoned the Registrar of the University of Virginia and had not only received a complete confirmation of the statements made by Mr. Donagan, but also an oral endorsement as to his good record.
I told Mr. Pumphrey that it was up to him to fit into our organization here and that I expected to hear good reports as to both his work and that of Mr. Donegan.

That I returned from the Group Meeting yesterday evening I found on my desk the attached personal note from Mr. Pumphrey announcing his decision to give up his position in the Treasury and accept an offer from the National Defense Council. I should add in this connection that when I presented Mr. Donegan to Mr. Pohio for consideration of his application, I simply stated that Mr. Donegan was the son of one of my oldest friends in the Foreign Service and that I could vouch for his family. I told Pohio that I left to him the determination of Donegan's qualifications for any position that might be open. As it will be observed, Donegan has a German accent. His mother, whom his father married at a very early age, was an Austrian. The son was, I believe, born abroad and has spent most of his life in the European post where his father has been stationed. His father did, however, desire that young Donegan receive his university training in the United States, and sent him to Virginia, from which the father also is a native. I reminded Mr. Pohio, when summarizing the background of Donegan, that it is not unusual to find that the children of Foreign Service Officers may have a foreign accent or certain characteristics resulting from their bringing up abroad. I reminded, however, that a person having such foreign background might be of real use to us, both in languages and in knowledge of foreign methods of doing business.
August 25, 1940

Dear Mr. Godwin,

This note is to inform you that I have just informed Dr. Hathcock that I was unable to accept a position in the Foreign Funds Control Division. I am writing this note to make clear the reasons for so doing. The principal reason is that I do not believe I am cut out to grant exchange licenses. It would be very valuable experience for four or five months, but then I would, in all likelihood, want to leave. Several of my friends (outside the Treasury) urged me to continue for that period, and then quit - but I don't like to do things that way. If there were research problems in connection with the position here, my training would probably be useful. I am, however, frankly dubious of my ability to be particularly useful in a non-research job. Even from our brief discussions, for example, I have reached the conclusion that Bogue in better at the present work than I am. He has a very good knowledge of quirks of international law, in which I am uselessly ignorant, and several times spotted points that I missed altogether.

Again I must express my regret for this morning's incident. At the same time, I feel that the appealing aspects of coincidences that led to it thoroughly justify my action even though it fortunately proved to be unwarranted. It will, perhaps, interest you to know that Bogue and I have become good friends already and find we have a great many things in common. Indeed, one of the reasons that I regret having to make the present decision is that it will break off a working association with the man in the French division.

With best wishes, I am

Yours sincerely,

(e) Lovell Punphrey

P. S. I shall be employed at the National Defense Council during the next few months.

OUT
Mr. Haldeman -

I regret the unpleasant necessity of handing this note to you, but there seems no way out of it. It relates to Mr. Donagan. In a conversation several days ago he mentioned that he had done graduate work in economics at the University of Virginia in 1937-38. I immediately asked him if he knew two close friends of mine who were in the graduate school (in economics) at that time. To my surprise he said no. I then made inquiries of those two friends who assured me that nobody of that name had done graduate work in economics at Virginia during the period they were there 1936-39. It is possible - but highly unlikely - because the graduate department of economics at Virginia has only a handful of men - that these two friends are mistaken. On the other hand, the possible serious implications of Mr. Donagan's statement make it impossible for me not to inform you of the episode, to handle as you see fit.

(a) Lowell Peaseboy

[Signature]
Secretary of State,
Washington.
243, August 29, 2 p.m.

Department's telegram of August 26, 3 p.m.

Chief of Exchange Control Office states he will discuss the question raised at next meeting of stabilization fund. Confidentially it is possible provision will be made for some extension facilities in those cases where importers have already deposited pesos at 1.75 but have delayed depositing amounts covering fund's charges.

For background of Department it should be noted that a general extension is not entirely for best interests of American exporters since it probably will encourage importers to delay liquidations. In present instance ample time was given by stabilization fund for liquidations as well as ample warning of termination of such facilities. Furthermore American exporters are pressing for facilities to liquidate later accounts and the Control Office claims that general extension of the fund's discount facilities covering applications prior April 30 would prejudice the granting of such facilities for applications approved therefor.

[Signature]

[Date]
Al Juki met with Mr. Harry Meckman, Ambassador to the Persian government, on August 15th. Mr. Meckman expressed his interest in the development of the oil industry in the region. He noted that the increasing demand for oil in the United States and the European countries had led to a significant rise in oil prices. Mr. Meckman also mentioned the potential for cooperation between the United States and the Persian government in the exploration and exploitation of oil resources.

Dr. Meckman stated that a joint study team would be sent to the Persian region to conduct a comprehensive survey of the oil fields. The team would be comprised of experts from the United States and the Persian government. The study would focus on the identification of new oil fields, the estimation of oil reserves, and the development of appropriate extraction technologies.

The United States government has always been interested in the development of the Persian oil industry, and this visit was an opportunity to strengthen the existing ties between the United States and the Persian government. Mr. Meckman reiterated the commitment of the United States government to support the development of the Persian oil industry and expressed his confidence in the potential for a successful partnership.

September 1, 1960

[Signature]

Professor Meckman
CONFIDENTIAL

H.I.E.U.D.

Special Bulletin No. 12
August 29, 1940

FRENCH FANS AND ARMED CARS

NOTE

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SOURCE

The information in this Bulletin is based upon a British official summary of French material dated July 25, 1940.

CONTENTS

I. GENERAL TYPES OF DESIGN AND PERFORMANCE OF FRENCH ARMED VEHICLES.

II. TYPES OF FANS USED BY FRANCE.

III. TYPES OF ARMED CARS USED BY FRANCE.
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Dear Sir/Madam,

I hope this message finds you well.

I am writing to inform you that the document attached to this email contains confidential information that is subject to U.S. Government regulations. According to the attached document, the information has been marked as sensitive and is intended for a limited audience.

If you have any questions or require further clarification, please feel free to contact me.

Best regards,

[Your Name]
system supported by a composite springing system employing coil and laminated springs and a rubber buffer stop are fitted. In the latter case the center bogie wheels are more heavily loaded to facilitate steering.

Except for the Char B, two and three point suspension systems are used and rather poor absorption is provided. This results in a harsh suspension. Shock absorbers are employed only on the Somua cavalry tank and then on only small capacity tanks. The tendency is to use small steel bogie wheels. On the heavier tanks the suspension is well protected by armored skirting plates.

G. Performance.

1. Radius of Action. French tanks have a radius of between 82 and 150 miles, according to the type of tank and conditions of travel.

2. Cross Country. Trench crossings, climbing vertical steps, fording water and the standard of maximum gradient are low on average, with the exception of Char B, which will cross a trench of 9 feet width with firm sides. Fascines have been developed to augment their trench crossing capacity.

H. Armament, Mountings and Gun Control.

In all cases the antitank gun mounted in the tank is inferior in performance to the corresponding calibre of French field antitank gun.

In most coaxial mountings the machine gun can be disconnected and used separately with limited free traverse independent of the turret. All mountings employ an external mask to protect the main part of the mounting. Elevation is by shoulder control and traverse by hand gear in the Hotchkiss and Renault tanks and by hand gear or constant speed electric switch on the Somua and Char B. The first variable speed electrical power traverse on the Chauaud Granet principle was ready in February and was being applied to the Somua cavalry tanks; it is inferior to the British power traverse systems.

1. Observation Arrangements.

Care was taken to provide plenty of protected means for observation with both periscopes and episcopes. The latter were difficult to judge distance through, although giving a good field of view, and old models suffered from lack of protection against dust and rain. The French were introducing the prism type of look-out, which they had found more effective.
J. Exits.

A feature of the French tanks is the rear exit door in every turret. Where possible an exit is provided in the hull floor to enable the crew to evacuate the machine if it turned upside down.

K. Intercommunication.

The majority of types of armored vehicles are equipped with radio sets and flag signalling devices.

L. Special Vehicles.

Extensive experiments were being carried out with two types of remote control midget vehicles which were run up to obstacles, concrete or otherwise, and which exploded when stopped, blasting a way through for other vehicles. Certain production orders had been placed.

Experiments were in hand with super-heavy tanks, weighing 120 tons. Two prototypes were being built, but these would not have been ready for proper trial until well into 1941.

II. TYPES OF TANKS USED BY FRANCE.

Serial 1.

Name: Renault 35 - AMR (Auto-mitrailleuses, Reconnaissance)
Type: Light
Weight: $\frac{1}{2}$ = 5 tons.
Crew: Driver and gunner.
Dimensions: Length, 12'6"; width, 5'3"; height, 6'6"; belly clearance, 1'2".
Thickest armor plate known: 13-mm.
Armament: (no 13-mm. heavy machine gun; two light machine guns.
Ammunition carried: 220 rounds for heavy machine gun; 2250 rounds of small arms ammunition.
Engine: 80 h.p.; v cylinders; water cooled.
Drive: Front sprocket.
Maximum speed on roads: 31 m.p.h.
Radius of action: 125 miles.
Suspension: 4 bogie wheels; 1 bogie; 2 independent bogie wheels, fore and aft.
Performance: Trench crossing, 1'3"; step, 1'8"; water forded, 1'6"; maximum gradient, 40°.
Intercommunication: Radio; flag; lamp.
Remarks: 200 were in existence.

(Note: An American source also listed the following types as of April 6, 1940.)
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Renault 28; 4.4 tons; one 7.5-mm. machine gun; limited standard.

Renault FT; 6-7 tons; wartime model; about 2200 on hand.

Renault R3; 7 tons; 1928, a modernized model of the Renault FT.

ET Model (Renault); 7.2 tons; one 47-mm. cannon and one 7.5-mm. machine gun; experimental for use with cavalry.

Serial 2.  
Name: R 35 (Renault)  
Type: Light.  
Weight: 11 tons.  
(Cost: An American source stated in April, 1940 that the weight of this tank was 11 tons.)  
Crew: Driver and Gunner.  
Dimensions: Length: 13'6"; width: 6'; height: 6'1"; belly clearance, 1'2".  
Thickest armor plate known: 70-mm. cast steel.  
Ammunition: One 37-mm. gun; one light machine gun coaxially mounted.  
Ammunition carried: 100 rounds for gun; 2,000 rounds small arms ammunition.  
Engine: 85 b.h.p.; 4 cylinders; water cooled.  
Drive: Front sprocket.  
Maximum speed on roads: 12.5 m.p.h.  
Radius of action: 90-95 miles.  
Suspension: 5 bogie wheels; 2 pairs of bogies with scissors articulation; 1 independent bogie wheel.  
Performance: Trench crossing, 5'3"; step, 2'11; water fording, 2'7; maximum gradient, 10°.  
Intercommunication: Radio and flag.  
Remarks: Tank may be fitted with tail to improve trench crossing performance; can be easily produced in large numbers and many were in existence.

Serial 3.  
Name: H 35 (Hotchkiss)  
Type: Light.  
Weight: 12 tons.  
(Cost: An American report in April, 1940, listed the weight of this tank as 12 tons.)  
Crew: Driver and Gunner.  
Dimensions: Length: 13'6"; width: 6'1"; height: 7'; belly clearance, 1'5".  
Thickest armor plate known: 70-mm. cast steel.
Armament: One 37-mm. gun; one light machine gun coaxially mounted.

(Assumption: The 37-mm. gun may be replaced by a 47-mm. gun, according to an American report of April, 1940. G-2)

Ammunition: 100 rounds for gun; 2,400 rounds small arms ammunition.

B. Engines: 75 h.p.; 6 cylinders; water cooled.

Drive: Front sprocket.

Maximum speed on roads: 17 m.p.h.

Radius of action: 82 miles.

Suspension: 6 bogie wheels; 3 bogies; scissor articulation.

Performance: Trench crossing, 11'11"; step, 21'7"; water forded, 24'7"; maximum gradient, 40°.

Intercommunication: Flag.

Remarks: Mass production of this tank was easy, and many were in existence. An improved model was in production.

Serial 4.

Name: H 39 (Hotchkiss).

Type: Light.

Weight: 12 tons.

(Note: In April, 1940, an American source listed the weight of this tank as approximately 13 tons. G-2)

Crew: Driver and gunner.

Dimensions: Length, 13'6"; width, 6'11"; height, 7'; belly clearance, 13'8".

Thickest armor plate known: 40 mm. cast steel.

Armament: One 37-mm. gun; one light machine gun coaxially mounted.

Ammunition carried: 100 rounds for gun; 2,400 rounds small arms ammunition.

Engines: 120 h.p.; 6 cylinders; water cooled.

Drive: Front sprocket.

Maximum speed on roads: 26 m.p.h.

Radius of Action: 130 miles.

Suspension: 6 bogie wheels; 3 bogies; scissor articulation.

Performance: Trench crossing, 11'11"; step, 21'7"; water forded, 24'7"; maximum gradient, 40°.

Intercommunication: Flag.

Remarks: This tank replaced the H 35 (Serial 3).

(Note: An American source also lists the D type tank (Renault), 13 tons, with armament the same as that of the H 35. There were about 190 of these in existence. G-2)

Serial 5.

Name: F.C.3,4,5,6 (Forges et Chantiers de la Mediterranee at La Seyne).

Type: Light.

Weight: 13 tons.
(Note: According to an American source, April, 1940, the weight of this tank is 12 tons. 6-2)

Crew: Driver and gunner.

Dimensions: Length, 14 7/16"; width, 7 1/4"; height, 7 3/4"; belly clearance, 1 1/2".

Thickest armor plate known: 140-mm. rolled steel plate.

Armament: One 37-mm. gun; one light machine gun.

Ammunition carried: 100 rounds for gun, 2,000 rounds small arms ammunition.

Engine: 100 h.p.; 4 cylinders; Diesel; water cooled.

Drive: Rear sprocket.

Maximum speed on roads: 15 m.p.h.

Radius of action: 200 miles.

Suspension: 9 bogie wheels; 4 pairs of bogies; 1 independent adjustment bogie wheel; coil springs; suspension completely protected by skirting.

Performance: Trench crossing, 5 10/16"; step, 2 11/16"; water forded, 2 9/16"; maximum gradient, 40°.

Intercommunication: Flag.

Remarks: 100 of these tanks were known to exist.

(Note: An American report stated in April, 1940, that production of this tank had been stopped. About 90 were said to be in existence, 6-2)

Serial 6.  Name: ACGI (Renault).

Type: Light.

Weight: 13 tons.

Crew: Driver; gunner; radio operator.

Dimensions: Length, 14 7/8"; width, 6 10/16"; height, 7 11/16"; belly clearance, 1 1/2".

Thickest armor plate known: 25-mm.

Armament: One 17-mm. gun; two light machine guns.

Ammunition carried: 100 rounds for gun.

Engine: 180 h.p.; 4 cylinders; water cooled.

Drive: Front sprocket.

Maximum speed on roads: 20-22 m.p.h.

Radius of action: 100 miles.

Suspension: 5 bogie wheels; 2 pairs of bogies with scissor articulation; 1 independent bogie forward.

Performance: Trench crossing, 6"; step, 2 1/2; water forded, 2 8/16"; maximum gradient, 40°.

Intercommunication: Radio and flag.

Remarks: Only a few of these tanks were in existence.

Serial 7.  Name: AUX (Renault).

Type: Light medium.

Weight: 16 tons.

Dimensions: Length, 17 1/4"; width, 6 9/16"; height, 7 3/4"; belly
Serial 8. Name: S 35 (Somua)  
Type: Medium.  
Weight: 16 tons.  
Crew: Commander; driver; gunner.  
Dimensions: Length, 17'6"; width, 6'4"; height, 8'10";  
belly clearance, 1'11".  
Thickest armor plate known: 40-mm.  
Armament: One 75-mm. gun; one light machine gun.  
Ammunition carried: 120 rounds for gun; 5000 rounds of  
small arms ammunition.  
Engine: 150 h.p.; V-8; water cooled.  
Drive: Rear sprocket.  
Maximum speed on roads: 29 m.p.h.  
Radius of action: 140 miles.  
Suspension: 9 bogie wheels; 3 independent  
bogie wheels, fore and aft; suspension protected by  
skirting.  
Performance: Trench crossing, 7'10"; step, 2'11"; water  
xforded, 3'3"; maximum gradient, 40°.  
Intercommunication: Radio and flag.  
Remarks: A considerable number of these tanks were in  
existence.

Serial 9. Name: D 2 (Renault).  
Type: Medium.  
Weight: 20 tons.  
Crew: Commander; gunner; driver; operator-loader.  
Dimensions: Length, 16'7"; width, 7'2"; height, 8'9";  
belly clearance, 1'11".  
Thickest armor plate known: 40-mm.  
Armament: One 75-mm. gun; two light machine guns.
Ammunition: 110 rounds for gun; 5000 rounds of small
arms ammunition.

Engine: 150 h.p.; 6 cylinders; water cooled.

Drive: Rear sprocket.

Maximum speed on roads: 14 m.p.h.

Radius of action: 90-105 miles.

Suspension: 12 small bogie wheels; 6 bogies with coil
sprung; suspension protected by skirting.

Performance: Trench crossing, 7'10"; step, 3'3"; water
forded, 3'3"; maximum gradient, 45°.

Intercommunication: Radio and flag.

Remarks: A limited number of these vehicles were
manufactured.

(Note: An American report indicates that about 210 were in existence
as of April 6, 1940, G-2.)

Serial 10. Name: S.Au. 40 (Soma).

Type: Medium.

Weight: 21½ tons.

Crew: Commander; driver; gunner (and loader?).

Dimensions: Length, 19'15"; width, 6'11"; height, 8'10";

belly clearance, 1'11½".

Thickest armor plate known: 60-mm.

Armament: One 75-mm. gun.

Engine: 190 h.p.; V-8; water cooled.

Drive: Rear sprocket.

Maximum speed on roads: 20 m.p.h.

Radius of action: 1½ miles.

Suspension: Same as serial 8.

Performance: Trench crossing, 5'10"; step, 2'11½"; water
forded, 3'3½".

Intercommunication: Radio and flag.

Remarks: 32 were in existence; long-barreled 75-mm. gun
was mounted in the hull; to be used as armored
artillery.

Serial 11. Name: Char B (Renault).

Type: Heavy.

Weight: 31 tons.

(Note: An American report, April, 1940, lists the weight as 29-35 tons.
G-2.)

Crew: Commander-gunner; driver; radio operator; loader-
mechanic.

Dimensions: Length, 20'8½"; width, 8'2½"; height, 9'1½"; belly

clearance, 1'7½".

Thickest armor plate known: 60-mm.

Armament: One 75-mm. gun; one 47-mm. gun; two light

machine guns.

Ammunition carried: 72 rounds for 75-mm. guns; 70 rounds

for 47-mm. guns.
Engine: 270 h.p.; 6 cylinders; water cooled.
Drive: Rear sprocket.
Maximum speed on roads: 17 m.p.h.
Radius of action: 150 miles
Suspension: 16 small bogie wheels; 3 bogies of 4 wheels with leaf and coil springs; suspension protected by skirting.
Performance: Trench crossing, 9 ft.; step, 3'10"; water forded, 4'10"; maximum gradient, 14°.
Intercommunication: Radio; flag; lamp.
Remarks: Considerable numbers of these tanks were in existence. The armor was to be increased to 75-mm. and the engine to 350 h.p. Renault.

(Note: According to American sources, the B-bis (Renault) is a conventional B tank: more heavily armored and equipped with a powerful engine. It weighs about 33-35 tons. There were about 415 B and B-bis tanks in existence as of April 6, 1940. -G-2)

Serial 12

Name: Char 2 C.
Type: Heavy
Weight: 68 tons
Crew: 12-16 (i.e. commander; 1-2 drivers; 6-10 gunners; 2 loaders; 1 radio operator).
Dimensions: Length, 34'2"; width, 10'3"; height, 12'6"; belly clearance, 2'.
Thickest armor plate known: 50-mm.
Armament: One 155-mm. gun; one 75-mm. gun; four machine guns; four machine guns in reserve.
Ammunition carried: 150 rounds for guns; 10,000 rounds of small arms ammunition.
Engine: Two 250 h.p. petrol electric engines.
Drive: Rear sprocket.
Maximum speed on roads: 7 m.p.h.
Radius of action: 50-60 miles.
Suspension: Completely obscured by skirting.
Performance: Trench crossing, 16'-17'; step, 5'2"; water forded, 5'; maximum gradient, 15°.
Intercommunication: Radio and flag.
Remarks: This tank is obsolete and it is doubted whether it could be used in any role except in close support; it did not exist in large numbers.

(Note: An American report of April 6, 1940, lists a C tank; 70 tons; armed with one 75-mm. cannon and four 7-5-mm. machine guns; experimental type; about 25 in existence. -G-2)

III. TYPES OF ARMORED CARS USED BY FRANCE.

Serial 1

Name: AM-39 (Auto-mitrailleuses, Somua)
Serial 2.
Name: Panhard, AIMTOE
Weight: 6'7 tons.
Crew: 4.
Dimensions: Length, 12'6"; width, 6'7"; height, 6'6".
Thickest armor plate known: 15-mm.
Armament: One 25-mm. gun; one light machine gun.
Number of wheels: 6.
System of steering: Front wheels only and rear steering position.
Engine: 4 cylinders (1); 75 h.p.; rear engine.
Drive: Four wheels or six.
Maximum speed on roads: 40-50 m.p.h.
Radius of action: 220 miles.
Intercommunication: Radio.
Remarks: Latest type of cavalry armored car; very cramped.

Serial 3.
Name: Laffly, AIMTOE, S15.
Weight: 7.5 tons.
Crew: Commander; driver; 2 gunners.
Dimensions: Length, 17'6"; width, 6'7"; height, 8'6".
Armament: One 37-mm. gun; one light machine gun.
Thickest armor plate known: 15-mm.
Number of wheels: 6.
System of steering: Front wheels only.
Engine: 60 h.p.; 6 cylinders.
Drive: All 6 wheels, or 4 may be driven.
Maximum speed on roads: 37- m.p.h.
Radius of action: 600 miles.
Remarks: Made for colonial use.

Serial 4.
Name: Panhard, AIM 1935.
Weight: 8 tons.
Crew: Commander; gunner; operator; 2 drivers (1 in rear).
Dimensions: Length, 15'6"; width, 6'6"; height, 7'6";
belly clearance, 1'2".
Thickest armor plate known: 18-mm.
Armament: One 25-mm. gun.
Number of wheels: 4.
System of steering: Front 2 wheels.
Engine: 105 h.p.; 4 cylinders; water cooled; rear engine.
Maximum speed on roads: 50 m.p.h.
Radius of action: 250 miles.
Intercommunication: Radio and flag.
Remarks: Standard armored car; available in large numbers.
August 29, 1940

Acting Secretary Hall
Mr. Cochran

At 4:15 yesterday afternoon I received by appointment Mr. Alphand, the new French Financial Attaché. He was accompanied by Mr. Marquet, the officer of the French Ministry of Finance who has been stationed in New York since last December as General Paymaster, and also by Mr. Lacot, Third Secretary of the French Embassy.

As previously arranged, I took the visitors to Professor Chamberlain’s office, where Professor Chamberlain permitted Mr. Alphand to present his complaint against the decision of the Treasury in revoking several general licences which had freed various accounts of the French Government.

August 30, 1940

At his urgent request, I received Mr. Alphand at 2:25 yesterday afternoon in order that he might present to me the memorandum which Professor Chamberlain had suggested that he submit in support of the representations which he had made. I accepted Mr. Alphand’s memorandum, which is being circulated separately. He was quite insistent that his own account be freed immediately. Aside from the memorandum, he asked that we give immediate attention to the pending application to take care of funds for Latin America. This latter application includes funds for French diplomatic and consular officers, as well as funds for paying for purchases of beans and lentils in Chile.
August 29, 1940

Acting Secretary Bell
Mr. Cochran

At 8:30 this morning I informed Vice President Bache in the Federal Reserve Bank at New York that I had learned late last evening from Mr. Sayres in the State Department that Prime Minister MacDonald King’s letter in regard to the opening of Canadian government accounts with the Federal had been received and that Mr. Mikes, in charge of the Canadian desk, was preparing photostat copies and handling the matter.

August 30, 1940

The documents in question were received by me from the Department of State shortly before noon yesterday and immediately referred to Mr. Bernstein who attended to the necessary drafting. Mr. Bernstein and I presented the documents to Acting Secretary Bell between 4:00 and 5:00 yesterday afternoon. It was found necessary to send one of the documents to Hyde Park for signature by the President before the Treasury’s letter to the Federal Reserve Bank at New York could be released.

[Signature]

Regraded Unclassified
Dear Secretary Kissinger:

August 2, 1972

Re: New York Office

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[Redacted]

Regraded Unclassified
Federal Reserve Bank of New York

Hon. Henry Morgenthau, Jr., 8-29-40

I have assumed to be the purpose of the original Order — to make sure that the dollar exchange resulting from such transfers will not come into German hands. This does not seem to me to be an adequate reason. In the first place, the amounts involved are relatively small. More important, however, is the obvious inconsistency in refusing transfers of this sort to destitute persons in occupied territory when there is no bar to the transfer of unlimited sums from this country to persons located in Germany or Russia.

If the Treasury wishes to hold up remittances to occupied territories solely on the ground that it does not want Germany (or other invading countries) to get the resulting dollar exchange, (and I cannot see any warrant for that short of the need for a complete embargo for public reasons) is there any logic in permitting transfers to be made direct to Germany itself? Please do not infer from this that I favor a prohibition on transfers by our own nationals of their own monies to Germany for any legitimate purpose. Rather, I mention the inconsistency in the hope that it will serve to recommend an early adoption by the Treasury of a policy which would permit of transfers to persons located in territories which are now occupied by Germany (or Russia) of the kind which I am discussing. The fact that Germany might incidentally get the resulting dollar exchange should not be controlling so long as we are not a belligerent.

Frankly, I fear that unless the rapidly increasing volume of applications now pending before the Treasury for transfers to persons resident in the occupied territories are acted upon favorably, or some convincing reason for contrary action is put forward, it may become difficult, if not impossible, for the Treasury to defend itself against just public criticism.

I went to Washington last week to present this suggestion to Mr. Bell, in your absence, believing that something ought to be done even before your return from your vacation. But after discussion with Mr. Bell, I suggested, and he agreed, that perhaps the most appropriate way of presenting the case was to write to you directly. This I am now doing since I cannot believe that what seems to me to be the obvious inconsistency of the Treasury’s position, and the growing adverse reaction to it, has been fully presented to you.

Faithfully yours,

/s/ George L. Harrison,

George L. Harrison,
President.

Hon. Henry Morgenthau, Jr.,
Secretary of the Treasury,
Treasury Department,
Washington, D. C.
August 30, 1940

Since dictating this letter yesterday, Mr. Knobe has been advised by your legal staff, over the telephone, of a contemplated general license which might represent the beginning of a solution of this problem, but which in its present form seems altogether inadequate. Mr. Knobe has already pointed out some of its inadequacies to your legal staff.
You're reaching the point of no return.

As you approach the final destination of your journey, the path becomes narrower and the obstacles more numerous. Each step brings you closer to the summit, but also closer to the abyss. The road ahead is fraught with challenges, but the rewards are worth the effort. You must be prepared to face whatever comes your way, with resilience and determination.

In the end, it is not the destination that matters, but the journey itself. Every challenge you overcome, every obstacle you surmount, is a testament to your strength and character. The road ahead may be difficult, but with perseverance and a clear vision, you will achieve your goals.

Remember, the journey is not just about the destination, but about the experiences and the growth that comes with it. Embrace every new challenge, for it is these experiences that shape who you are.

Wishing you all the best on your journey. Keep moving forward, and never lose sight of your dream. The road ahead may be long and difficult, but with courage and determination, you will conquer it.

Sincerely,
[Your Name]
Mr. F. A. Strass, London representative of Louis Dreyfus, informs us that firm has assets in Argentina of 2 million pounds which are blocked by Argentine Government, and 3 million dollars in United States. They have liabilities of one million pounds in London. It is said that assets in U. S. were frozen by U. S. Government and that in order to unfreeze these assets an American company was formed. Mr. Strass is anxious that assets in America should be made available to meet liabilities in London. He cannot obtain any clear picture of what happened in United States and suggests that he should go to New York to negotiate with American Company. He is not clear that it was wise to form an American company or that representative company in America had sufficient authority to do so. We are of course anxious that means may be found to meet liabilities of London banks and should be grateful for any information you can obtain or advice.

The British Embassy,
27th August, 1940

dm
The reporting banks transactions in registered sterling were as follows:

Sold to commercial concerns £37,000
Purchased from commercial concerns 0

The Federal Reserve Bank of New York reported that it purchased £24,400 from the French American Banking Corporation, New York. We understand that this amount was a credit set up in London for the account of General Motors Corporation who had the option of accepting sterling or U.S. dollars. As General Motors preferred dollars the sterling was sold in order to provide the funds to effect the payment in this country.

In the open market the sterling rate was quoted at 4.03 most of the day. Shortly before the close it moved upward and the final quotation was 4.03-1/4.

The reporting banks transactions in open market sterling were as follows:

Sold to commercial concerns £62,000
Purchased from commercial concerns £ 5,000

The Canadian dollar, at about noon time, improved to 1 2/16 discount, after an opening quotation of 12-3/8% discount. The better rate was attributed to the demand for Canadian funds by travelers who intend to visit Canada next weekend. During the afternoon the improved rate was not maintained and the discount at the close was 12-1/4%.

Since August 26, the discount on the Cuban peso narrowed from 11-15/16% to 11-21/32%.

The other currencies closed as follows:

- Swiss franc .2273
- Swedish krona .2276
- Lira .0505
- Reichsmark .4000
- Mexican peso .1996 bid .2016 offered

We purchased $1,000,000 in gold from the earmarked account of the Central Bank of Uruguay.
The Federal Reserve Bank of New York reported the following shipments of gold:

- \$4,594,000 from Canada, shipped by the Bank of Canada to the Federal Reserve Bank of San Francisco for account of the Bank of England, for sale to the U. S. Mint in San Francisco.
- 2,874,000 from South Africa, shipped by the South African Reserve Bank to the Federal Reserve Bank of New York for account of the Bank of Sweden, for sale to the U. S. Assay Office.
- 2,314,000 from Colombia, shipped by the Bank of the Republic, Colombia, to the Federal Reserve Bank of New York, the disposition of which is unknown.

\$9,782,000 Total

The State Department forwarded to us a cable stating that the following shipments of gold were made from Sydney, Australia:

- \$14,773,000 shipped by the Commonwealth Bank of Australia to the Federal Reserve Bank of San Francisco.

- 131,000 shipped by the Bank of New South Wales to the American Trust Company, San Francisco.

\$14,904,000 Total

Both of these shipments will be sold to the U. S. Mint at San Francisco.

As the bullion markets in Bombay were closed today there were no gold and silver quotations from that city.

The London fixing price for spot silver was 23-7/16d up 1/16d and for forward 23-1/16d up 1/8d. The U. S. equivalents were 42.56\$ and 41.85\$ respectively.

Hendy and Harman's settlement price for foreign silver was unchanged at 34-3/4\$. The Treasury's purchase price for foreign silver was also unchanged at 34-3/4\$.

We made three purchases of silver totaling 225,000 ounces under the Silver Purchase Act. Of this amount 125,000 ounces represented new production silver, for forward delivery, and the balance of 100,000 ounces was a sale from inventory by one of the refining companies. We also purchased 200,000 ounces of silver from the Bank of Canada under our regular monthly agreement.
TREASURY DEPARTMENT
WASHINGTON
August 29, 1940

Dear Mr. Secretary:

In accordance with your request, I enclose memoranda on the present status of the following problems:

1. Complementary program for machine guns.

2. Financing a complementary program for producing engines for tanks.

Copies of these memoranda, as well as of Mr. Young’s letter to you on the tank program are being given to Mrs. Klots and to Mr. Bell.

Sincerely yours,

[Signature]

James C. Buckley,
Assistant to Philip Young.

Hon. Henry Morgenthau, Jr.
Care of Robert Goux
Box 164
Fishkill, New York
To: The Secretary
From: Mr. Buckley

Re: Financing Complementary Programs

At a large meeting of all interested parties held Tuesday afternoon, August 27, to discuss complementary programs, Mr. Schram, of the Reconstruction Finance Corporation, said that they felt confident that some method could be worked out for financing the British as well as the United States portion of complementary programs. It was agreed by all parties that the financing of Continental Motors for the production of engines for tanks would be worked out as a standard pattern which could be followed in other complementary programs.

Briefly, the Continental Motors problem is this: The British will place a firm order for 3,500 engines immediately and the Army will place one for 1,000 engines, with an option for an additional 1,000, contingent upon the passage of pending legislation. This will require a plant with an optimum output of twenty per day. Continental has a building in Detroit which can be used without financing. They will, however, need financing for about $5,900,000 of machine tools and about $1,300,000 of perishable tools, dies, jigs, and fixtures, — a total of $7,100,000 to be financed. In addition, they will require on the British order a down payment of $3,000,000 and monthly payments prior to the beginning of production totaling about $5,000,000, making a total of about $9,000,000 which the British would have to provide for use as working capital, but for which they would receive credit as engines were delivered.

The first problem was for the Reconstruction Finance Corporation and Continental to agree on the production plan, amount of machine tools to be required, value of these tools, etc. This was completed last night after a series of conferences attended only by the Reconstruction Finance Corporation and Continental Motors. An understanding was reached that the Reconstruction Finance Corporation would buy the machine tools and the perishable tools, dies, jigs, and fixtures and lease them to Continental, which would load the cost of this lease into the sales price to the British and the Army. A meeting was then scheduled for 10:00 A.M. this morning to be attended by the Reconstruction Finance Corporation, Continental Motors, the Army, and the British for the purpose of working out the final agreements.

Late last night the British called me at home, saying that they had spent two hours with the Continental people going over a preliminary draft of an agreement in which, to their consternation, was a provision that the British would have to deposit as additional security a letter of credit for the entire amount of the order. This had so upset Mr. Purvis that he
Down an outline were taken and read for:

I. Short Introduction. The moment of course would be the same

...
I gave this suggestion to the British Purchasing Commission people here, who were not very favorable. I also telephoned Mr. Purvis in New York and outlined it to him. While it does not give the British unsecured financing, it does give them an opportunity to hold their American securities for a substantially longer period than would otherwise be possible, giving them the benefit of capital appreciation and income in the interim. In addition, they would be freed from the necessity of any immediate liquidation and given a fairly long period in which to select opportune times for liquidation. Mr. Schram pointed out that only under some such plan will the Reconstruction Finance Corporation be repaid the unamortized balance of the British liability if the British situation prevented continuance of the contracts.

Mr. Purvis is anxious to discuss the problem with you early Tuesday and will be available in Washington after 9:00 A.M. I have asked Mrs. Elton to remind you of this early Tuesday morning if you wish to set an early appointment. Mr. Schram, of the Reconstruction Finance Corporation, is holding a half hour of his time shortly after lunch so that we can take Mr. Purvis to see him if that seems desirable. The detailed negotiations will have been completed by sometime Tuesday afternoon, and if agreement be reached on this financing, contracts can be signed and the deals closed late Tuesday or early Wednesday.
To: The Secretary
From: Mr. Buckley

Re: Complementary Program for Machine Guns

The program was discussed for the first time in a rather large meeting held on the morning of August 29. It developed that the United States Army and the British Purchasing Commission were negotiating with entirely different producers. Accordingly, it did not seem that there was a very good basis for a complementary production program.

It developed, however, that the two programs will bring about a terrific demand for machine tools, which will have serious repercussions on the entire production situation. The following possibilities were discussed:

1. The development of a complementary program for the production of the necessary machine tools.
2. The investigation on a complementary basis of more efficient methods of production, since the Colt system, on which the additional programs are now intended to be based, is not generally considered very efficient.

A small sub-committee of technical men from the United States Army, the British Purchasing Commission, and the Defense Commission was designated to investigate these two problems in the afternoon.

We learned late yesterday that this sub-committee met in the afternoon, but serious differences developed and the meeting broke up with the men from our Ordnance Department asserting that they would wait no longer to develop a program but were going to sign up contracts with their suppliers at once. This would mean that those suppliers would immediately rush into the machine tool market with their orders, making it a great deal more difficult to work out a complementary program or more efficient manufacturing techniques.

Mr. Purvis and his staff were naturally very upset about this and contacted me last night. It was impossible to do anything at the moment, but I contacted the Ordnance Department early this morning. Colonel Lewis, who was at the sub-committee meeting yesterday, told me that they were very anxious to sign up their suppliers, but he also said that they would be willing to assure the British that no action would be taken of a final nature until late Tuesday or early Wednesday and that they would be glad to go over the matter again with the British on Tuesday.

I telephoned this to Mr. Purvis, who said that he was entirely satisfied and would be here early Tuesday and have a gun man with him so that such a conference could be arranged.
August 30, 1949

Dear Mr. Secretary:

In accordance with your request, I enclose memoranda on the present status of the following problems:

1. Complementary program for machine guns.

2. Financing a complementary program for producing engines for tanks.

Copies of these memoranda, as well as of Mr. Young's letter to you on the tank program are being given to Mrs. Klots and to Mr. Bell.

Sincerely yours,

James C. Danley,
Assistant to Philip Young

Copies to Mr. D. W. Bell
Mrs. Klots
Mr. Young
To: The Secretary

From: Mr. Peckley

Re: Complementary Program for Machine Guns

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2. The investigation on a complementary basis of more efficient methods of production, since the Colt system, on which the additional program are now intended to be based, is not generally considered very efficient.

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I telephoned this to Mr. Purvis, who said that he was entirely satisfied and would be here early Tuesday and have a gun man with him so that such a conference could be arranged.
The first problem was for the Reconstruction Finance Corporation and the British to agree on the production plan, amount of munitions to be produced, and the terms of the loan. As a result, a letter of credit for the entire amount of the order was sent by the British, who would have to appeal as additional security for the loan. The British would presumably have to appeal as additional security for the British, for the purpose of working out a final agreement.

The Continental Rovers problem is that the British will have to place a firm order for 5,000 engines immediately and the Army will place an order for 1,000 engines, with an option for an additional 1,000, contingent upon the passage of pending legislation. This will require a plant with an output of at least $100,000,000 per month, which the British will require to be turned over to them.

In addition, they will require $5,000,000 of munitions tools for about $5,000,000, and equipment for the British, for the purpose of working out a final agreement.
called you, forbade his men to attend the meeting this morning, and left for New York. His reason for not wanting to attend the meeting, as related to me by Mr. Ballantine, was the fear that there would be a discussion of financing which might develop a situation analogous to the Hull-Rayce deal.

Fortunately, General Harris of Army Ordnance said this morning that they would like a day or two alone with Continental Motors to work up their agreement before a general meeting. Accordingly, we deferred the general meeting until late Monday or early Tuesday.

The Reconstruction Finance Corporation, however, had been very cooperative in hurrying the thing along, so instead of the meeting originally scheduled with all parties at 10:00 this morning, Mr. Cox and I went over to talk to the Reconstruction Finance Corporation by ourselves. At this meeting Mr. Schram evidenced a very sympathetic attitude toward the British cause and said that they had spent a great deal of time working out a suggestion for the "best possible" treatment of the British. Briefly, this is their suggestion:

1. The Reconstruction Finance Corporation would advance funds for the machine tools, perishable tools, dies, jigs, and fixtures, and all working capital.

2. This would be repaid by Continental as engines are delivered to the British and to the Army.

3. The British would be required to put up no cash except the purchase price of engines as they receive them.

4. As security to cover any unamortized balance of the British share of the liability for capital items and commitments for materials and other working capital items, the British would deposit with the manufacturer trust certificates secured by British held United States securities. These certificates need not be for the entire amount of the ultimate liability under the contract but only for the unamortized balance of the liability for capital items plus an amount sufficient to cover the manufacturer’s liability on material, contracts, and labor investment. The amount, of course, would be stepped down as engines were taken and paid for.
I gave this suggestion to the British Purchasing Commission people here, who were not very favorable. I also telephoned Mr. Purvis in New York and outlined it to him. While it does not give the British unordered financing, it does give them an opportunity to hold their American securities for a substantially longer period than would otherwise be possible, giving them the benefit of capital appreciation and income in the interim. In addition, they would be freed from the necessity of any immediate liquidation and given a fairly long period in which to select opportune times for liquidation. Mr. Schram pointed out that only under some such plan will the Reconstruction Finance Corporation be repaid the amortized balance of the British liability if the British situation prevented continuance of the contracts.

Mr. Purvis is anxious to discuss the problem with you early Tuesday and will be available in Washington after 9:00 A.M. I have asked Mrs. Klots to remind you of this early Tuesday morning if you wish to set an early appointment. Mr. Schram, of the Reconstruction Finance Corporation, is holding a half hour of his time shortly after lunch so that we can take Mr. Purvis to see him if that seems desirable. The detailed negotiations will have been completed by sometime Tuesday afternoon, and if agreement be reached on this financing, contracts can be signed and the deals closed late Tuesday or early Wednesday.
Dear Mr. Secretary:

Some matter has come over the fax since my letter to you of last week. At that time, I conveyed my information to Mr. Jones that an urgent need was illustrated by the strict deadline for the submission of materials. Mr. Jones is now attempting to give the impression that he is in a position to act immediately. I am not convinced that his actions are consistent with these expectations. I have been informed by Mr. Jones that he will be arriving in the office tomorrow morning to discuss the matter further.

I have just been informed that Mr. Jones is expected to arrive tomorrow morning. He has been in constant communication with Mr. Jones throughout the weekend. It is apparent that Mr. Jones is in a position to act immediately.

I look forward to hearing from you soon.

Sincerely,

[Signature]

August 10, 1994

Regraded Unclassified
Immediately following the statement, the text continues in a paragraph format:

"The decision to resign was made on 8th January 1957 and took effect from 9th January 1957. I am writing to inform you of this decision, and to ask for your cooperation in arranging a smooth transition. I have decided to resign from my current position due to personal reasons. I believe that this decision is in the best interests of the organization and the company as a whole.

I would like to express my gratitude for the opportunities and experiences I have gained during my tenure. The company has supported me in my professional development, and I have been fortunate to work with many talented and dedicated colleagues.

I understand that a smooth transition is crucial for the company's operations. Therefore, I am willing to work with you to ensure a seamless handover of responsibilities. I will be available for consultation and will provide any assistance required to ensure a successful transition.

Please let me know if there is anything I can do to facilitate this process. I look forward to working with you in the future and wish you all the best.

Sincerely,
[Signature]
[Name]

[Date]
American manufacturers, and to the various interested departments of the Government as well as to the British, in which he said that joint financing arrangements could be worked out easily and equitably within the present limits of the law and under the statutes creating the RFC and its subsidiary corporations. He emphasized the fact that the RFC was ready to cooperate to the fullest degree at any time with the Army, the Defense Commission, the British, and the Treasury.

His remarks had the effect of completely taking the wind out of the sails of the Army as he stated the part which the RFC could play in attempting to work out Defense Programs. He also made the definite statement that there was no reason why part of the production capacity could not be utilized for British orders as long as the Army, Navy, and the Advisory Commission could certify that the production capacity involved was necessary in the interests of National Defense.

General Mears emphasized the fact that the Army could not guarantee to utilize production capacity created because its orders were definitely limited by the amount of the appropriations. Moreover, the RFC was, perhaps, the only one of the most important agencies dealing with this whole question, namely, that future utilization of production capacity by the United States Army or Navy was not determined by the quantity which those services were authorized to buy, but by the types of articles which were to be produced. Thus, he said that in any case where the production facilities were created in the interests of National Defense and the items produced were available to the British, the RFC could finance such expansion provided that the particular item was of a standardized design.

I adjourned the conference as quickly as possible, and the whole business only took about 45 minutes. Since that time, the Army, the Defense Commission, the British, and, curiously enough, the RFC have congratulated me separately upon clarifying the atmosphere.

Today I asked Mr. Higgens to call another meeting at the Defense Commission where the British, the RFC, the Army, the Defense Commission, and Continental Motors, who is going to build the tank engine, could sit down and talk specifically on the problems involved. At this meeting, which Mr. Higgens also turned over to me, the Defense Commission stated that it would have no difficulty in the reorganization of the Army in certifying that
The document contains a table with the following data:

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<tr>
<th>Column 1</th>
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<tr>
<td>Data 1</td>
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<td>Data 3</td>
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<td>Data 5</td>
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The table appears to be a students' grade report. The data includes the student's name, course, and grades for each subject.
Eaton Manufacturing Company and the Cleveland Tractor Company will build final drives and steering differentials, and the Spicer Manufacturing Company and the Clark Equipment Company will each set up a plant for production of transmissions proper. There was a little friction with the Army over this particular program, but this has been pretty well ironed out and the actual financing stage has almost been reached.

Concerning the armament program, a conference is being held tomorrow with the Defense Commission, the Army, and the British on both heavy and light ordnance. This conference will develop the initial steps toward standardization of guns both for tanks and for other uses.

There would seem to be no difficulty on the armor plate program as the production capacity of the country is such that there should be little conflict between the British and Army requirements.

Thus, you will see from the foregoing that a fairly intricate program has in general, not only been moving along relatively smoothly on all fronts, but also it has moved remarkably swiftly considering barriers which had to be overcome both at the War Department and the RFC. I hope that this gives you some idea of what we have been doing, and, at least for the moment, I feel that although I stuck my neck out pretty far in the first place everybody else’s neck has almost caught up with it.

I don’t think that there will be any serious difficulties, and, if this program does go through, it will set a record and a pattern which may be of tremendous importance in the future. I have purposely omitted figures on these detailed programs as in many cases they are not yet definite, and as the principle of the arrangement is the important point at present.

If this survey has made boring reading, remember that you asked for it, and I have been sincere in my attempt to eliminate as much detail as possible.

Sincerely,

/s/ Philip Young

Honorable Henry Morgenthau, Jr.,
Seignoiry Club,
Province of Quebec,
Canada.

PT:bj
Professor Chamberlain

Mr. Cochran

Mr. Livesay mentioned yesterday by telephone that he had received a letter signed by Professor Chamberlain referring to the Department of State an inquiry from Mr. Hilton C. Parck. Mr. Livesay could not tell from our transmitting letter what sort of a reply had been made to the inquirer. May I have a copy of our reply to Mr. Parck for transmission to Mr. Livesay?
August 29, 1919

Professor Chamberlain

Dr. Godman

Dr. Fletcher Herron telephoned me from the Department of State yesterday in regard to a letter addressed to Ambassador Hugh Wilson, now absent in the Dominican Republic, by Mr. Robert Rector, an American citizen employed by the National City Bank in Paris, in regard to his desire to receive some funds for himself and his sister, Miss R. B. Rector, through Messrs. Banker & Banker of New York. I mentioned this application at the Group Meeting yesterday afternoon.

I telephoned Mr. Young to Banker & Banker at New York today to see if they had any information in the premises. They stated that application No. 116 was filed on August 27 by them in behalf of Mr. Robert Rector for the sum of $275.00.

[Signature]
At the group meeting yesterday afternoon Mr. Bernstein reported a request which he had received from Mr. Noble, Acting General Counsel of the Federal Reserve Bank at New York, to take up with the Department of State the draft of a letter which the Federal desired that Department to use in transmitting a communication awaited from the Belgian Embassy in regard to a transaction of Ambassador Georges Thoenicke. We agreed that Mr. Bernstein should telephone Mr. Clark in the Department of State and transmit the draft to him at once. Shortly thereafter, Baron de Gruben of the Belgian Embassy telephoned me in the conference room and referred to a conversation just had with Mr. Noble by telephone in which the letter had stated that the Treasury had a draft of a letter which the Federal desired that the Belgian Embassy address to the Department of State for formal transmission to the Federal Reserve Bank of New York, through the Treasury Department, in regard to the above matter. Since Mr. Bernstein had the copy of the draft in his possession, I asked Mr. Bernstein to talk with Baron de Gruben. It was arranged for this draft to be sent to the Belgian Embassy yesterday evening. This morning at 8:30 Mr. Noble inquired as to the status of this matter, so I gave him the above information.
August 29, 1940

Professor Chamberlain

Mr. Cochran

In accordance with the decision reached by our Central Group, I spoke with Mr. Livesey by telephone in regard to the application of former President Parde of Peru. Mr. Livesey referred this inquiry to political officers in the Department of State. Yesterday he informed me that Mr. Woodard of the Protocol Division had now given his advice in the premises. It was thought proper to give the Parde family entire freedom of movement, that is, that we should not so restrict their funds as to oblige them to remain in any one place or go to any special destination, but that otherwise the family was not entitled to any unusual treatment. The State Department had absolutely nothing against Parde but saw no reason to give him everything.

Mr. Livesey mentioned that he was sending us a second communication from the Peruvian Embassy in regard to the Parde family. This has now been received and distributed. It deals with Mrs. Teresa Barreto de Parde, widow of Mr. Felipe Parde, former Minister to the United States.

Mr. Livesey reminded me that the two communications in regard to the Parde family have been received from the Peruvian Embassy in Washington. Consequently he would like a reply from us in such terms that it could be communicated to the Peruvian diplomatic representative here.
August 28, 1940

Mr. Whitney

Mr. Goeben

In order to assist the Department of State in the reply to the message No. 707 of August 10 from the American Consul General at Rio Pintos, Brazil, I enclose a copy of a memorandum which I wrote on August 9, concerning the visit of Consul General Ivan of Russia to the Embassy, at which time his own official financial position was discussed.

[Signature]

Regraded Unclassified
Regraded Unclassified
August 30, 1940

[Handwritten note]

I received your letter of December 12 and am甚 awe of the date. I am impressed with the fact that you have carried on this business so expeditiously and in such a way as to enable me to keep pace with it. I am glad to hear that you are doing well and that you are satisfied with the work that is being done. I am sure that you will be able to do as much as possible to meet the requirements of the Department of Justice under the circumstances.

The Secretary of War has authorized me to say that I am disposed to accept the offer of employment and I am ready to start at once. I am glad to hear that you are doing well and that you are satisfied with the work that is being done. I am sure that you will be able to do as much as possible to meet the requirements of the Department of Justice under the circumstances.

[Signature]

[Handwritten note]

[Signature]

August 30, 1940

[Handwritten note]

[Signature]

[Handwritten note]

[Signature]
Ambassade de Belgique

No. 2365

Washington, August 27, 1940.

Dear Mr. Cochran,

Referring to our conversation of yesterday, I have the honor to send you herewith, informally and unofficially, the translation of a note which the Embassy has sent yesterday to the Department of State to define the present economic and political policy of the Belgian Congo.

Yours sincerely,

The Counselor of the Embassy

(Signed) Baron de Groben

Dr. E. Kerle Cochran
Technical Assistant to the Secretary of the Treasury
Department of the Treasury
Washington, D.C.
MINISTERIE VAN BELGIE

The Belgian Ministry has the honor to call the attention of the Department of State to the present legal and political position of the Belgian Congo.

1) The Law of October 16th 1908, which is the charter of the Colony, guarantees the Congo a large autonomy with the exception of its foreign representation, which is provided for by the Belgian diplomatic officials and the approval of its fiscal and budgetary laws which is under the competence of the Belgian Parliament. Article I of this Charter reads as follows:

"The Belgian Congo has a personality distinct from that of the mother-country. It is ruled by its own laws. The liabilities and assets of Belgium and the Colony remain separate."

2) Owing to the present circumstances, the Belgian Government has issued on June 18, 1930, a decree appointing Mr. A. de Visser, the present Minister of Colombo, Administrator General of the Colony of the Belgian Congo and Ruanda-Urundi (Ruanda-Urundi is a part of the territory of the former German colony of East Africa placed under Belgian mandate). This decree has given to the Administrator General - and in his default, the Governor General - the authority to exercise for these territories, all powers, legislative and executive, conferred upon the King by Belgian legislation, as well as all powers which belong to the Council of Ministers acting as an entity. The decree can only be cancelled by a legislative act. The powers conferred upon the Minister of Colombo are therefore practically irrevocable for the duration of the war.
3) In order to fulfill freely his mission, Mr. de Vroomeswou has left French territory and after staying for a while in Portugal, he is at present in London. He has consulted with the British Government, agreements providing for closer cooperation between the British Empire and the Belgian Congo in the economic field and in matters concerning military defence.

b) A law of February 2nd, 1940, (transmitted to the Department of State by the Embassy's note of April 29th 1940 No. 1295), and a decree of the Belgian Congo of February 19th, which contain practically the same terms, have allowed corporations created according to Belgian and Congo legislation to transfer their legal domicile and to deprive their administration in occupied territory of the right of disposing of its assets located in nonoccupied territory. Availing themselves of these provisions, most of the firms operating in the Congo but not yet having their legal domicile located there, have transferred it to the Belgian Colony. An order of the Governor General prohibits corporations operating in the Congo from changing their economic policy without his authorization and a censorship established in the Congo area to prevent instructions coming from officers having resided in occupied territory do not reach the managing officers of the corporations in the Congo.

3) The Congo officials will be pleased to furnish American Consular officers in the Congo with all necessary data in order to establish in the case of such corporation that it is not subjected to orders coming from territory under the control of a power at war with the Congo.

Washington, August 25th, 1940.
NAVY DEPARTMENT
Office of the Chief of Naval Operations
OFFICE OF NAVAL INTELLIGENCE
WASHINGTON

29 August 1940

Confidential

Dear Mr. Secretary:

Here is a copy of a memorandum which I believe will be of interest to you, copies having been furnished the President, the State Department, etc. You will understand the necessity for absolute reserve being exercised by this Office as to the source of this information.

With best wishes,

Very sincerely yours,

W. S. Anderson,
Rear Admiral, U. S. Navy,
Director of Naval Intelligence.

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.

Confidential
CONFIDENTIAL

NAVY DEPARTMENT
OFFICE OF NAVAL INTELLIGENCE
WASHINGTON

26 August 1940

Memorandum for the Chief of Naval Operations

SUBJECT: Efforts by U.S. and Japanese Oil Interests to Circumvent Restrictions on the Export of Aviation Gasoline to Japan.

1. Information from highly reliable sources has reached this office regarding negotiations being carried on between the Associated Oil Co., Standard Oil Co. of California, and Japanese oil interests which appear to be aimed at circumventing the export control on aviation gasoline.

2. Specifically, it appears that Japanese interests are now able to obtain not only Kettleman fuel oil, but a special blend of crude from Kettleman rated at 89 octane. The U.S. oil companies concerned are negotiating with the Japanese interests to supply this special 89 octane crude against outstanding large orders for 97 octane, 92 hi-octane, and 87 octane fuel. It is contemplated that by suitable blending of this special blend with ethyl, practically all Japanese requirements for high octane fuel can be met regardless of export control. Whether or not this "special blend" is a commercial grade, or a blend developed for the above outlined purpose, is not known from information at hand.

3. It has also been learned that current plans for delivery of this special blend call for about 100,000 tons from Standard Oil through Amoco Co., and about 300,000 tons from Associated Oil through Mitsubishi prior to the end of the first quarter 1941.

U.S. Anderson.

Original to Aide to President
CC - C.N.O.
State
M.I.D.
Secy of the Treasury
Mr. R.B. Stettinius (Council of National Defense).
File

CONFIDENTIAL

Regraded Unclassified
August 30, 1940

Confidential

My dear Admiral Anderson:

In the Secretary's absence, I am acknowledging your letter of August 29th with which you enclosed a copy of a memorandum on the export of aviation gasoline to Japan.

I shall be very glad to bring these to Mr. Morgenthau's attention just as soon as he returns to the office.

Yours sincerely,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Rear Admiral W. S. Anderson, U.S.N.,
Director of Naval Intelligence,
Navy Department,
Washington, D.C.

By Messenger 30 1940 2:20 p.m.
August 30, 1940

Confidential

My dear Admiral Anderson:

In the Secretary's absence, I am acknowledging your letter of August 29th with which you enclosed a copy of a memorandum on the export of aviation gasoline to Japan.

I shall be very glad to bring these to Mr. Morgenthau's attention just as soon as he returns to the office.

Yours sincerely,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Rear Admiral W. S. Anderson, U.S.N.,
Director of Naval Intelligence,
Navy Department,
Washington, D.C.

By Messenger 6:00 3 0 1940 2:20 P.m.
Dear Admiral Stark:

I am sending you herewith, for your confidential use, the following reports:

Part I — Airplanes
Deliveries of and New Orders for Airplanes,
May 1 — August 24, 1940; Unfilled Orders
and Estimated Deliveries on August 24, 1940.

Part II — Airplane Engines
Deliveries of and New Orders for Airplane
Engines, May 1 — August 24, 1940; Unfilled
Orders and Estimated Deliveries on
August 24, 1940.

These tables carry forward through August 24, 1940
the information furnished you last week.

Sincerely,

[Signature]
Acting Secretary of the Treasury.

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

[Handwritten note: By messenger 8/29/40 2:35 p.m.]
August 23, 1940.

Dear Mr. May:

I am sending you herewith, for your confidential use, the following reports:

Part I - Airplanes
Delivery of and New Orders for Airplanes, May 1 - August 24, 1940; Unfilled Orders and Estimated Deliveries on August 24, 1940.

Part II - Airplane Engines
Delivery of and New Orders for Airplane Engines, May 1 - August 24, 1940; Unfilled Orders and Estimated Deliveries on August 24, 1940.

These tables carry forward through August 24, 1940 the information furnished you last week.

Sincerely,

19. D. W. Bell
Acting Secretary of the Treasury.

Mr. Stanley May, Director,
Bureau of Research and Statistics,
The Advisory Commission to the
Council of National Defense,
Room 2715, Munitions Building,
Washington, D. C.

By messenger 8/30/40 2:35 p.m.

FILE COPY
August 29, 1940.

Dear Mr. Kinsman:

I am sending you herewith, for your confidential use, two copies of the following reports:

Part I - Airplanes
Deliveries of and New Orders for Airplanes, May 1 - August 24, 1940; Unfilled Orders and Estimated Deliveries on August 24, 1940.

Part II - Airplane Engines
Deliveries of and New Orders for Airplane Engines, May 1 - August 24, 1940; Unfilled Orders and Estimated Deliveries on August 24, 1940.

These tables carry forward through August 24, 1940 the information furnished you last week.

Sincerely,

D. W. Bell
Acting Secretary of the Treasury.

Mr. William S. Kinsman,
Chairman, The Advisory Commission to the Council of National Defense,
Room 2202, Federal Reserve Building,
Washington, D. C.

Dmsenger 8/29/40 2:35 P.M.

FILE COPY

Regraded Unclassified
My dear Mr. Secretary:

I am sending you herewith, for your confidential use, the following report:

Part I - Airplanes
Deliveries of and New Orders for Airplanes, May 1 - August 24, 1940; Unfilled Orders and Estimated Deliveries on August 24, 1940.

Part II - Airplane Engines
Deliveries of and New Orders for Airplane Engines, May 1 - August 24, 1940; Unfilled Orders and Estimated Deliveries on August 24, 1940.

These tables carry forward through August 24, 1940 the information furnished you last week.

Sincerely,

[Signature]

Acting Secretary of the Treasury.

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

By messenger 8/29/40 2:15 p.m.
August 29, 1940.

My dear Mr. Secretary:

I am sending you herewith, for your confidential use, the following reports:

Part I - Airplanes
Deliveries of and New Orders for Airplanes, May 1 - August 24, 1940; Unfilled Orders and Estimated Deliveries on August 24, 1940.

Part II - Airplane Engines
Deliveries of and New Orders for Airplane Engines, May 1 - August 24, 1940; Unfilled Orders and Estimated Deliveries on August 24, 1940.

These tables carry forward through August 24, 1940 the information furnished you last week.

Sincerely,

[Signature]

Acting Secretary of the Treasury.

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

By messenger 8/29/40 2:35 p.m.
August 29, 1940.

By dear Mr. Patterson,

I am sending you herewith, for your confidential use, the following report:

Part I - Airplanes
Deliveries of and New Orders for Airplanes, May 1 - August 28, 1940; Unfilled Orders and Estimated Deliveries on August 28, 1940.

Part II - Aircraft Engines
Deliveries of and New Orders for Aircraft Engines, May 1 - August 28, 1940; Unfilled Orders and Estimated Deliveries on August 28, 1940.

These tables carry forward through August 28, 1940 the information furnished you last week.

Sincerely,

[Signature]

Acting Secretary of the Treasury.

[Address]

FILE COPY
August 29, 1940.

Dear General Marshall:

I am sending you herewith, for your confidential use, the following reports:

Part I — Airplanes
Deliveries of and New Orders for Airplanes,
May 1 — August 26, 1940; Unfilled Orders
and Estimated Deliveries on August 26, 1940.

Part II — Airplane Engines
Deliveries of and New Orders for Airplane
Engines, May 1 — August 26, 1940; Unfilled
Orders and Estimated Deliveries on
August 26, 1940.

These tables carry forward through August 26, 1940
the information furnished you last week.

Sincerely,

\[Signature\]

Acting Secretary of the Treasury.

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

By messenger 9/26/40 2:25 p.m.
Navy Department
Office of the Chief of Naval Operations
Washington

29 August 1940

Dear Mr. Bell:

This will acknowledge receipt by Admiral Stark of confidential reports, Part I - Airplanes, and Part II - Airplane Engines, which information carries through August 24, 1940.

Yours sincerely,

[Signature]


Mr. D.W. Bell,
Acting Secretary of the Treasury,
Washington, D.C.
WAR DEPARTMENT  
OFFICE OF THE CHIEF OF STAFF  
WASHINGTON

August 29, 1940.

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

Dear Mr. Morgenthau:

Thank you very much for the following reports, which you sent me this date:

Part I - Airplanes  
Deliveries of and New Orders for Airplanes,  
May 1 - August 24, 1940; Unfilled Orders  
and Estimated Deliveries on Aug. 24, 1940.

Part II - Airplane Engines  
Deliveries of and New Orders for Airplane  
Engines, May 1 - August 24, 1940; Unfilled  
Orders and Estimated Deliveries on  
August 24, 1940.

Faithfully yours,

[Signature]

Chief of Staff.
Under date of August 28, 1940, the Treasury decided
to freeze anew certain accounts, which, since June 21
last, had come under the terms of a general license order.
This decision affects particularly the following accounts:

1. "Palierie Generale aux Etats-Unis" account at the
   French-American Banking Corporation;

2. Accounts opened in the name of the French Govern-
   ment:
   (a) At the French-American Banking Corporation;
   (b) At the Morgan Bank;
   (c) World's Fair account, Morgan Bank;

3. "French Financial Agency" account at the National
   City Bank;

4. French Government, Account E, at the Guarantee Trust;

5. "Caissier de la Mission d'Achat" account (Cashier
   of the Purchasing Mission) at the French-American Banking
   Corporation.

The freezing of these accounts creates great difficul-
ties for the French Government. As a result of the new
order, this government will have henceforth to solicit in-
dividual licenses for each operation, which normally causes
rather protracted delays and in any event prevents immediate
settlement
settlement of accounts. This system risks preventing two particular the payments to be made to our legations
and consulates, as well as the settlement of accounts
for the Purchasing Mission, for the Financial Agency
and for the French Section of the World's Fair.

Mesure, Chamberlain and Cochranes having indicated,
in a conversation with Messrs. Alphonse and Marquais,
that it might undoubtedly be possible to return to a
more liberal procedure if the Treasury were in a position
to exert a certain supervision over the payments made,
the Financial Attache has the honor to propose to the
Treasury the application of the following procedure:

1. We accept the maintenance of the freezing of
the "Palier Generale" account at the French-American
Banking Corporation;

2. We ask to return to the system of the general
license for the five accounts listed hereunder:

(a) "French Financial Agency" at the National
City Bank. This account is used exclusively for the ex-
penses of the Financial Agency (rent, purchase of news-
papers, subscriptions to financial publications, cables
and telephone, traveling expenses of the Financial
Attache, salaries of secretaries, etc.). The maximum on

deposit does not exceed $3,000;

(b) The French Government, Account B, at the Guarantee Trust Company. This account is established with the fund obtained from the rent of a piece of real estate which we own in Brooklyn, and it covers the upkeep of this property as well as the taxes to New York City and to New York State;

(c) *Caisse de la Mission d'Achat* account at the French-American Banking Corporation. This account now has a balance equivalent to the amount of checks which have not yet been cashed by the payees and whose total amount is only to $100. This account will not operate in the future;

(d) French Government account at the Morgan Bank. This account is used exclusively for the settlement of various expenses connected with the service of French loans;

(e) French Government, World's Fair, account, at the Morgan Bank. This account is used to insure the operation of the French Section at the International Exposition in New York;

3. We propose that the French Government account at the French-American Banking Corporation be divided into several distinct accounts:

(a) French Government, Account A - administrative expenses. This account will be created in part by
by means of transfers from funds obtained from the Bank of
France account at the Federal Reserve Bank, in accordance
with the procedure now in force, and partly by means of
deductions from the "Banque Generale aux Etats-Unis"
account at the French-American Banking Corporation. It
would be used to cover the payment of French Government
personnel expenses in the United States and in the embassies,
legations and consulates of the said government in
foreign countries. We would accept the establishment
of a maximum balance of $150,000 for this account.
Every three months there would be submitted to the
Treasury a copy of payments made from this account,
indicating the residence of the agents receiving such
payments.

(b) French Government, Account B. This ac-
count would be supplied by the transfer of the account
"Banque Generale aux Etats-Unis" at the French-American
Banking Corporation and, in principle, would be used to
cover the payment of merchandise purchases made on behalf
of the French Government in foreign countries, other than
the United States. We would ask that a general license
be granted for the amount of $30,000 a month, thus making
possible the settlement of small purchases. Beyond this
amount, we would be willing to submit the expenses
covered by this account to the system of individual
licenses. A report will be forwarded to the Treasury
every
every month, which will summarize the operations transacted under the general license of $30,000.

(c) French Government, Account C. This account, established by transfer from the "Tairrie Generale" account at the French-American Banking Corporation, would be used to cover expenses made in dollars by French colonies (purchase of American products, traveling expenses, etc.). We ask that this account shall benefit from a general license to the extent of $50,000 per month. We would be willing to submit a monthly report to the Treasury to indicate the transactions made.

...  

c.

The Financial Attaché has the honor to call, in a very special manner, the kind attention of the Treasury to the above proposals and takes the liberty to insist upon the interest which the French Government has in obtaining an early solution of present difficulties./.
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| Completed airframes on hand - August 11 | 40   | 46   |
| Airframes completed August 11 - 30     | 32   | 0    |
| Total airframes needing engines         | 72   | 46   |
| Airplanes with engines shipped August 11 - 30 | 0    | 32   |
| Airframes on hand August 30             | 72   | 14   |

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

August 30, 1940.
NAVY DEPARTMENT
Office of Naval Intelligence
WASHINGTON

30 August 1940

Confidential

My dear Mr. Secretary:

Here is a copy of a memorandum of this date relative to the oil embargo prepared at the request of the Secretary of the Navy, who intended to take the matter up with your personally. As he is leaving for a western trip either today or tomorrow, and you are not available before his departure, he asked me to take the matter up with you personally. As I have already forwarded you a copy of the previous memorandum referred to in the memorandum of this date, I believe these two papers will give you such information as you need. However, should there be anything further desired by you, I shall be glad to call on you myself, or furnish you any additional required information that may be available.

Very sincerely yours,

W. S. Anderson,
Rear Admiral, U. S. Navy,
Director of Naval Intelligence.

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.

Confidential
NAVY DEPARTMENT
OFFICE OF NAVAL INTELLIGENCE
WASHINGTON

30 August 1940

Confidential

for the Secretary of the Navy:

SUBJECT: Circumvention of restrictions on export of aviation gasolines by United States and Japanese oil interests.

You will remember that this Office's memorandum of 26 August 1940 presented information showing that United States and Japanese oil interests were endeavoring to circumvent restrictions on the export of aviation gasolines to Japan by the Japanese being furnished special 89 octane crude which, after receipt, could be subsequently loaded with ethyl to make it, in effect, a higher octane product.

An official of an oil company, which has proved itself cooperative with government policies, has made the suggestion that the desired degree of embargo against Japan can be made air-tight and defeat such schemes as the foregoing if the following two conditions are met:

First, for the proper governmental authorities, presumably the State and Treasury Departments, to set forth exactly what degree of embargo they desire to enforce.

Second, qualified commercial oil experts could then implement this policy by writing the necessary rules with the proper technical specifications to make the policy really binding.

I suggest that Mr. L. S. Smith of the Standard Oil Company of New Jersey could be of material assistance in this matter.

While the Navy is not charged with primary responsibility in connection with the enforcement of any embargo, such embargo is definitely of Navy interest, and it is believed that the departments charged with enforcing the embargo would welcome suggestions from the Navy in the premises.

Confidential

R. S. Anderson

Naval Aide to President
Op-16-P (Foreign Intelligence)
Op-16-P-3 (Far East Section)
TREASURY DEPARTMENT
WASHINGTON

August 30, 1940.

Dear Sirs:

Enclosed is a copy of a letter dated August 28, 1940, from the Secretary of State to the Secretary of the Treasury, transmitting the request of the Canadian Government that the Federal Reserve Bank of New York open and maintain dollar and gold accounts for the Canadian Government. The following were enclosed with such letter:

A copy of Despatch No. 304, dated August 23, 1940, from the American Minister at Ottawa to the Secretary of State.

An authenticated photostatic copy of a note addressed to the American Minister at Ottawa dated August 21, 1940, by the Right Honorable W. L. Mackenzie King, Prime Minister and Secretary of State for External Affairs of Canada, which note was enclosed with Despatch No. 304.

An authenticated photostatic copy of the signature circular of the Bank of Canada enclosed with Mr. Mackenzie King's note, which circular contains the facsimile signatures of the persons authorized to sign on behalf of the Bank of Canada.

One set of signature cards of officers of the Canadian Government who are authorized to act on behalf of the Canadian Government in connection with the dollar account to be designated The Government of Canada Account B. These signature cards were enclosed with Mr. Mackenzie King's note.
The Treasury Department would be pleased to have the Federal Reserve Bank of New York open and maintain the accounts requested by the Canadian Government on the same basis that the Federal Reserve Bank of New York handles other foreign accounts. It is understood that the Federal Reserve Bank of New York is prepared to open and maintain the gold account as principal under authority of the provisions of the Federal Reserve Act. I request and authorise the Federal Reserve Bank of New York, as fiscal agent of the United States, to open and maintain the dollar account as requested by the Canadian Government on the same basis that the Federal Reserve Bank of New York handles other foreign accounts.

Reference is made to my letter of June 7, 1940, relating to similar requests of the British Government and the Netherlands Government in London that accounts be opened for and in the name of such governments with the Federal Reserve Bank of New York, and to the reply thereto of the Federal Reserve Bank of New York dated June 9, 1940. Confirming recent telephone conversations between this Department and the Federal Reserve Bank of New York, it is understood that the gold accounts for and in the name of the British and Netherlands Governments are considered to have been opened, and to be maintained, by the Federal Reserve Bank of New York as principal under authority of the provisions of the Federal Reserve Act and not
I request you to apprise the Governor of the Federal Reserve Bank of New York, of the above, with your consent, addressed to the Director of the Bureau of the Census, contained in my letter of June 7, 1940, to the

Federal Reserve Bank of New York.

Very truly yours,

Acting Secretary of the Treasury.
MEMORANDUM FOR THE PRESIDENT:

The Canadian Government, fearing litigation in this country for the purpose of tying up Canadian Government funds here, is anxious that Canadian Government funds held in the Federal Reserve Bank of New York be held in the name of the Canadian Government rather than in the name of the Bank of Canada. The Canadian Government feels that through such procedure the possibility of Canadian Government funds being tied up is reduced, because of the immunity from suit enjoyed by a foreign government's property.

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

The proposed transactions are similar to those made by this Bank on the request of the British Government and the Netherlands Government, which transactions are approved.

Accordingly, if you approve, I propose to send the Annexed letter to the Federal Reserve Bank of New York authorizing it to open accounts as requested by the Canadian Government. If you approve the foregoing, please telegraph at the foot thereof.

[Signature]

Secretary of the Treasury.

APPROVED:

[Signature]

Regraded Unclassified
In reply refer to
En 842.51/795

August 28, 1940

STRICTLY CONFIDENTIAL

My dear Mr. Secretary:

There are enclosed two copies of despatch no. 304,
dated August 23, 1940, from the American Minister at
Ottawa, together with two authenticated photostatic
copies of its enclosure, a note addressed to the Ameri-
can Minister under date of August 21, 1940 by the Right
Honorable W. L. Mackenzie King, Prime Minister and
Secretary of State for External Affairs of Canada, con-
cerning the transfer of certain funds, the property of
the Canadian Government, from a dollar account with the
Federal Reserve Bank of New York in the name of the
Bank of Canada, to a dollar account to be opened and
maintained for and in the name of the Canadian Govern-
ment with the Federal Reserve Bank of New York, and
containing certain requests to be transmitted to the
Secretary of the Treasury and the Federal Reserve Bank
of New York relative to the opening and maintaining,
with the latter, of two separate dollar accounts and
one gold account. There are also enclosed two authenti-
cated photostatic copies of the signature circular of
the Bank of Canada, enclosed with Mr. Mackenzie King’s note, which contains the facsimile signatures of the persons authorized to sign in behalf of the Bank of Canada, and two sets of signature cards of officers of the Canadian Government who are authorized to make payments and withdrawals from and deposits in the dollar account designated Account B, and to manage and operate and give all manner of instructions affecting or in connection with such account. These signature cards were likewise enclosed with Mr. Mackenzie King’s note.

The Department of State is satisfied that the Right Honorable W. L. Mackenzie King, Prime Minister and Secretary of State for External Affairs of Canada, who executed and delivered to the American Minister the note of which authenticated photostatic copies are enclosed, is duly authorized and empowered to do so on behalf of the Canadian Government. The Department of State also recognizes that the requests, instructions and representations set forth in such note emanate from and are the requests, instructions and representations of the Canadian Government.

The foregoing is transmitted to you for your information and in order to enable you to give such advice in the premises to the Federal Reserve Bank of New York as you may consider appropriate.

Sincerely yours,

(Signed) Cordell Hull

Enclosures: (in duplicate)
1. From Legation Ottawa, no. 304, August 23, 1940.
2. From the Right Honorable W. L. Mackenzie King to the American Minister, Ottawa, August 21, 1940 (photostat).
4. Signature cards of officers of the Canadian Government.
Ottawa, Canada, August 23, 1940.

No. 304

Subject: Canadian dollar and gold accounts with the Federal Reserve Bank of New York.

The Honorable

The Secretary of State,

Washington, D. C.

Sir:

I have the honor to transmit herewith the original and one copy of note No. 150, dated August 21, 1940, addressed to the Legation by the Right Honorable W. L. Mackenzie King, signing as Prime Minister and Secretary of State for External Affairs, together with its enclosures, a certified list, with authorized signatures, of officers of the Bank of Canada and two sets of specimen signature cards of the six signing officers listed on pages 3 and 4 of the note. The original note and the certified list of Bank of Canada officers have both been certified as to their authenticity by the Consul General attached to this Legation, under official seal. The note in question refers to the transfer of certain funds, the property of the Canadian Government, from a dollar account with the Federal Reserve Bank of New York in the name of the Bank of Canada to a dollar account to be opened and maintained for and in the name of the Canadian Government with the Federal Reserve Bank of New York, and contains certain requests, to be transmitted to the Secretary of the Treasury and the Federal Reserve Bank of New York, concerning the opening up and maintaining, with the latter, of two separate dollar accounts and one gold account.

I am informed that this matter has already been the subject of extensive conversations between representatives of the Canadian and the United States governments in Washington and that it is the desire of the Canadian Government that the note and its enclosures be transmitted through the Legation to the Department in the form in which this is now being done.
I have been advised informally by the Prime Minister that there is a considerable degree of urgency in regard to this matter, and it would therefore be greatly appreciated if the Department would be good enough to carry out as soon as practicable the Prime Minister's request that the note and its enclosures be transmitted to the Secretary of the Treasury.

Respectfully yours,

Pierrepont Moffat.

Enclosure:

1/ Original and one copy of note, Aug. 21, '40, from Right Hon. Mackenzie King, together with sub-enclosures
- certified list
- two sets specimen signature cards

Desp. in quintuplicate to Dept.
S51.6
JFS/aaa
United States of America

DEPARTMENT OF STATE

To whom these presents shall come, Greeting:

Certify That the document hereunto annexed is a true copy of the files of this Department.

In testimony whereof, I,  CORDELL HULL, Secretary of State, have hereunto caused the Seal of the Department of State to be affixed and my name subscribed by the Director of Personnel of the said Department, at the City of Washington, in the District of Columbia, this 28th day of August, 1940.

[Signature]
Cordell Hull
Secretary of State.

By [Signature]
Director of Personnel.
DOMINION OF CANADA,  
CITY OF OTTAWA  
LEGATION OF THE  
UNITED STATES OF AMERICA.  

I, John Farr Simmons, Consul General of the United States of America at Ottawa, Canada, duly commissioned and qualified, do hereby certify that the signature of W. L. Mackenzie King on the document hereto annexed is his true and genuine signature, that he was on the day of signing said document Prime Minister of Canada and Secretary of State for External Affairs, and that full faith and credence are due and ought to be given to his signature.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of this Consulate General this 23rd day of August, 1940.

John Farr Simmons,  
Consul General of the United States of America, Ottawa, Canada.

Service No. 899
No fee prescribed.
Ottawa, August 21st, 1940.

Sir,

I have the honour to refer to the conversation which took place recently in Washington between the Governor of the Bank of Canada, acting on behalf of the Canadian Government, and the Secretary of the Treasury of the United States of America respecting funds, the property of the Canadian Government, in the dollar account with the Federal Reserve Bank of New York in the name of the Bank of Canada and to inform you that the Canadian Government desires that such funds be transferred to a dollar account to be opened and maintained for and in the name of the Canadian Government with the Federal Reserve Bank of New York.

2. The Canadian Government also desires that another dollar account be opened and maintained for and in its name with the Federal Reserve Bank of New York from which it is intended that payments will be made in connection with purchases, or contracts for purchases, for war purposes, in the United States by the Canadian Government.

3. The Canadian Government has no gold in the United States at the present time; but, in order to provide for the contingency that it may at some future time, it desires also that a gold account be opened and maintained for and in its name with the Federal Reserve Bank of New York.

Accordingly, I should be grateful if the Secretary of State of the United States would

The Hon. Pierrepont Moffat,
Minister of the United States of America,
Ottawa.
be good enough to transmit to the Secretary of the Treasury and the Federal Reserve Bank of New York the request and instructions of the Canadian Government that the Federal Reserve Bank of New York,—

(a) open and maintain accounts for and in the name of the Canadian Government as follows:

Dollar Accounts
- The Government of Canada - Account A
- The Government of Canada - Account B

Gold Account
- The Government of Canada - Gold Account

(b) transfer to such dollar account designated Account A the balance in the account in the name of the Bank of Canada with the Federal Reserve Bank of New York.

5. All dollar funds and all gold which may in the future be transferred, deposited, or placed in the dollar accounts or gold account in the name of the Canadian Government with the Federal Reserve Bank of New York will be the funds and property of the Canadian Government.

6. The Canadian Government has authorized the Bank of Canada to make payments and withdrawals from and deposits in the above-mentioned dollar account designated Account A, and the above-mentioned gold account, and has authorized and instructed the Bank of Canada to manage and operate, and give all manner of instructions affecting or in connection with said accounts, and authorizes and requests the Federal Reserve Bank of New York to accept and act upon any instructions of the Bank of Canada with respect to such accounts, and agrees with the Federal Reserve Bank of New York that such instructions will be binding upon the Canadian Government.
signature circular of the Bank of Canada containing the list, and facsimile signatures, of the persons who are authorized to sign in behalf of the Bank of Canada with respect to such accounts is enclosed herewith; the Federal Reserve Bank of New York will be advised by the Bank of Canada direct of any changes that may be made in this list from time to time.)

The Canadian Government authorizes and requests the Federal Reserve Bank of New York to accept and act upon any telegram or radiogram, relating to such accounts, which is received by the Federal Reserve Bank of New York in the name of the Bank of Canada and conforms to arrangements agreed upon between the Bank of Canada and the Federal Reserve Bank of New York with respect to the authentication of telegrams or radiograms by the use of test numbers, and agrees that any such telegrams or radiograms will be binding upon the Bank of Canada and the Canadian Government and will have the same force and effect in all respects as a letter signed in behalf of the Bank of Canada by its officers who are authorized to sign correspondence and documents containing instructions or other communications such as are contained in the telegram or radiogram.

7. The officers of the Canadian Government listed below, who hold the respective offices indicated opposite their names, are authorized to make payments and withdrawals from and deposits in the above-mentioned dollar account designated Account E, and to manage and operate, and give all manner of instructions affecting or in connection with such account:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>E.G. McIntyre</td>
<td>Comptroller of the Treasury</td>
</tr>
<tr>
<td>E.T. Langdon</td>
<td>Chief Treasury Officer</td>
</tr>
<tr>
<td>C.M. Yetts</td>
<td>Assistant Chief Treasury Officer</td>
</tr>
</tbody>
</table>
Cheques and other instructions affecting or in connection
with such account are required to be signed by any one of the
first three above-mentioned officers and by any one of the last
three above-mentioned officers. Specimen signatures of the
above-listed officers of the Canadian Government are enclosed
herewith.

8. I should be grateful if copies of this letter,
together with its enclosures, could be transmitted to the
Secretary of the Treasury and the Federal Reserve Bank of New
York.

Accept, Sir, the renewed assurances of my highest
consideration.

Prime Minister and
Secretary of State for
External Affairs.

Name
J. Anderson
W.J. Paynter
G.G. Griffith

Title
Treasury Accountant
Treasury Accountant
Treasury Accountant
August 30, 1940

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

Dear Mr. Secretary:

You will find herewith a copy of a memorandum to the President on the price aspects
of the steel scrap situation.

Sincerely yours,

[Signature]
Leon Henderson
Commissioner

Attachment:
August 30, 1940

To: The President
From: Leon Henderson
Subject: Steel Scrap

Recommendations

I recommend a complete embargo on exports of all grades of steel scrap.

This recommendation is based upon the iron and steel situation, summarized below.

As we have discussed before, the price of steel has an extraordinary effect on all other prices because it is really a raw material for so many other manufactured commodities and because the price of steel has been regarded as a barometer for other prices. A significant increase in the price of scrap in the past has always been the signal for an additional increase in the price of steel, as is shown later in this memorandum. In turn, an increase in the price of steel has occasioned the demand for higher wages and to some extent been responsible for the familiar upward spiral. If a price spiral were touched off now, with the known prospects of additional defense business, the price level would likely get out of bounds more than it did in 1937.

In our recent export policy, I believe we have been too complacent about our own needs. In recent years, steel operations have never kept at a high level of activity for any extended period. As I see it, there is prospect of a sustained period of full use of steel capacity, with some possibility even now that plans should be made for building additional capacity. Therefore, we will need more scrap, and we should plan for larger inventories.

I am aware that such an embargo may raise problems of price and future supplies in certain sections of the country. These problems, however, are insignificant in relation to the problems which we shall face if the embargo is not enforced. Moreover, I am confident that the problems stemming from an embargo are not insuperable or even particularly difficult. If such problems arise they will be directly related to price stabilization, and my division will, of course, be consulted and be ready to assist in their solution.
Requirements

A shortage of scrap iron and steel will appear when steel operations approach capacity.

Table 1.

Scrap Requirements at Capacity

<table>
<thead>
<tr>
<th>Million Gross Tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scrap and pig iron requirements at capacity</td>
</tr>
<tr>
<td>Steel works and rolling mills</td>
</tr>
<tr>
<td>Foundries and others</td>
</tr>
<tr>
<td>Available as &quot;home&quot; scrap</td>
</tr>
<tr>
<td>Available from blast furnaces at capacity</td>
</tr>
<tr>
<td>Purchased scrap required per year at capacity</td>
</tr>
</tbody>
</table>

This requirement for purchased scrap exceeds the combined exports and domestic consumption in previous peak years.

In 1929 | 18.0
In 1937 | 22.2

Any expansion of steel or foundry capacity would require a still greater amount of purchased scrap unless blast furnace capacity were correspondingly increased. An increase in capacity of steel ingots of 100 tons would require an increase in blast furnace capacity of 112.3 tons, to provide sufficient pig iron to make the additional 100 tons of ingots. In view of the declining trend in blast furnace capacity and the greater rapidity with which steel making capacity can be expanded, it is likely that steel production at some greater capacity figure would require additional quantities of purchased scrap.

Total stocks of iron and steel scrap in the hands of dealers and consumers at the middle of 1940 amounted to 6,750,000 tons, as compared with 6,669,000 tons at the end of March, and 7,302,000 tons.
at the end of 1939. Of the total mid-year stocks, purchased scrap amounted to 5,049,000 tons. This would be equivalent to only a 10 weeks supply if steel works and rolling mills were operating at
capacity.

Capacity operations would undoubtedly be called for under
a full defense effort, with its economic complement of relatively
full employment. Preliminary estimates made by the Civilian Require-
ments Division of the Defense Advisory Council indicate that in the
absence of restriction, combined military and civilian requirements
would exceed present ingot capacity by approximately 45 per cent.
The corresponding shortage in ferrous materials would be even greater,
and sufficient scrap would not be forthcoming to make up the differ-
ence between these estimated requirements and blast furnace capacity.

A greater than normal scrap supply might be obtained by
recourse to special collection measures like those put into effect
in England and Germany. However, tearing down iron fences and re-
tiring other iron and steel in "non-essential" uses can provide ad-
ditional scrap only once. Though the scrap available in any one year
would be substantially increased, these methods of collection do not
provide a continuous supply in an extended emergency.

The scrap shortage at capacity operations would be greatly
aggravated if large exports continue, and the price would be driven
to uneconomically high levels. If this happened, steel making opera-
tions would seriously be hampered, especially in certain localities
and among small steel producers, where scrap is the primary ferrous
raw material.

Scrap Supply and Prices

The quantity of scrap available results from retirement of
iron and steel products, which through wear or obsolescence, no longer
perform their original function satisfactorily. Since other economic
considerations are of primary importance in this process, the supply
of scrap is to a large extent independent of the price. In periods
of low activity, some holders desire to clear away their scrap piles
regardless of price. In July 1932, No. 1 heavy melting steel scrap
sold for $6.33 per ton. Since the cost of preparation is about $3.50,

a price of less than $3.00 would induce some originators to sell scrap
if the longer-run speculative possibilities did not justify holding
for a rise in demand. In periods of high activity, the supply of
scrap is definitely limited and holders are therefore enabled to charge
all the traffic will bear.

Demand is therefore the most important single factor in-
fluencing the scrap price. The demand for scrap is made up of the
demand of the domestic iron and steel industry and foreign demand.
Chart 1 shows composite scrap prices, rate of ingot production, and exports of scrap. It can be seen that the relationship between scrap price and combined demand is very close.

A correlation was worked out to illustrate the dependence of the price of scrap upon domestic and export demands. The close correspondence between actual and calculated prices is shown in Chart 2. On the basis of this relationship, it is clear that exports of scrap substantially raised the cost of domestic steel production. If there were no exports in 1937, 1938 and 1939, the scrap price would have been lower respectively by $1.70, $1.00 and $1.30 per gross ton. This would have been equivalent to a reduction in steel making costs of $22.4 million, $8.5 million, and $17.2 million in the respective years. This reduction would have been most important to the smaller non-integrated firms which use high proportions of scrap in their furnace charges.

At a capacity level of operations, the pig iron price would increase rapidly. This would cause a shift to scrap and further increase the scrap price. Under a defense program which would bring us near full employment, there would be a shortage of both pig iron and scrap. Prices would skyrocket under these conditions. During the previous war the Iron Age composite price of pig iron rose to $52.11 per gross ton in July 1917, and scrap to $37.21 per gross ton in June 1917. The supply and demand conditions that would arise at capacity levels of steel operations were scrap exports continued at the rate of the past few years and blast furnace capacity not increased, would result in an upward spiral of scrap, pig iron, and finished steel prices, and an increase in costs throughout all steel using industries.

Increases in the price of scrap do not necessarily bring out more scrap. In a period of rising prices, dealers and originators often withhold scrap in order to sell at a higher price later. Over short periods, therefore, an increased price for scrap might result in a diminished flow of scrap to the markets. A smooth, efficient rate of steel operations is therefore dependent in part upon the speculative temper of large originators and dealers.

Over a long period during which steel operations were at high levels, there is no reason to believe that continually increasing scrap prices would continually increase the flow of scrap. There can be no doubt that the shortage of ferrous raw materials was an important factor causing the steel rate to tumble from 93.4 per cent of capacity in 1916 to 84.5 per cent in 1918.
Effect of Increases in Price of Scrap on Steel Costs

Chart 3 shows the close relationship between the composite prices of finished steel, pig iron, and scrap. Increases in scrap and pig prices raise the costs of producing steel, finished steel prices, and thus the costs and prices in all steel using industries.

The result of the price swings is not only an immediate increase in costs in the steel manufacturing and consuming industries, but a legacy of higher prices and costs for many years after. Despite the rapid increases in the scrap price during times of recovery, the pig iron and finished steel prices are higher than scrap in every cyclical peak. The prices of these commodities rise almost as quickly at the scrap price, but fall far more slowly. These matters are illustrated in Chart 3.

The effects of a rise in the scrap price and the costs of steel production vary according to the proportions of scrap and pig iron used by the several companies. Thus the increase in cost will be smallest to the U. S. Steel Corporation since it usually uses the smallest proportion of scrap. Thus in 1937 for example, the proportion of purchased scrap consumed to steel ingots produced was 7.6 per cent for the U. S. Steel Corporation, 11.6 per cent for the Bethlehem Steel Corporation, and 42.2 per cent for all other firms.

Hence an increase of $1.00 per ton in the price of scrap will raise the cost per ton of steel ingots 7.6 cents for the U. S. Steel Corporation, 11.6 cents for Bethlehem Steel Corporation, and 42.2 cents for all other steel companies. Some of the non-integrated independents use as much as 60-70 per cent of purchase scrap in their charge and a one dollar increase would be equivalent to an increase of 60 cents in the cost of one ton of ingots or about 86 cents in the cost of one ton of finished steel products. The burden therefore of an increase in scrap prices will fall most heavily on the small non-integrated steel firms. Moreover, these companies can not shift to greater proportions of pig iron, since the pig iron price is always higher than the scrap price and such a shift will only further increase their costs.

With rising raw material costs expansion of capacity will be undertaken primarily by the large integrated firms, which can avoid for the most part these increases in cost, since they own sources of iron ore and make their own pig iron. It can be expected that the integrated firms will take larger amounts of purchased scrap (though smaller proportions relative to pig iron) and thus compete with the smaller non-integrated firms for the available scrap.
The only way to avoid a spiral of increasing steel prices and increasing costs throughout all steel using industries is to prevent increases in scrap and pig prices. This requires conservation and building up of stocks of scrap and expanding blast furnace capacity.

Exports of Scrap

The present regulation for the licensing of No. 1 heavy melting scrap is almost completely ineffective. Even if licenses for export are refused, there will be little restriction on the amount or type of scrap going to any foreign purchaser.

Scrap which is as suitable for steel making as No. 1 heavy melting scrap, except for preparation, may not be classified as No. 1 if it (a) does not meet size specification; (b) is not free of attachments; (c) is in a shape that will not allow it to lie flat in the charging box. For example, if a section of steel rail were six feet long, it would be slightly too long to be classified as No. 1. However, the buyer could "prepare" this rail by cutting it in half and it would then meet No. 1 specifications. Usually a price concession is made on unclassified or unprepared scrap by mutual agreement between the buyer and seller.

Scrap of other types is as essential to our industry for defense purposes as it is to the industry of other countries for their war purposes.

No. 1 heavy melting scrap commands a premium because of its advantages in handling and shipping, in charging into the furnace, and in melting and reduction with a minimum of loss in the furnace. The metallic properties of this scrap are no better than those of many other grades. No. 2 melting steel scrap, which comprises the bulk of our exports, is also of high quality and is used in the same open hearth processes. According to the specifications set up by the Bureau of Standards, practically all scrap that is not contaminated by foreign material is of use in our industry. The following quotation from "The Story of Scrap", official publication of the Institute of Scrap Iron and Steel, throws some light on this question:

"There was a time when fabricators of iron and steel paid to have their scrap removed. A sequel was that, during the World War, steam shovels were put to work excavating steel turnings from city dumps in New England to which they have been carted as fill. But today, the scrap industry is available to buy anything of iron and steel, transport it to
yards, cut or burn or break it to specification size, carefully sort it, then ship it to steel mills or foundries for restoration to useful service in a new form." (Page 12.)

It is sometimes stated that the scrap which is exported is mostly scrap which is too far distant from major scrap consuming areas to be useful to our industry. The cost of transportation would be prohibitive. The alternative is stated therefore to be: either export the scrap or allow it to remain uncollected. This situation is supposed to hold for scrap destined for export at ports not located near the Northeast steel region. It would thus apply mostly to Japanese exports. However, if scrap can be shipped from Mobile, New Orleans, and Galveston, to Japan, it can also be shipped coastwise to Sparrows Point, or up the Mississippi, and Ohio to the Western Pennsylvania and Eastern Ohio steel areas, at a cost less than the cost of shipment to Japan. Furthermore, much scrap that is collected in the Midwest and shipped to St. Louis is sent down river to New Orleans for export. This scrap could easily be shipped all water to Cincinnati, Wheeling or Pittsburgh.

A complete embargo on scrap would have the effect of diverting foreign demand, now largely of a war character, from scrap to fabricated or semi-fabricated iron and steel products. An increase in demand for finished products combined with a reasonable price for scrap, would tend to promote operations and investment in the steel industry. This would make for enlargement of capacity and the building-up of an efficient labor supply, so that the emergency steel potential of our industry would be increased. Insofar as lower scrap prices result in lower steel prices, domestic demand for steel products would be greater. This also would contribute to our steel potential, as domestic uses of steel could be restricted in an emergency.
Graph 2
Composite Price of No. 1 Heavy Melting Steel Scrap
Compared with Price Calculated on the Basis
of Consumption and Exports of Sales

Dollars per gross ton

10

8

6

4

2

0

1944 1945 1946 1947 1948 1949

Calculated
Actual

Regraded Unclassified
German aerial attacks on the 29th and up to this time today appear to have been relatively unimportant.

A survey made of the large scale German aerial attacks that began on August 8th indicate that the results have not been particularly impressive. In the attacks on British airfields two satellite fields only have been rendered unserviceable. Of these, the unserviceability of one is temporary only due to unexploded delay action bombs. Scattered damages to railroads have occasionally delayed train service but have not stopped it. Circulation on the roads is normal. The electric power systems are still in full operation. The bombing has resulted in hundreds of civilians killed and wounded but casualties are still only on a scale of normal traffic accidents. Military casualties have been negligible. The effect of bombing on public morale has been to make it more determined.

The heavy British attack on Berlin during the night of August 28 - 29 was delivered by 37 bombers. The total number of British bombardment planes employed on all missions during that night was 79. The same number was employed last night. This number is but 25 percent of the total operative strength of bombardment squadrons of the Metropolitan Air Force. This indicates that a large reserve strength of bombers is available for use when necessary.

The British intelligence services have information based
on reliable sources that German JU-87 dive bombers are being withdrawn from the airbases opposite England. This may be due to one of three reasons: first, mechanical difficulties; second, their employment required elsewhere; third, escape losses. A German message has been intercepted directing that the JU-87 bomber must not be used for dive bombing. There is no information available indicating that German troops have been concentrated preparatory to an invasion of Britain.

The examination of captured German airplanes by the Air Corps officers now in my office leads to the belief that German bombing planes are not adequately armed to carry out successful daylight bombing against the resistance of British fighters. For night bombing German equipment appears to be adequate for effective use only when using flares. For reasons not known German bombers have seldom employed flares.

While the indications set forth above are far from conclusive, they afford some grounds for the belief that the prospects of an attempted invasion of Britain are diminishing perceptibly.

Distributions:
General Vater
Secretary of War
State Department
Secretary of Treasury
Army, Secretary of War
Chief of Staff
War Plans Division
Office of Naval Intelligence
Mr. Berle, Jr.

We had some desultory conversation about the state of affairs. The Swiss Minister said he was receiving an impression that the British resistance was stiffening, and had some slight indications that all was not going well inside it.

I told him that I had no knowledge of the matter but would be glad to look into it.

He stated that the French Government proposed to pay this out of blocked funds in the United States. The French Government, being interested on the Swiss side, proposed to pay it out of blocked funds in the United States and had applied to the Treasury for a license for the transfer.

The Swiss Minister said he was receiving a belief that the money would be repaid. Mr. Berle, Jr.

PARTICIPANTS:
Mr. Charles B. Merriam, the Swiss Minister.

Date: August 30, 1940

Department of State

Memorandum of Conversation

1940

24
Mr. McKeon of the Federal Reserve Bank of New York gave us the following information regarding the transfers listed below from the account of the German Gold Discount Bank, Berlin, maintained with the Chase National Bank.

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount Debited</th>
<th>Paid To</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 29</td>
<td>$2,000,000</td>
<td>State Bank of U.S.S.R.</td>
</tr>
<tr>
<td></td>
<td>300,000</td>
<td>Swiss Bank Corporation</td>
</tr>
<tr>
<td></td>
<td>200,000</td>
<td>Union Bank of Switzerland</td>
</tr>
</tbody>
</table>
SUBJECT: Count de Saint-Quentin, the French Ambassador;
Mr. Adolf A. Berle, Jr.

PARTICIPANTS: S; U; EA; EU; and the Under Secretary of the Treasury.

Date: August 30, 1940

The French Ambassador came in to see me this morning. His principal purpose was to say good-bye, adding that he planned to return to France; that he had been appointed Ambassador to Rio de Janeiro; that he would probably come back through the United States. I expressed my gratification at the probability that we would see him again soon.

He then mentioned a subject which he said had given him considerable concern. The French Government had to apply for a license and have a committee vote upon every check it drew. This made life extremely difficult, since it held up funds needed to pay consulates, etc. He hoped accordingly that a somewhat more liberal arrangement could be worked out, saying that as things now stood the French Government stood the chance of being voted down in committee in respect of a check for $3,75. He thought that some golden mean could be worked out which would preserve the general American objectives without subjecting the French Government to this constant inconvenience.

I said I would look into the matter and let him know.

He expects his successor as Ambassador to appear in Washington probably next Wednesday.

A. A. Berle, Jr.

Regarded Unclassified
Secretary of State,

Washington.

2959, August 30, 5 p.m.

FOR TREASURY FROM BUTTERWORTH.

Supplementing the information contained in my 2528 of August 2, the British Treasury states that agreement has been reached with Peru. Although it has not yet been signed it will be brought into effect on Monday and this procedure as well as its final terms are similar to the case of Brazil.

Likewise, there will be announced on Monday the conclusion of an Anglo-Greek payments agreement; that this should have been successfully negotiated despite the current Italo-Greek situation, is very gratifying to the British Treasury. The Uruguayan payments agreement has been concluded but not yet ratified due to international difficulties in Uruguay.

KENNEDY
Secretary of State,
Washington.

334, August 30, 3 p.m.

For Treasury Department.

Following shipments of gold were made on PRESIDENT PIERCE sailing from Hong Kong August 30 National City Bank of New York shipped to American Trust Company, San Francisco 9202 point 47 fine ounces invoice price 35 dollars per fine ounce; Chase Bank shipped to Chase National Bank, San Francisco 32449 point 924 fine ounces invoice price 35 dollars per fine ounce; Chartered Bank of India Australia and China shipped to Bank of California National Association San Francisco 5017 point 70 fine ounces invoice price 35 dollars per fine ounce.

SOUTHARD

Regraded Unclassified
Acting Secretary Hall

Mr. Cochran

STRICTLY CONFIDENTIAL

August 30, 1940

At 2:30 yesterday, Mr. Opie of the British Embassy came to my office, accompanied by Mr. Hall, and officer of the agency of the Bank of Montreal in New York, together with a second representative of that institution. At 2:45 Mr. Cairns received us, having with him several gentlemen from the Bureau of Internal Revenue. We had an extended discussion of the question as to how the British, through the Bank of Montreal, could substantiate their claim for refund of transfer taxes on British Government-owned securities sold on our market. It was agreed that Mr. Hall would submit a memorandum setting forth the operations of his bank in behalf of the British Government, and indicate the type of proof which he might be able to submit. This memorandum will be sent to Mr. Opie of the British Embassy for delivery to me, Mr. Cairns will then pass it on to the Bureau of Internal Revenue for study there, and for a report by the Bureau thereon. This report will then come back to the Treasury for any recommendations which Mr. Cairns and the rest of us may feel should be made to the Secretary.
CABLE

From: London
To: Federal Reserve Bank of New York, New York.

Dated: August 30, 1940

Rec'd: August 31, 1940

No. 961/40

For Knocks.

From inquiry received here there appears to be an impression amongst New York banks having outstanding free sterling exchange contracts entered into prior to July 15 that provided the contracts were included in lists sent to their London correspondents New York banks or their counter parties concerned were entitled to effect covering operation without restriction.

As from July 15 these covering operations are subject to the general restrictions by which United States residents may purchase free sterling only from other residents in the United States and may sell free sterling to residents in the limited group of countries with which we have no arrangement for registered special etc. accounts. New York banks are aware of the countries falling in this group.

Would be grateful if you could make this known in your market.

BOLTON

Received by telephone from Mr. Knocks’ secretary, September 3, 1940 - 1ap
CABLE

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

To: Bolton, London.

Date: August 31, 1940

For Bolton.

Your 951/40 received. Holiday here Monday. Will communicate with Committee Tuesday.

Knock.

Received by telephone from Mr. Knock's secretary, September 3, 1940 - Lap
DEPARTMENT OF STATE
WASHINGTON

August 30, 1940

In reply refer to FK 701.5711/432

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and informs him of the receipt of a note dated August 23, 1940 from the Minister of Norway at Washington in which he states that Mr. Ole Colbjornsen has been appointed Financial Counselor to the Legation of Norway and will act as such in addition to the other Financial Counselor, Mr. Lars Christensen.

COPY
Secretary of State,
Washington.
865, Thirtieth.

Check clearances nearest million crowns Stockholm June 2754
July 2635 Goteborg June 264 July 283, Gasoline rations period ending
October 5 cut between 15 and 20 percent and Fuel Commission doubts
availability any gasoline after that date for even most essential
traffic needs. Swedish air lines state sufficient gasoline stored
to operate present restricted schedule for coming six months. Numerous
new plants and increased capacity old planned for production sulphate
alcohol and charcoal. Refer Economic Review dated August 6 recent
political speakers discussing unemployment admit very serious problem
when peace declared and none disputed recent statement by economist
that 300,000 to 400,000 would lack work. Government reported contemplating
construction program to absorb labor including doubletracking and
electrification railways bridge and road building, et cetera. Germany
agrees in principal subject to investigation of each shipment to release
Swedish owned goods stored in Holland estimated value 15 million crowns.
Appropriations our cable 790 approval by Riksdag.

INFORM COMMERCE, TREASURY.

RECOMMEND

bj

COPY
TENTATIVE LESSONS FROM THE RECENT ACTIVE CAMPAIGN IN EUROPE

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The information contained in this series of bulletins will be restricted to items from official sources which are reasonably confirmed. The lessons necessarily are tentative and are in no sense mature studies.

GERMAN PRINCIPLES OF EMPLOYMENT OF ARMORED UNITS

SOURCES

The information contained in this bulletin was collected from unofficial German sources. It was believed accurate by the official American source through which it passed on July 29, 1940.

CONTENTS

I. PRE-WAR DOCTRINE FOR EMPLOYMENT OF ARMORED UNITS.
II. EYEWITNESS ACCOUNTS BY WAR CORRESPONDENTS AND REPORTS BY PARTICIPATING OFFICERS.
III. OPERATIONS IN THE CHAMPAGNE AREA.
IV. CONCLUSIONS.

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certain area may be accomplished by making a deceptive maneuver in
a distant area. This must be accompanied by strict silence in radio
communication.

The concealment of characteristic tank noises by means of
airplanes or increased fire activity is unnecessary with modern tanks
unless the wind is particularly unfavorable.

D. Tank Formations.

The attack formation of tank units, whether in width or in
depth, depends upon the mission.

A column formation, because of its flexibility and ease of
control, is generally more suitable than a line in obscure and fast
moving situations. The column formation also neutralizes a deeper
area in front of the assaulting foot troops, thus giving them more
effective assistance and permitting them to extend their missions to
include operations against objectives farther within the hostile
position.

A tank attack over a broad front tends to fix the hostile
antitank weapons and prevent their concentration in a localized area.

The wedge formation, a combination of line and column, is
considered an excellent combat formation. It is flexible and rela-
tively easy to control.

The terrain, the strength of the enemy and the nature of
his defense should be considered when a decision is being made as
to the type of tank formation to be used.

In any formation the automatic weapons (20 mm. and 7.9
machine guns) may fire while the tank is in motion. Tanks halt
momentarily to fire the larger caliber weapons.

E. Objectives.

Suitable tank objectives are enemy infantry, heavy infan-
try weapons, artillery, observation posts, reserves, and rear com-
munications. However, before tanks can properly attack their own
objectives, their greatest adversary - the hostile antitank gun -
must be destroyed. Therefore, the tanks with the thickest armor
and best armament should be placed in the leading waves. In addi-
tion, all the support possible must be obtained from other weapons.

The leading echelon is usually given the mission to attack
the tank objectives that are the farthest within the hostile posi-
tion - that is, hostile artillery, reserves, and command observation
posts.
The succeeding echelons overcome the hostile infantry and heavy infantry weapons.

Each echelon must have definite and simple missions with definite instructions relative thereto.

In addition to these objectives, tank units are also capable of seizing important terrain features and holding them temporarily until infantry foot troops arrive.

F. Position of Readiness.

German tank units, just prior to an attack, usually move into a "position of readiness" which combines the functions of the intermediate position and the assault position as currently known in the U. S. Army.

This position should be beyond the zone of effective hostile fires and should be always concealed from hostile ground and air observation. This rule is not always followed when hostile air and ground observation has been neutralized.

The distance from the position of readiness to the line of departure depends upon the terrain, the situation, and the activity of the enemy. No figures are advanced as to minimum or maximum limits.

In this position, ammunition, fuel and other supplies are replenished and troops are fed. Local security is established. If necessary, troops from units other than tanks are requested to furnish this security. Such positions are occupied as short a time as possible.

Normally, tank units leave a position of readiness in column, initially using the roads towards the front. They deploy for the attack behind the last cover before crossing the line of departure.

The approach march for large tank units is accelerated by the use of more than one road or route. The approach is also facilitated by prompt and efficient pioneer work on bridge and road maintenance duties.

G. Cooperation with Other Arms.

1. Infantry.

Infantry heavy machine guns fire upon known hostile antitank weapons while the remaining heavy infantry weapons (mortars, grenade throwers, and accompanying guns) fire on targets that will not interfere with the movement of the tanks within the areas dea-
ignated for tank action. Prearranged signals, such as tracers, signal flags, and radio signals, facilitate the safe cooperation between tanks and heavy infantry weapons operating against common important objectives.

2. **Artillery.**

Artillery fires are placed outside the area designated or reserved for tank action. Such fires consist of high explosive and smoke shells and are normally placed on both flanks and the rear of this area. Radio communication is used to obtain the necessary flexibility in the artillery fire plan.

3. **Pioneers.**

Pioneer troops are used to strengthen bridges, construct and maintain crossings, remove barricades and mine fields.

4. **Signal Troops.**

Signal troops establish the necessary communication between armored units and higher commands. Communication is also established with the artillery, the rear services, and in some instances with certain infantry, pioneer, and air units.

The importance of communications for a mobile, flexible unit such as the armored (Panzer) division, is recognized by the fact that each headquarters in the division, down to and including battalion organizations, is provided with a signal platoon. Commanders of larger units are provided with specially equipped command vehicles.

5. **Antitank Units.**

The antitank units of infantry regiments and divisions operating in the zone of a tank attack should keep up with the tank attack as closely as possible and be prepared to combat interfering hostile tanks.

6. **Aviation.**

Observation aviation performs reconnaissance before and during the attack. Combat aviation attacks and destroys approaching hostile reserves, especially tank and antitank units, before they can get into action.

**After Objective is Taken.**

After their objectives are taken, tank units prepare immediately for further combat. Reconnaissances are made to the flanks and toward the enemy as far as the infantry front line. Further employment depends upon the situation.
I. After Combat.

After their missions have been completed, tank units are withdrawn from the combat area for replenishment, replacement, and repair. The length of time needed for this purpose depends upon the duration of the fight and the number of losses sustained.

J. Combat Orders.

The combat orders of a tank unit engaged in a rapidly moving operation must of necessity be brief, clear, and simple.

The following information is considered by the Germans to be sufficient:

1. **Enemy.**
   a. Position.
   b. Strength.

2. **Own Troops.**
   a. Location.
   b. Mission.

3. **Mission of Tank Units.**
   a. Direction.
   b. Objective.
   c. Specific Instructions.
   d. Hour of Attack.
   e. Conduct after Attack.

4. **Cooperation of Other Weapons.**

II. **EYE-WITNESS ACCOUNTS BY WAR CORRESPONDENTS AND REPORTS BY PARTICIPATING OFFICERS.**

A. **General.**

It is recalled that German war correspondents are organized into companies and are a part of the military organization. When detailed to report certain actions, they may be attached to a combat unit and accompany it in the attack. Thus, the correspondents' story is really an eye-witness account of the action. Since these narratives are written for propaganda purposes, they should not be accepted as historically correct. However, in some of the narratives of tank operations there are a few basic facts that may serve to illustrate one or more features of tank employment by the German Army on the Western Front. Digests of a few of the articles on tank operations are given below with a view to illustrating some of the features discussed in Section I of this report by means of recent combat experiences.
E. Reconnaissance.

It was reported frequently that in the pursuit operations both west and east of Paris, armored (Panzer) division commanders, at times accompanied their reconnaissance elements. This is said to be in keeping with the practice of all German higher unit commanders. Likewise, in these operations, artillery commanders in the armored divisions were well forward in close liaison and frequently accompanied the commander of the leading elements. Here the commanders and their staffs could often see the retreating forces. Decisions could be made on the spot and action initiated for carrying out these decisions.

In one instance, just south of Amiens, artillery regimental staff officers assisted in carrying ammunition and serving a piece in order to maintain direct fire upon the retreating enemy. At this particular point, the rapid action of the artillery assisted the armored division motorcycle battalion, fighting dismounted, in preventing the enemy from halting and taking up a hasty defense.

C. Cooperation with Aviation.

While the Germans were advancing through Belgium, air observation reported a small concentration of French heavy (presumably 32-ton) tanks in the hedges and gardens of a village. The commander decided that his dive bombers could neutralize these tanks more efficiently than any other means at his disposal.

Smoke shells were used to indicate the targets to the pilots of the dive bombers. Just as the smoke cleared away from the French tanks the dive bombers came in and executed their mission.

Heavy artillery (caliber not indicated) using direct fire, was also reported to have been used against the tanks.

In this case and also in the case cited in Paragraph II. B., above, energetic reconnaissance and observation and the prompt action of cooperating arms prevented the establishment of resistance that would have necessitated the use of the tanks of the armored divisions.

D. Cooperation with Pioneers.

During the Somme river-crossing operations west of Paris, a night reconnaissance disclosed that all the bridges in the zone of action of an armored division were destroyed except a railroad bridge. Pioneers brought up planking and prepared this bridge for tanks during the remainder of the night. At daylight, the foot troops moved across the river in rubber boats and established a bridgehead, after which the tanks crossed on the railroad bridge. French bombing planes
were said to have been unsuccessful in their attempt to destroy this bridge while the tanks were crossing.

E. Cooperation with Antitank Guns.

In describing a tank action near Arras on or about May 26th, the correspondent stated that the antitank guns of his unit were forward with the tanks, as a precautionary measure against possible counterattacks supported by tanks. This correspondent was with the infantry, which he stated was waiting to advance and occupy the ground after the tanks had cleared the way.

Suddenly, French tanks appeared on the flank of his unit. Messengers were sent after some antitank guns. They soon arrived and went into action. The antitank guns fired at the tanks while machine guns and rifles fired at the infantry following behind the tanks.

His account stated that the French tanks made repeated attacks and the action lasted about an hour before the counterattackers were finally dispersed.

F. Formations.

The order in which the various elements of the armored division are committed to action apparently varies with each situation.

In describing an advance through the forests south of the Sambre, in Northern France, one correspondent stated that the German tanks moved ahead of the dismounted motorcycle battalion of the motorized rifle brigade.

In an account describing actions on the advance from Amiens to Paris another correspondent stated that a village was taken by pioneers on the evening prior to a tank attack on the following morning. In this connection, pioneer units were normally used to lead assaults against bunkers and other defenses composed of concrete or steel fortifications. This is because they are equipped and trained to use explosives and flame throwers as well as to fight as infantry. After the tanks took their objective the following morning, they turned it over to the infantry. Then the reconnaissance battalion, followed by the motorcycle battalion took up the advance while the infantry, artillery, and tanks remained in readiness.

In an instance where the resistance was stubborn, the motorized infantry of the armored division led the attack.

III. OPERATIONS IN THE CHAMPAGNE AREA

During a trip to the French battlefields, July 10-13, a German General Staff officer explained briefly to the foreign attaché...
group the operations of the mechanized attack in the Champagne area, which started on June 9, 1940. This explanation was given just north of Reithol on terrain overlooking the Aisne Valley in this region.

The officer who gave the explanation had participated in this attack. His statements were substantially as follows:

Two corps consisting of four divisions were assigned the corridor within view of the attacking group.

According to the general plan, the infantry was to attack initially and establish bridgeheads over the Aisne River. Then the tanks and motorized units were to cross, exploit, and pursue. The terrain in the corridor extending south from Reithol toward the line St. Dizier - Troyes is ideal for the operation of such units.

The tank obstacles to be encountered were: (1) Aisne River; (2) Snupe River; (3) Aisne-Marne Canal and the Marne River.

There were about 300 batteries of artillery with over 1,000 cannon supporting this attack.

According to plan, the artillery preparation started at 4:40 a.m., June 9 and continued against enemy observation for nearly an hour. After the preliminary preparation the artillery continued to fire at other missions.

The infantry attacked in the fog at daylight.

The German tanks under General Geis were at that time under cover 10 to 20 miles in rear of the line of departure. These tanks were disposed in width behind the zone of the entire army. By noon, the tanks were moved up closer to the line so as to be ready to cross the Aisne as soon as bridgeheads were established. However, the attack did not progress as well as expected. By dark, only one division had been able to cross the river and establish a bridgehead. One division was not even able to reach the river.

Aerial reconnaissance reported that at least seven French divisions were being withdrawn from the Maginot Line to meet this attack. These additional divisions would give the French superiority in strength.

The German army commander was forced to make an important decision. Two plans were open, the first was to converge his entire mechanized force into the single divisional bridgehead and then initiate a tank attack early the next morning. This would be a difficult and dangerous operation. It involved a great risk since the attack of this army was to be the decisive blow against the French. The
second plan was to renew the infantry attack on the following morning for the purpose of establishing bridgeheads and deploying as originally planned.

The general decided to adopt the first plan and to move all his tank units across the Aisne on the limited number of bridges in the one-division zone. It proved to be the correct decision.

The tanks attacked on the morning of June 10, followed initially by German infantry. The tanks and the infantry enveloped the French units on the right and left still holding the Aisne River, forcing them to withdraw. Thus the Germans retained the initiative.

The armored (Panzer) divisions with their infantry and artillery components continued the exploitation and pursuit independently of the foot infantry, which was soon left behind to come along later and occupy the towns.

The French motorized units from the Maginot Line did not arrive in sufficient force in any one place to effect serious resistance. Apparently they met the advance of the German armored divisions in piecemeal fashion and were defeated in detail.

The French made a few counterattacks, some of which were supported by 30 or 30 tanks. The Germans never encountered more than 30 French tanks while resisting a counterattack in this area. Generally there were fewer than this number and they were soon engulfed in German tank masses.

As a result of the success of the mechanized elements in this area, seven German infantry divisions in reserve were unused.

In this operation the armored (Panzer) divisions took over the mission of their predecessors, the cavalry divisions, in making deep thrusts into the flanks and rear of the enemy's lines. They were used in accordance with doctrines proven by experience.

IV. CONCLUSIONS

A. German employment of armored units is characterized by simplicity. This should not be mistaken for carelessness, sluggishness or lack of originality. Thorough and painstaking efforts are demanded from staff and command personnel so that the tasks of subordinate elements may be simple, but at the same time contribute their proportional share to the success of the general plan.

B. The situation, rather than theoretical dogma, determines the method and to a certain extent the technique of employment. Since no two situations are identical, the adversary of a German armored force should study the capabilities of this force and its weaknesses rather than German employment methods.
The organization, equipment, and training of the personnel of armored units are carefully planned with a view to providing sufficient flexibility to cope with probable situations confronting these units.

D. The armored division is provided with sufficient reconnaissance, communication, and pioneer elements to enable these important tasks to be performed by an organization equipped and trained in its special work.

E. The infantry, artillery and antitank elements in the armored division make it a balanced unit for offensive combat and at the same time give it sufficient defensive strength to enable it to operate independently for a considerable period of time.
TENTATIVE LESSONS FROM THE RECENT
ACTIVE CAMPAIGN IN EUROPE

M.I.D., W.D.
Tentative Lessons
Bulletin No. 38
August 30, 1940.

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A GERMAN RECONNAISSANCE CAR PLATOON IN ACTION

SOURCES

The information contained in this bulletin came from and American source on July 29, 1940. It constitutes a reconstructed version of the statements of a wounded German officer, with parenthetical notes inserted by the American source.

CONTENTS

I. RECONNAISSANCE CAR CREWS

II. ARMAMENT

III. COMMUNICATIONS

IV. CAPABILITIES OF CARS AND FORMATIONS

V. MAINTENANCE

VI. MISSION
I. RECONNAISSANCE CAR CREWS.

My reconnaissance car platoon consisted of three vehicles—two heavy cars and a light one. The first vehicle, a heavy one, was the platoon commander's car with a crew of four—two drivers, one forward facing front and one in rear facing rear, a gunner, and myself, the platoon commander. The second car, also a heavy vehicle, was the radio car. Its crew consisted of four—two drivers, a machine gunner, and a radio operator who was usually the car commander. The third car was a light vehicle with a crew of three—two drivers and a car commander who acted as gunner.

II. ARMAMENT.

Each of the two heavy cars was armed with a machine gun and a 20mm. cannon. A sub-machine gun (Maschinengesc) was carried in each of the three cars. Each member of the crew carried a pistol. The light car was armed with a machine gun. (It was not definitely determined in the conversation whether the light car had a 20mm. cannon or not. As it can best be recollected, there were only two 20mm. cannon in the platoon.) All members of the crews wore steel helmets except the gunners in the two heavy cars, who had difficulty in
serving and aiming their guns while wearing their helmets.

On the evening of May 10, when we ran into some resistance, the 20mm. cannon in my car exploded. One cartridge jammed in the chamber and the succeeding cartridge exploded when it was forced in on top of the first one. Then the first cartridge and the next two in the belt exploded. The concussion in the car was bad, and all members of the crew were injured. Since my face was only a short distance from the breach of the gun, I was more seriously injured than the others; I received fragments in my face, head and neck. A doctor dressed our wounds, I asked to continue on my mission, and was allowed to do so. (The question was never decided, but it is assumed the platoon halted and a doctor was sent forward by the battalion.)

The reconnaissance cars were all protected from ordinary rifle and machine gun fire. The tires were bullet-proof. Of course, our vehicles were all vulnerable to antitank guns and high-powered antitank rifles (Panzerbuchse).

III. COMMUNICATIONS.

Between cars in the platoon, conversation by voice was used almost exclusively. Sometimes arm and hand signals were used for conventional messages, such as change of formation or direction. I always travelled with my head and the upper part of my body above the turret of my car so I could see. When we were fired on, I dropped down in the car. When I wanted to speak to one of the other car commanders, I signalled his car alongside mine and talked to him. This was particularly true of the Number 2 car, which was commanded by the radio operator. I made all my reports to my battalion commander in this manner. Reports were made periodically every half hour or more often. My radio operator had no throat microphone, but some of the regular tank operators were equipped with them. (From these remarks, it is inferred that radio telephone is the normal means used. However, it is assumed that code can also be used. The range of the radio set could not be learned. However, since our informant stated he was always in radio contact, and sometimes he was four hours ahead of the division, then the range for voice radio can be estimated at greater than 60 miles. The normal rate of march of an armored division is 15 m.p.h.) I used my radio to communicate with the battalion and adjacent platoons. At one time, because we were short of officers, I commanded two platoons operating abreast. I controlled the additional platoon by radio.

IV. CAPABILITIES OF CARS AND FORMATIONS.

In enemy territory when not in contact, my platoon usually
travelled in column. My car was in the lead, the radio car second, and the light car last. My platoon could travel 90 km. per hour on good roads. We usually travelled very quickly across open valleys and approached ridges carefully. Distance between cars depended on our speed, the terrain, and the situation, but it was usually from 50 to 150 meters. Our cars had four axles and eight wheels. When my platoon met slight resistance or came upon a road barrier, we travelled across country to continue our mission. Sometimes when barriers were unprotected and were not strong, I used my car to clear a way for the platoon.

V. MAINTENANCE.

My platoon carried enough fuel for one day of operation. We were supplied once each day, usually at night, from the battalion train. Most of the time we stopped at the battalion park, but sometimes food and fuel was sent forward to us at a rendezvous. My cars were all in fine shape when we jumped off on May 10 and we ran them continuously for fourteen days before I was relieved. I heard later that the cars in my platoon ran for ten more days before they had to be replaced. One of the men in my platoon was a butcher, and we had good meals when we were out of contact with the battalion. I always paid for the supplies we received from civilian sources. (This was done with Reichskreditgesellschaft, special marks issued for the purpose in occupied territory.) Our cars required surprisingly little maintenance. They held up well under rather rigorous field conditions.

VI. MISSION.

My most important function was to report promptly and accurately to my battalion commander. I reported information of the enemy and the terrain and any other information pertaining to my particular mission. Reconnaissance cars avoided combat except when it was necessary to obtain important information.

VII. DETAILED OPERATIONS.

Normally all platoons of my company were controlled directly by the battalion. (The point was not definitely established but the impression was gained in this conversation that there were five platoons in this company, three of which were commanded by officers, the other two by N.C.O.'s.) My platoon always operated on some particular and definite mission, and when that was accomplished, we were given another by the battalion commander. (In reference to this point, the impression was gained that reconnaissance car platoons were never released freely on general missions, but that their operations were rather closely controlled by the battalion.)
platoon was usually 15 to 30 minutes ahead of the leading elements of the division, sometimes we were farther ahead; on one occasion we were four hours ahead of the division.

When we were advancing ahead of the division on a mission and ran into resistance, I reported the fact immediately. Then I tried to find out how strong the resistance was. If the enemy had no antitank guns, sometimes the battalion permitted us to force our way through. When the resistance was too strong, the battalion might order us to withdraw or to go to the right or left and follow another platoon which had been able to get around the enemy.

If we were confronted by a road barrier, I cautiously approached it with my car to see whether it was defended. The rear driver was always ready to drive to the rear quickly on my command. The driver in front had good visibility, even of the ground directly in front of the car, but the driver in rear could not see well because the engine greatly restricted his view. If the road block was defended, I reported the fact and tried to go around.

On one occasion I was ordered to seize and hold an important crossroad. I did this in spite of an attack by a French infantry company.

Another time the corps on our flank was well behind our corps. (From this it appeared that his armored division was preceding the advance of a corps.) My platoon was sent over to reconnoiter the front of the adjacent corps. We went through villages and towns and the people were mystified by our presence so far behind the French lines. Some thought we were English. On the return trip, we came upon two companies of French infantry near the outskirts of a village. They paid no attention to our approach. Reasons for this were that we were going toward their front and that there was no insignia painted on the front of our cars—only on the sides and rear. When we were close I ordered the gunners to fire over their heads. They were so surprised they could do nothing. I ordered the officers over to my car, disarmed them and then ordered the men to lay down their arms under the supervision of the officers. I then had the prisoners marched in formation to our zone of action where they were sent to the rear. I received the Iron Cross, First Class, for this action.

VIII. OBSTACLES.

I had little difficulty with obstacles after the first few days because we were usually behind the rear elements of the enemy and they had not yet executed their demolitions. We were always behind the French cavalry—that is, the French cavalry was operating between my platoon and our own advance elements. We
lost one car in our company when it was blown up as it was crossing a bridge over the Meuse River. It was the leading car of the platoon. I was astounded when, on return trips, I saw the extent of the demolitions in the towns that I had previously passed through. (Several were mentioned by name.)

IX. LAND MINES.

Land mines gave us very little trouble. We were very careful the first few days and had no accidents at all. After that, the enemy retreated so fast they didn't have time to remove the warning markers from their own mines.

X. PRISONERS OF WAR.

Usually reconnaissance cars take no prisoners of war unless the prisoner is important. Once I captured the commander of a French engineer battalion and one of the staff officers in the street of a town, where they couldn't get away. Their battalion was only a few hundred yards off but they couldn't shoot for fear of hitting their own officers. With my pistol, I ordered the two officers to get on the third car and sent them to the rear. They rode on top of the car and were guarded by the car commander who was armed with a sub-machine gun.

XI. COOPERATION WITH AIR FORCE.

I never had any connection with the air force. We had an observation squadron attached to our division but it operated with some headquarters in the rear. I never had radio communication with one of our planes. Once when we were well in front of our division, my platoon was attacked by a German Stuka (dive bomber). When we didn't return his attack, I think the pilot realized his mistake.

XII. ALLIED ANTITANK WEAPONS.

There is no way of knowing anything about the relative effectiveness of enemy antitank weapons. All I know is that my cars were all vulnerable to antitank guns. The cupola on my turret was hit by a French 25mm. projectile, and splinters sprayed all over the inside of our car. Most of the splinters came from the armor. I was hit on the head, neck, and shoulders but suffered only flesh wounds. My steel helmet saved me. My gunner, who wore no helmet, was badly wounded and I had to send him to the hospital. Another car in my platoon was hit by an antitank gun projectile but it went straight through the car. It didn't do any damage because it didn't hit a vital spot.
Early one morning, just about dawn, I came upon a French artillery battery, all of whose personnel were asleep. I was surprised not to find a sentry on duty. Near the battery, I saw an antitank gun on a self-propelled mount. It started moving in my direction and I backed my car over the ridge, which I had just passed and waited for the gun to come over the rise. It didn’t come, and after waiting a bit, I went over the rise. The gun was gone. We went on through the artillery position. Our cars make very little noise, and we didn’t awaken the sleeping personnel.

XIII. CONTROL OF DIRECTION.

Our cars are controlled by sight. Usually we travelled on the roads, and the drivers had to be able to see. In the tanks the drivers rely on sight to maintain their direction. (The question of a compass was discussed but it was quite obvious that this officer knew nothing about the use of such instruments in armored vehicles.)

XIV. HEAVY TANK WEAPONS AND FIRE CONTROL.

I think the large tanks have to stop to fire their big guns. The smaller weapons (meaning machine guns, 20 and 37-mm. guns) fire while the tanks are in motion. (This officer knew very little about the technical details pertaining to the installation and operation of the larger caliber weapons in tanks. From a study of pictures and from hearsay, it appears the 75mm. guns are fired while the tanks (German medium tanks) are at a halt. Direct fire, case 11, is apparently used—that is, direction controlled by sight, with the initial range estimated and correction applied as a result of observation of impacts. There doesn’t appear to be any stabilizing apparatus for the gun mounts in the tanks.)

XV. LARGE TANKS.

(This informant had no apparent knowledge of the presence of large or heavy tanks in his division. In discussing bridge capacities, he said he was always ahead of bridging operations and had no knowledge of them. The impression was given that no large tanks—that is heavier than 20 tons—were used in this armored division.)

XVI. DESIRABILITY OF RECONNAISSANCE CAR DUTY.

Duty in a reconnaissance car detachment is very desirable in the German Army. It is spectacular and exciting. It is also dangerous. After the first phase of the campaign in France, all of our platoon leaders were wounded and had to be relieved. I was

CONFIDENTIAL

-7-
the first of five to win the Iron Cross, First Class.

XVII. MORALE AND LEADERSHIP.

I think one of the main reasons for the astounding suc-
cess of our army in France was the high morale and the fine leader-
ship of our officers. Junior officers with the leading elements
took off their coats and worked along with the men to help clear the way. Speed was essential. The watchword was always "Faster! Faster!" Our officers, even the generals, were always in the
front lines (he meant well forward by this statement), and the
men were inspired by their presence.

XVIII. ORGANIZATION.

(In another conversation, this officer mentioned that
he had five vehicles in his platoon at the time of the Polish cam-
paign as opposed to three at the time of the French campaign.
Thus the organization mentioned in this report should not be ac-
cepted as final. Reasons for reduction of the number of vehicles
may have included the following.

A. Transfer of vehicles to newly formed units.
B. Improved command control with smaller numbers of
   vehicles.
C. Absence of actual need for as many as five vehicles.
D. Different combat conditions—Poland open; Holland,
   Belgium, and France more densely populated.
E. Possibility of combat defect in light car.

The function of the armored car company commander is not
entirely clear. For tactical operations, the connection was direct
from the armored car platoon to the battalion. It is assumed that
the company is purely an administrative unit in the organization
of the German reconnaissance battalion in the armored division.)
This military situation report is issued by the Military Intelligence Division, General Staff. In view of the occasional inclusion of political information and of opinion it is classified as Restricted.

I. Western Theater of War.

1. No ground operations.


Probably because of unfavorable weather, there was relative inactivity over Great Britain on the morning of the 30th. In the afternoon strong German forces operated over eastern England. Objectives, according to the Germans, were airfields. During the night there were widespread bombing raids on seaports, including Liverpool, and aircraft factories.

No report is available on British offensive operations.

According to news reports, the weather is better today and large German formations are operating over southern England.

II. Mediterranean and African Theaters of War.

1. No ground operations reported.

2. The Italian Air Force launched a heavy attack against Mersa Matruh, probably their strongest blow at ground objectives to date. Malta was bombed again. Both sides made additional minor raids.
MEMORANDUM

TO: The Secretary
FROM: Mr. Gaston

Pa Watson called from the White House at 11:30 Saturday morning, August 24th, to say that the President had received a telegram from Charles Sawyer of Cincinnati, National Committeeman of Ohio, asking him to postpone appointment of a new Collector at Toledo, where Collector Charles H. Graves died August 15th. Watson said that the President wished that nothing be done about an appointment to the Toledo vacancy until the President has an opportunity to speak to you.

Guy Helvering said that the only action he had taken had been to appoint the Assistant Collector as Acting Collector. He thinks Sawyer's anxiety may be in regard to a possible recommendation by Congressman Hunter of the 9th District, who called Guy up to ask how he should go about it to make a recommendation. Hunter does not stand well with the organization or the Administration.

I have notified Mr. Sullivan.

On Thursday, August 29th, a letter was received from Senator Donahay recommending in his own name and that of John F. Hunter, Representative from the 9th District of Ohio, the appointment to the vacancy of Ralph O. Snyder. Only a routine acknowledgment has been sent to Senator Donahay.
Bell: Good morning.

H.M.Jr: Hello, Dan.

Bell: How are you?

H.M.Jr: I'm fine.

Bell: I don't know where Gaston is, but they are trying to get him.

H.M.Jr: Well, never mind.

Bell: Sullivan, I think, went up to New Hampshire yesterday evening right after the bill went through.

H.M.Jr: Well, I didn't even know. Did it pass?

Bell: Yes, it passed.

H.M.Jr: How was the vote?

Bell: Well, I don't know, it was a viva voce.

H.M.Jr: I see.

Bell: No record.

H.M.Jr: But he went on up to New Hampshire?

Bell: Yes, he's going up there for the week-end. I told him if he could get out, just go ahead.

H.M.Jr: I see.

Bell: Everything is kind of quiet here, not much doing. The President, you know, has gone to Hyde Park.

H.M.Jr: I talked to him last night.
Oh, did you?

Yes.

And we sent him up, last night, a document to sign on that Canadian matter that Towers talked to you about, putting the account in the Federal Reserve in the name of the Government.

Oh, I see.

He'd approved all of those, heretofore, and so we sent it up there for his approval.

Good.

And they're rather anxious to get it started.

Good.

They're afraid that the French will start something.

I see.

I don't know whether you saw it in the paper, but Lacourgayet is heading a Commission - a Mission of some kind to come over here.

Who?

Lacourgayet, the former French Financial Attache.

I don't think I remember him.

Lacourgayet - it's L-a-c-o-u-r-g-a-y-e-t.

I don't know --

He was the economist in the Bank of France for a long time.
H.M.Jr: The name is familiar, but it doesn't mean anything.

Bell: Yes, I know. He was here when you first came here. He's quite an able boy, and he's heading some kind of a Mission.

H.M.Jr: I see.

Bell: But no one can find out what it's all about.

H.M.Jr: I see.

Bell: But everything has been rather quiet. There's some indication that Pat Harrison is going to have hearings. He said that he was going to have a hearing on Tuesday for the public and he would have John Sullivan up on Wednesday to go over the bill. Whether or not there would be any more from the Treasury, he didn't know, but he didn't think so.

H.M.Jr: Well, I never heard the President more cheerful than last night, and he said he thought that Congress might adjourn next week.

Bell: Well, that's what he said at Cabinet. He said he thought they might get away September 15th.

Here are Gaston, Professor Chamberlain and Mr. Buckley.

H.M.Jr: Well, does Professor Chamberlain want to ask me something?

Bell: I think possibly you ought to talk to him about the situation and let him tell you what's going on.

H.M.Jr: All right, I'd like to.
Bell: All right, do you want to talk to Gaston now?
H.M.Jr: Anybody, put on whoever you want.
Bell: All right.
Gaston: Good morning.
H.M.Jr: Hello, Herbert.
Gaston: How are you?
H.M.Jr: I'm fine. Anything you want to tell me?
Gaston: I have nothing that won't hold. I was planning to take the 2:00 o'clock train this afternoon and go up to Albany and register.
H.M.Jr: Good.
Gaston: You don't see any objection?
H.M.Jr: No, not as long as you register right.
Gaston: All right, I'll pick out the best I can find.
H.M.Jr: All right.
Gaston: All right. Do you want to talk to --
H.M.Jr: Say hello to Gibbons for me.
Gaston: Gibbons? I don't know whether I'll see him or not.
H.M.Jr: He's never there week-ends, is he?
Gaston: Herbert, I hope my new plane is going to get there.
Gaston: I'm quite sure it will. I didn't get a report this morning as to where it is but I assume --
it ought to be at Anacostia; I don't know whether Mrs. Klots got any report or not. No, she says she didn't, but while the others are talking, I'll see if — I'll get —

H.M.Jr: Will you?
Gaston: Yes.
H.M.Jr: Please.
Gaston: All right.
H.M.Jr: I have nothing, Herbert, but I would like to know about the plane.
Gaston: Yes. All right, I'll look that up right away.
H.M.Jr: Thank you.
Gaston: Goodbye.
Chamber'n: Good morning, Mr. Secretary.
H.M.Jr: Hello, Professor Chamberlain.
Chamber'n: Good morning.
H.M.Jr: Why aren't you up at your home having a little rest?
Chamber'n: Oh, I'm getting away this afternoon at 4:00 o'clock, at 5:00 o'clock, rather, and that's pretty good. That will give me a couple of good days and I think that will do for the time being.
H.M.Jr: You're not very generous to yourself.
Chamber'n: (Laughs) well, it's a question of time pressing down here. I couldn't get a rest very well with so many things hanging on.
Is the Paris situation --

The Paris situation -- I just called Mr. Knoke in New York and he tells me that both the City Bank and the Chase have been buying francs from the Bank of France and apparently have had no trouble. He thinks they've pretty well cleared up what they need.

Good.

The Guaranty, so far, has not asked for license.

I see.

So that situation seems to be clear and the only question at issue now is whether you want us to issue the license to the City Bank for its Brussels office, which as you know involves buying Belgian francs in Berlin.

I think as long as it has waited this long, it could wait until Tuesday.

Well, I don't know. The situation may break, but what I wanted particularly to say was that - I think it probably could - but what I wanted particularly to say was that the situation that you wanted to protect, the offering the banks the opportunity to buy French francs from the Bank of France, they've taken advantage of, and I've been spreading the word to the Red Cross to do the same thing.

Yes.

So I think that most of the money to go to France can go through the Bank of France now. How long it will last, I don't know.

Well, is anybody pressing you on Brussels?
Chamber'n: Well, the City Bank is pressing us, yes. They've made every effort, as I think Mr. Bell told you yesterday, to get francs. They got about 25,000 Belgian francs in New York.

Bell: No, he didn't tell me.

Chamber'n: Oh. Well, the story is this. They got about 25,000 Belgian francs in New York. They can insure them as far as Lisbon. They say that they'll have to send a man down to get them at Lisbon, take them up to Belgium, and they can't find out whether or not they'll be allowed to take them into Belgium, even if they reach the frontier.

H.M. Jr: Will it be a good test?

Chamber'n: Well, that's all they can get. They've tried in Switzerland and couldn't get any. Of course, they've tried London and they've tried everywhere in New York. I think they've used all the means possible, as far as we can see, to get francs.

H.M. Jr: Well, would there be any great calamity if it waits until Tuesday, now?

Chamber'n: I don't believe there will be. I think it might be better to let them - I think we've gone so far, it might be better to let them have their license, though I can't say that there's any indication there'll be a calamity. Something might happen any minute.

H.M. Jr: I couldn't do it without talking to the President and I don't know whether I could reach him.

Chamber'n: All right, Mr. Secretary.

H.M. Jr: Let it go until Tuesday.
Chamber'n: I don't believe it will break, if you feel that way about it.

H.M. Jr: What do you mean, "it will break"?

Chamber'n: I don't think there'll be any break in Brussels.

H.M. Jr: Oh, I don't think so, either.

Bell: My guess would be that it has gone so far that it will go over until Tuesday, but I think we ought to get the decision by then if possible.

H.M. Jr: Well, we'll try to.

Chamber'n: All right, thank you.

H.M. Jr: Thank you.

Chamber'n: That's all there is.

H.M. Jr: Thank you.

Gaston: Hello, this is Herbert again.

H.M. Jr: Yes.

Gaston: The plane is at Floyd Bennett, New York, and is in good shape, and they will go up to the Municipal Airport at Ottawa and arrive there on Saturday, and Mr. Northrup, the Agent in Charge at Montreal, will drive over to the Seignory Club Saturday evening or Sunday morning.

H.M. Jr: Well, I don't need him.

Gaston: Well, I think he wants to over. It isn't much of a drive, anyway. But if you'd rather he'd not go, I'll tell him not to go.
E.M. Jr: From Montreal?

Gaston: From Montreal, yes.

E.M. Jr: Oh, that's different. I thought that he was coming from Buffalo.

Gaston: Well, the only reason we talked first about a car from Buffalo was because they had a better car, but he'll drive over in his Chevrolet.

E.M. Jr: Well, if he's here at 2:00 o'clock Sunday, that's plenty of time.

Gaston: 2:00 o'clock Sunday will be plenty of time. All right, I'll tell him that.

E.M. Jr: I spoke to the American Minister at Ottawa and told him when our men got in, would he send somebody out to look after them.

Gaston: Yes.

E.M. Jr: And he said they would.

Gaston: Yes. Well --

E.M. Jr: When they get in, they might call up the American Legation and let them know that they're there.

Gaston: The plane crew, yes.

E.M. Jr: Yes.

Gaston: They made the ordinary routine arrangements through the State Department, but your direct word to the Minister will be fine. I'll have them call up the American Minister.

E.M. Jr: Just call him up at the Legation and say that they're in and he'll have somebody look after them and see that they get housed and everything else.
Yes.

I wanted them taken care of nicely.

Fine.

If the Montreal fellow wants to come over, it's all right if he's here by 2:00 o'clock Sunday.

Yes. All right, 2:00 o'clock on Sunday.

May I talk - is that all?

Yes.

May I talk to Buckley, please?

Yes.

Good morning, sir.

Hello, Buckley. I was talking with Mr. Purvis last night about 9:00, and he's quite upset because he said at the last moment somebody threw a monkey wrench into this tank thing.

Well, they got me out of bed last night to hold their hands, and I'll give you a sketch on two problems.

Yes.

One on machine guns. Yesterday morning they had a general meeting pointing toward a complementary program on machine guns. The general meeting went along very well and a subcommittee was appointed to go over the technical details. It met yesterday afternoon. Neither Phil nor I was there because it was a technical meeting. But in the course of that meeting they finally decided that our Army was going to go ahead, regardless, and place their contracts immediately. Well, that disturbed the British a great deal.
That was one problem that was bothering them. I have talked to the Army this morning, and they tell me that in the best event possible they wouldn't place those contracts until Tuesday or Wednesday anyway, and that's all Mr. Purvis actually wanted; so I'm going to advise him that he has the entire week-end to consider the problem from their angle again.

H.M.Jr: Well, what he asked was whether he could see me the minute I got in, and he said he was going to stall until I got in, with the hope that I could help him.

Buckley: That was on the tank engine complementary financing?

H.M.Jr: Yes.

Buckley: Well, now, on that problem the RFC finally worked out an agreement for Continental to present to the British which provided for a letter of credit, which is virtually equivalent to the British buying the tools to start with, and obviously doesn't meet our need.

H.M.Jr: Yes.

Buckley: Well, the RFC had arranged a meeting at 10:00 o'clock this morning at which the Army and the British and the Continental were to meet with them and work out final details. The problem was to work out some way to postpone that meeting that wouldn't bother the RFC. I discovered, however, that the Army would take a couple of days to get their contract worked out with Continental, so I suggested to the Army that they try to work that out and the British would use it as a model.

H.M.Jr: Yes.
Buckley: There's no point in the British being in with the Army when they work with Continental. In fact, the Army would rather work out the technical details without the British. And so we have a good basis for holding off until Tuesday on actually getting down to brass tacks, so we're going ahead on that basis. But I believe it will be advisable, since Mr. Schram had planned to attend the 10:00 o'clock meeting for Oscar Cox and me to go over and sit down with Mr. Schram and point out the reasons why it will be better for the Army and Continental to work out their deal and the British use that as a model, and also point out to him that the proposal by Continental for a letter of credit is substantially at variance with the objective of the whole program, so that they can be thinking about it.

W.M.Jr.: Now Buckley, did Phil Young write me a letter on the tank thing?

Buckley: Yes, he did; sent it up airmail.

W.M.Jr.: Well, I didn't get it. Well, tonight whenever you are through with this thing - not later than tonight - whatever the machine gun and the tank - on the Continental deal - write me a letter. Mrs. Klotz will tell you how to address it to Fishkill. You see?

Buckley: All right, sir.

W.M.Jr.: But put it in the mail tonight to Fishkill, so that I can read it when I get there.

Buckley: All right.

W.M.Jr.: Any time tonight; I'll get it.

Buckley: Fine.
H.M.Jr: She'll give you the address.

Buckley: All right.

H.M.Jr: But he was quite upset.

Buckley: Yes. Well, I can appreciate it because he was very encouraged two days ago when we had the first meeting and then when he found a letter of credit provision in this preliminary agreement that Continental had drawn up, it just took him from the heights down to the depths.

H.M.Jr: Well, he said that he was going to try to stall on it until I got back. He was very anxious to see me, with the hope that I could help him.

Buckley: Fine. Well, I think we have a way of stalling so that the responsibility won't be on the British and it won't really be a stall, and that's what I want to work out this morning.

H.M.Jr: He said - he went out of his way to say how helpful you had been, though.

Buckley: Well, we've been working quite a bit on it.

H.M.Jr: He spoke very highly of you.

Buckley: I am very encouraged about the whole tank program. I think we can get over this hurdle. It's just a question of a few days' plan in it.

H.M.Jr: Well now, the letters that you send me and the letters that Phil Young sent me, I'd like both Bell and Mrs. Klotz to have a copy.

Buckley: All right.
Because the letters I get up here, I destroy.

All right.

So anything that - I'd like Mr. Bell to be kept up to date on this thing anyway because it's a financial matter.

Fine.

So let Mr. Bell have a copy of the letter that Phil Young sent me.

Right.

And the letter that you send me tonight, give Mr. Bell a copy.

Suppose I send you also, together with my letter tonight, a carbon copy of Phil's letter which you haven't received yet.

It'll come in.

It will?

Yes. I don't know why the airmail that you sent us last night doesn't come in until to-night.

I see. All right.

And - what was I going to say? Well, that's that.

All right, sir. Well, I'll see that you get it.

Well, does anybody else have any afterthoughts?

Mr. Bell wondered if you wanted any more information on airplanes.
H.M.Jr: Bell:
Buckley: Yes.
H.M.Jr: Has he any other information?
Buckley: Mr. Bell wondered if you were satisfied with stories in the paper on airplanes. I'll put him on.
H.M.Jr: Yes, but I think that Colonel Knox mixed it all up again.
Bell: You asked a couple of days ago for us to get you some information on airplanes and then I told you that the President was giving out a statement.
Bell: Well, I read it, but I can't do anything about it. I mean --
Bell: It did help some.
Bell: Yes. But of course when the Army and Navy go out by themselves, they do mix it up.
Bell: I think the first statement is a combination, whereas Knox's statement is only the Navy end of it.
Bell: Yes. It's badly confused. They ought to have one person doing it.
Bell: That's right. There's an editorial, I think, in the Tribune this morning that said the
figures were good but it was unfortunate that it had to take Senator Byrd to bring them out.

H.M. Jr: I see. Okay.
Bell: That's all.
H.M. Jr: Anybody else got anything?
Bell: No, I think not. Everybody's clear.
H.M. Jr: Can I have the operator, because I want to talk to Mr. Patterson?
Bell: All right.
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<td></td>
<td>None</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Airplane parts</td>
<td>7 cases</td>
<td></td>
<td>required</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Spare engine parts)</td>
<td>10 cases</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 St.</td>
<td>Engine parts</td>
<td></td>
<td>Japan</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Airplane propellers</td>
<td>5 boxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Propeller parts</td>
<td>22 boxes</td>
<td>Finland</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Engine parts</td>
<td>8 cases</td>
<td>Argentina</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Airplane parts</td>
<td>21 pkgs</td>
<td>Brazil</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Airplane parts</td>
<td>24 pkgs</td>
<td></td>
<td>None</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Airplane parts</td>
<td>3 pkgs</td>
<td></td>
<td>required</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Spare engine parts)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32 N.R.</td>
<td>Engine parts</td>
<td></td>
<td>Japan</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Propeller parts</td>
<td>22 boxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Airplane parts</td>
<td>8 cases</td>
<td>Argentina</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Airplane parts</td>
<td>21 pkgs</td>
<td>Brazil</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Airplane parts</td>
<td>24 pkgs</td>
<td></td>
<td>None</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Airplane parts</td>
<td>3 pkgs</td>
<td></td>
<td>required</td>
<td></td>
</tr>
<tr>
<td>LOCATION</td>
<td>ARTICLES</td>
<td>QUANTITY</td>
<td>DESTINATION</td>
<td>LICENSE ISSUED</td>
<td>REASON FOR DELAY</td>
</tr>
<tr>
<td>-------------</td>
<td>----------------</td>
<td>----------</td>
<td>-----------------</td>
<td>----------------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>90 H.R.</td>
<td>Airplane parts</td>
<td>66 cases</td>
<td>Great Britain</td>
<td>Yes</td>
<td>SS Pacific Grove; now loading</td>
</tr>
<tr>
<td>West Shore</td>
<td>(Airplanes</td>
<td>3 cases</td>
<td>Great Britain</td>
<td></td>
<td>No license delay. Waiting transfer to export vessels as required by British Purchasing Comm.</td>
</tr>
<tr>
<td>R.R. W'ken</td>
<td>(Propellers</td>
<td>352 cases</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Engines</td>
<td>184 cases</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Airplane parts</td>
<td>1033 boxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Airplanes</td>
<td>24 cases</td>
<td></td>
<td>Great Britain</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Propellers</td>
<td>25 cases</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Engines</td>
<td>35 cases</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5th St. Hoboken</td>
<td>Airplane parts</td>
<td>5 cases</td>
<td>England</td>
<td>Yes</td>
<td>SS Vingaland; now loading</td>
</tr>
<tr>
<td>Erie R.R. W'ken</td>
<td>Airplane parts</td>
<td>10 boxes</td>
<td>Rhodesia, E. Africa</td>
<td>None</td>
<td>Waiting transfer to export vessel.</td>
</tr>
<tr>
<td>Airplane parts</td>
<td>36 cases</td>
<td></td>
<td>Sweden</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>16 St. Hob.</td>
<td>Airplane parts</td>
<td>1528 pkgs</td>
<td>England</td>
<td>Yes</td>
<td>SS Leighton; on board awaiting sailing orders.</td>
</tr>
<tr>
<td>W.R.</td>
<td>Airplane parts</td>
<td>68 cases</td>
<td>Originally for France.</td>
<td>None</td>
<td>Waiting selection by British Purchasing Comm.</td>
</tr>
<tr>
<td>Airplane instruments</td>
<td>11 cases</td>
<td>Tambjong M.E.I.</td>
<td>None required</td>
<td></td>
<td>No delay. SS DEMPO.</td>
</tr>
<tr>
<td>3 Bush</td>
<td>Airplane parts</td>
<td>6 cases</td>
<td>Bangoeng M.E.I.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
August 30, 1940.

My dear Mr. Young:

I am transmitting herewith for your information copies of a letter of August 28 from the Swedish Minister to Mr. Welles and of an Aide-Memoire enclosed with that letter in regard to Swedish arms purchases in this country.

Sincerely yours,

Charles W. Hoxie
Acting Chief, Division of Controls

Mr. Philip Young,
Assistant to the
Secretary of the Treasury,
Treasury Department.
August 29, 1940.

My dear Mr. Welles,

Since my conversation with you regarding the licenses for aero equipment, I have been in communication with the responsible officers of the State Department and on their advice presented our case to Mr. Young's committee at two meetings.

At the first of these meetings we only dealt with airplanes, airplane motors, and other aero equipment. Mr. Young was very definite that irrespective of the merits of the case the whole of this material was needed for the defense of the country and this argument would overrule any other consideration. Only in respect of some minor spare parts for machines already delivered would Mr. Young be prepared to consider an application for review of the decisions.

I still feel that in respect of the small number of airplanes and motors which are ready for shipment the decision, taking all facts into consideration, is unduly harsh. The loss to Sweden is far greater than any possible benefit which this country's defense forces can derive from materials which are not made to accepted

Mr. Sumner Welles,
Under Secretary of State,
Department of State,
Washington, D.C.
standards. The decision on contracts which are still in the preliminary stage we accept without demur and in fact I wish to convey that the considerable experience which the chief of the Swedish Air Force Commission has gained during planning and trial of these planes will unhesitatingly be put at the disposal of the United States military experts, if they wish to avail themselves of this offer.

I have today had another meeting with Mr. Young and his experts at which we discussed the licenses to export certain arms and ammunition which has been ordered by the Swedish Government from firms in this country.

It is with regard to these last cases I take the liberty to ask for your kind intervention. As you no doubt recollect, at one of our interviews you expressed the opinion that whatever would be the outcome with regard to airplanes there should be no difficulty in the way of obtaining licenses for other material. I might add that the impression I brought away from my conversation with the President was that he held a similar opinion.

Mr. Young however spoke in a very different vein. He held out no hope that licenses would be granted in any case. What I felt particularly disturbing was that this seemed to be a foregone conclusion whatever the merits of case, whatever cost or inconvenience involved and whether or not the material would be of any conceivable use to the United States defense forces. Of course, if it had from the beginning been made clear to me that a cast-iron embargo would be applied irrespective of the merits of the case, I should not have gone to the trouble of submitting any arguments. But this was certainly not my impression of the President’s or your own attitude. It seems in fact to me to be wholly at variance with the policy of the United States Government during the lengthy discussions of these contracts.

With my letter of August 7th I forwarded an Aide-Memoir containing the essential data concerning outstanding contracts. I now enclose an Aide-Memoir which gives a more detailed account of the contracts which do not refer to airplanes or other aero equipment and I shall be grateful if you would see your way to use your good offices to obtain an impartial review of these cases on their merits.

Sincerely yours,

[signed] W. BOSTROM
Aide-Memoire

Of the contracts placed by the Trade Delegation which the Swedish Government early this year dispatched to the U.S.A. to purchase goods for their account, the following are still outstanding.

1. Two contracts for delivery of 9 mm. caliber automatic light rifles were placed by the Trade Delegation with the Smith & Wesson, Inc., of Springfield, Mass., in April this year. The first of these contracts was for 2,000 and the second for 2,000 automatic rifles.

Prior to these contracts Messrs. Smith & Wesson, Inc. had not manufactured rifles of this type and to facilitate the purchase of necessary machinery and materials, the Trade Delegation advanced half of the purchase price of the first contract, in pre-payment. An irrevocable letter of credit has been opened in favor of Messrs. Smith & Wesson for the remainder.

At the time this rifle was tested by the Control Officer of the Swedish Government Trade Delegation, it was found that several changes were desirable in order to increase its efficiency and make it more suitable for army use. The Swedish Government Trade Delegation suggested certain changes which were later...
incorporated in the design, and the Swedish Government has thus substantially contributed to the present model of the Smith & Wesson automatic rifle.

The quantity contracted for under the first of these orders should have been ready for delivery not later than July 13, and the contract contains a penalty clause by which Smith & Wesson, failing delivery, is liable to pay $1.00 per week, per rifle, from the date mentioned. On July 8th, Messrs. Smith, Smith, and Wesson applied to the Secretary of State for a license to export the rifles contracted for, which application, however, was immediately refused.

There is no doubt that through these orders Messrs. Smith & Wesson had gained considerable experience and increased their manufacturing capacity for this type of small arms. Neither the model nor the caliber of this rifle has been approved by the U.S. Ordnance Department. Furthermore, since the caliber is a metric one, it seems on the face of it highly unlikely that the U.S. Army will ever adopt such a caliber as standard.

8. In February and May of this year, the Swedish Government Trade Delegation placed two contracts with the Western Cartridge Company (Winchester), for 9 mm. cartridges. The first of these contracts was for 10,000,000, and the other for 12,000,000 cartridges. In respect of the first contract, the Trade Delegation paid 50 percent of the contract price when placing the order, and the remainder has since been paid. An irrevocable letter of credit in favor of the Western Cartridge Company has been opened to cover the cost.

the cost of the second order, license for the export of those quantities were granted on March 22nd and June 6, respectively.

out of the first order for 10,000,000 cartridges, 2,000,000 had been shipped before the President’s Proclamation of July 12. The remainder of this order, about 8,000,000 cartridges, has been ready for shipment for some time, partly stored in New York and the balance at the Winchester plant at New Haven. It is understood that the license is still valid for a quantity stated to be 7,250,000 cartridges. The Customs authorities in New York made difficulties when some of these cartridges were going to be shipped at the beginning of July, but it is presumed that necessary instructions will be issued to the Customs so that proposed shipments of remaining cartridges can be arranged at an early date.

The Western Cartridge Company has advised the Trade Delegation that the license for the second contract, originally granted on June 6th, has been revoked. The Western Cartridge Company is, however, apparently continuing manufacture under this contract, and has given notice that 1,000,000 cartridges are now ready for delivery and that the delivery schedule, which allows for shipment of 1,000,000 a week, will be adhered to.

The revocation of this license will seem particularly harsh in view of the fact that Sweden supplied considerable quantities of 9 mm. automatic rifles and ammunition to Finland during the
Early this year, Sweden bought 520 Thompson sub-machine guns in the U.S.A., which were delivered during February, and the cartridges ordered from the Remington Arms Corporation were intended for these guns. 3,150,000 cartridges had been shipped prior to the President's Proclamation of July 2nd. The balance, 2,000,000 cartridges, were ready for shipment at that time and were actually loaded on the S/S Veli Ragnar, bound for Petsamo. The Customs authorities at New York, however, refused clearance for the vessel, and the consignment had to be discharged before the vessel was allowed to sail. This action was taken in spite of the fact that the license was still valid and the State Department had indicated there was no reason why the cartridges should not be shipped. The license was revoked at a much later date, and there doesn't seem to be any justification for such an action as shipment had been delayed by arbitrary action on the part of a Government official, contrary to the assurances which the State Department had given to the Swedish Legation.

On April 2, 1940, the Swedish Government Trade Delegation ordered 1,000 unloaded depth charges from York Safe and Lock Company of York, Pa. The Trade Delegation paid part of the contract price when the order was placed and an irrevocable letter of credit has been opened in favor of York Safe and Lock Company for the remainder. The York Safe and Lock Company applied to the State Department for a license to export these depth charges, but this application has been rejected. Part of this order is now ready for shipment, The depth charges are of model Mark III, and consequently not of the latest design approved by the U.S. Navy.

The Swedish Government Trade Delegation, on June 12, acquired 1,010 detonator fuses for depth charges from the U.S. Government, these fuses having been classed as obsolete material. Some differences of opinion apparently existed whether a license was required for this material, but on June 19, the State Department authorized the Collector of Customs at New York to release the detonator fuses for shipment without any further formalities. The detonator fuses were loaded on the Finnish S/S Veli Ragnar, which boat however did not sail until the President's Proclamation of July 2nd came into effect. The Collector of Customs at New York refused clearance of the S/S Veli Ragnar with the detonator fuses on board.
tors still on board, in spite of the fact that they had been loaded before the Proclamation went into effect. The detonators were subsequently discharged to allow the boat to sail. Whatever comments might be made on the action of the Customs in this ease, no action will be taken to secure an export license unless a license be granted for the depth charges mentioned in the proceeding paragraph, as the fuses are intended for use with these depth charges.

Washington, D.C., August 28, 1940.

I have learned the above facts only from a casual observation in the course of my business in this city and that of my partner in New York.

It will be apparent from the preceding facts as to what may have occurred in the case of the apparatus described in the paragraph cited.

The Secretary of War has informed me that the Secretary of State has already been requested to make such representations as may be necessary to the proper authorities here and abroad.

The Secretary of War has informed me that the Secretary of State has already been requested to make such representations as may be necessary to the proper authorities here and abroad.
Shanghai via M. H. S.
Dated August 30, 1940
Rec’d 12:10 p.m.

Secretary of State,
Washington.

643, Thirtieth.

FROM COMMERCIAL ATTACHE.

Weekly financial. Shanghai open market foreign exchange rates declined during week due to buying by speculators on account of reported critical situation in French Indochina and by wheat and petroleum importers. Interbank spot selling rates this morning around five three eighths cents and three nineteenth thirty seconds yen (cross parity of United States dollars three point five nine), having a high during week of five twenty one thirty seconds and three forty five sixty fourths and a low of five eleven thirteen seconds and three nineteen thirty seconds, September delivery of thirty second cent and one sixty fourth penny lower. Other quotations this morning: gold bars around yuan six naught eight nine naught being high during week with a low of yuan five six six naught, wei wah cash discount rate four percent, Bank Japan notes yen one for Chinese yuan one point five eight being record high, military scrip yen one for Chinese yuan one point two eight five, Central Bank custom gold unit rate yuan two point seven seven seven or United States dollars naught point six five nine three seven five, Shanghai custom rates of gold unit for duty payment purposes yuan being yuan two point seven seven nine six or Chinese yuan four point seven five four because yuan being yuan commands today premium seventy percent

Regarded Unclassified
over yuan, Tientsin exchange rates five one thirty second cents and
three five sixteenths pence (cross parity of United States dollars
three point six four five), Tientsin Shanghai remittance change eight
percent, Tientsin Federal Reserve Bank yuan nine two point six five
for Chinese yuan one hundred. Other closing quotations yesterday:
Chinese domestic bonds average five four point naught five, Shanghai
general stocks higher average two six three point nine nine, Shanghai
rubber shares higher average three naught nine point five one, Hong
Kong exchange rates for Hong Kong dollars at fourteen thirty one thirty
seconds pence and twenty two nine sixteenths cents (cross parity of
United States dollars three point six one seven five). Regarding
retirement of sterling notes in China as mentioned in last week's weekly
financial radio report, Bank of China undertook to accept such notes
from holders to be forwarded to United Kingdom at rate of four seven
sixteenths pence as compared with interbank selling spot rate for
telegraphic transfer at three five eighths pence, Bank of China arranged
with British Embassy to extend final date to August 29. Sterling note
trading in Shanghai completely suspended today. Inform Commerce.

BUTFICK

CSB

Regarded Unclassified
Secretary of State, Washington

THIRTIETH, FOR COMMERCE.

Monthly, banking (SECTION ONE)

Consolidated statement of banks throughout Philippines excluding Agricultural and Industrial Bank as of July 27, 1940 shows number of changes during 4 weeks ended that date. Loans discounts overdrafts showed drop over four million pesos being first decline noted since April.

Believe drop caused by curtailment of bank loans owing unsatisfactory collections. Deposits continued decline evident since April there being drop some seven point two million pesos during current four weeks. One possible explanation of decline in deposits is transfer of various government deposits to Agricultural and Industrial Bank figures for which excluded from consolidated statement. Another possible explanation is withdrawal of funds to finance imports. Cash on hand declined some five point seven million pesos to lowest figure since May 1937. Current figure some sixteen million pesos below same date last year. Probably primary cause for decline lies in purchase by banks of demand drafts from Insular Treasurer to finance exchange commitments such purchases extremely heavy during present year.

Steintorf,

HICKOX
PLAIN

MANILA VIA N.E.

Dated August 30, 1940

Rec’d. 3:10 p.m., 31st

Secretary of State,

Washington.

Thirtieth.

FOR COMMERCE.

Monthly banking (SECTION TWO)

Only other important change during current period was drop nearly five
million pesos in net amount due to foreign banks or foreign head offices of
local branch banks. Here again probable explanation is financing of exchange
commitments.

Average weekly debits to individual accounts during current four weeks
fell to new low for present year although total nearly two million pesos
above corresponding period nineteen thirty-nine. Believe decline compared
June largely seasonal.

Total Government reserves fell by some two point seven million pesos
during current four weeks period to lowest level since January 1938. Report
of Insular Treasurer indicates bulk of decline was in Treasury Certificate
fund in Manila. There was fairly considerable drop also in Exchange
Standard fund held in Treasury in Manila but this offset by substantial
gain in Exchange Standard Fund in New York. Steintorf

HICKOK

COPY

sh
PLAIN
MANILA VIA P.H.
Dated August 30, 1940
Rec'd. 1:12 p.m.

Secretary of State,

Washington.

THIRTIETH.

FOR CONGRESS.

Monthly, banking (SECTION THREE).

Consolidated figures million pesos loans discounts overdrafts two
three one investments three naught due from banks in Philippines ten due from
foreign head offices three due from banks outside Philippines thirty cash on
hand four three other resources one seven net circulation one point six total
deposits two one seven due to banks in Philippines seven due to foreign
head offices four one due to banks outside Philippines eleven capital
surplus and reserves five five other liabilities two nine average weekly debits
three nine total government reserves two naught four.

Bank clearings Manila during July two seven three eight four thousand
pesos increase one nine two five thousand pesos or seven percent compared
same month 1939. Cumulative total first seven months this year one nine one
six nine naught thousand pesos slightly above figure one eight nine five
nine eight thousand pesos same period last year.

Insular Treasurer's report on net currency circulation including amounts
in Treasury vaults available for circulation shows decline one nine naught
five thousand pesos during month. Practically all decline in Treasury certifi-
cates owing reduction in Treasury certificate 

Steintorf

HICHTER

Regraded Unclassified
Secretary of State,

Washington.

Thirtieth.

FOR COMMERCE.

Monthly, banking (SECTION FOUR, LAST).

Import bills for collection during July one five six eight six thousand pesos only slightly below nineteen forty high reaches in June and compared one three eight five thousand pesos same month nineteen thirty nine. Letter of credit issued three six one six thousand pesos a remarkably small figure and in fact smallest monthly total since February nineteen thirty six. Cumulative totals first seven months nineteen forty import bills one naught two three six eight thousand pesos and letters of credit four naught three nine four thousand pesos.

Statistics dishonored bills and extensions during July clearly reflect unsatisfactory credit situation with one three six dishonored bills value four nine four thousand pesos and three two six extensions value one two nine eight thousand pesos. Ratio dishonored bills and extensions to total import bills for collecting during July one one point four per cent. (end)

Steintorf.

HICKOK

Regraded Unclassified
August 30, 1940

Professor Chamberlain

Mr. Cochran

Mr. Livesey telephoned me from the State Department late yesterday evening in regard to a letter which had been received by that Department concerning tobacco sales to France. It appears that the Eastern Park Fire Tobacco Association and others agreed to sell "lean tobacco" to France on condition that the French monopoly also purchased a certain amount of U. S. tobacco commercially. By lean tobacco I understand this to mean tobacco on which advances had been made by the Commodity Credit Corporation. There has naturally been a breakdown in the arrangements since the capitulation of France. Mr. Lawrence Myers representing the tobacco people has requested the State Department that he be kept informed of any developments which might affect the ability of the French tobacco monopoly to dispose of funds resulting from sales in the United States. The sales which might be made, I take it, would be those involved in releasing on this market tobacco contracted for from the American associations.

Mr. Livesey gave me the above information with the idea that we be on the watch for any transactions of the character under reference, and keep him informed thereof.

[Signature]
August 30, 1940

Professor Chamberlain

Mr. Coshren

I talked by telephone with the Minister of Uruguay this morning. I told him that we had not been able to find any applications made covering transfer of French funds to pay for purchases of Uruguayan products already shipped, other than the transaction of the Frigorifico Nacional under which we had approved a payment for $210,000.

I suggested, therefore, that the Minister learn from Montevideo whether any applications had actually been filed for other transactions with the French Government which had been consummated. If so, we should be told the banks which filed them, and if possible we should be given the numbers thereof. If no applications had been filed, but shipments had been made, a bank in New York should be provided with the necessary data to make formal applications at once, for transmission through the Federal Reserve Bank to the Treasury.

With respect to contracts which had been entered into by the French Government, but upon which no deliveries had been made, I suggested that the Minister ascertain whether the British Government had taken over the contracts from the French, whether the Uruguayan exporters had permitted the contracts to be cancelled, or whether some indemnity may have been sought by the Uruguayan and granted by the French Government. If Great Britain was taking over the full contracts and making payment thereon, naturally we should not be disposed to approve a transfer of French funds for this purpose. If the circumstances were otherwise, appropriate applications should be made.
August 30, 1940

Professor Chamberlain

Mr. Cashman

In agreement with Professor Chamberlain, I arranged that Messrs. Aveossy and
Goming of the State Department should come to the Treasury at twelve o'clock yester-
day to discuss with Professor Chamberlain and myself the question of the Swedish
Government in regard to possible American application of control to Swedish assets
in this country, which was the subject of a memorandum addressed to the State Depart-
ment by the Swedish Embassy, and of the State Department's transmitting letter of
August 10.

The attached memorandum was drafted as the basis of an oral reply to be made by
the Department of State to the Swedish Embassy.
MEMORANDUM IN REGARD TO THE SWEDISH LEGATION'S STRICTLY CONFIDENTIAL MEMO-
RAMUM OF AUGUST 9, 1940.

The competent authorities of the Government of the United
States have given careful consideration to the Swedish Legation's
memorandum of August 9 regarding Swedish assets in the United
States. The competent authorities of the Government will be glad, as far as
circumstances permit, to give the Swedish Government notice before the
issuance of a blocking order against Swedish assets in the United
States. The Government cannot at this time, however, give assurances
that in all circumstances it could give sufficient notice to enable
the Swedish Government to make representations in the matter, since
it is impossible to forecast the emergency conditions under which an
order might issue.

While the Government of the United States will, of course,
always be glad to give sympathetic consideration to any representations
which the Swedish Government may desire to make with respect to the ad-
ministration of any blocking order which may be issued, it cannot underta-
take, at this time, to commit itself as to the decision which may be
taken with respect to any specific request which the Swedish Government
may desire to make.

The American Government has taken due notice of the arrange-
ments made for conferring power on Messrs. Doeefen and Eriksen.
August 30, 1943

Mr. Cockrum

STRICTLY CONFIDENTIAL

Colonel Bukton, the Far Eastern Specialist in the Military Intelligence section of the War Department, telephoned requesting information in regard to the visit to the United States of Dr. Z. Y. Chiang of China. I gave him a brief summary of the purpose of his visit, as revealed by him to the Treasury, and an indication as to our attitude toward Dr. Chiang’s requests. Colonel Bukton seemed entirely satisfied with the information which I gave him.
The Federal Reserve Bank reported that gold valued at $500,000 was shipped to it from Belgium by the National Bank. The disposition of this gold is unknown at the present time.

The dollar equivalent of the gold price in London was slightly lower at $25.24.

The discount on the cable peso was further reduced today at 111 1/16.

The discount on the Oubian peso was further reduced today at 116 1/4.

The London fixing prices for spot silver were 32-1/2 and 21-1/16 and for forward, 8-1/16 and 8-1/8.

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The London fixing prices for spot silver were 32-1/2 and 21-1/16 and for forward, 8-1/16 and 8-1/8.

The Federal Reserve Bank reported that gold valued at $500,000 was shipped to it from Belgium by the National Bank. The disposition of this gold is unknown at the present time.

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The London fixing prices for spot silver were 32-1/2 and 21-1/16 and for forward, 8-1/16 and 8-1/8.
We made two purchases of silver totaling 125,000 ounces under the Silver Purchase Act, all of which consisted of new production from foreign countries, for forward delivery. We also purchased 200,000 ounces of silver from the Bank of Canada under our regular monthly agreement.

During the month of August we purchased a total of 4,795,000 ounces of silver under the Silver Purchase Act. The sources of these purchases were as follows:

<table>
<thead>
<tr>
<th>Type of Silver</th>
<th>Ounces</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Production</td>
<td></td>
</tr>
<tr>
<td>1. From various countries</td>
<td>2,845,000</td>
</tr>
<tr>
<td>2. From Canada under agreement</td>
<td>800,000</td>
</tr>
<tr>
<td>Inventory</td>
<td>1,150,000</td>
</tr>
<tr>
<td>Total</td>
<td>4,795,000</td>
</tr>
</tbody>
</table>

It is interesting to note that this is the first month since October 1939 that the Bank of Canada has sold to us less than the agreed monthly total of 1,200,000 ounces. During August it sold only 800,000 ounces and it was intimated from Canadian sources, but not confirmed, that the balance of 400,000 ounces may have been used by Canada for coinage purposes.
The Department of the Treasury, in accordance with the provisions of the American Bank Note Act, has ordered the following gold notes:

- 1996 $10 note
- 2005 $20 note
- 2009 $50 note
- 2016 $100 note
- 2017 $500 note
- 2018 $1,000 note
- 2019 $5,000 note
- 2020 $10,000 note
- 2021 $20,000 note

The Federal Reserve Bank of New York has been directed to pay for these gold notes.

Date: August 16, 1940

CONFIDENTIAL
The gold will be sold to the U. S. Mint.

The U. S. equivalents of the Bombay gold and silver prices were $34.10 off 19¢ and 44.96¢ off about 3/8¢, respectively.
During August 30th there was one major air raid in the forenoon and three in the afternoon. It is estimated that about 400 planes, of which about 50 per cent were fighters, participated in these daylight attacks. Airfields were their principal target, of which four were attacked. Three air fields and two factories sustained major damage.

During the night of August 30-31 about 300 long range bombers and aircraft were flown over England dropping incendiary and high explosive bombs. Reports indicate that bombs were dropped on at least 350 widely separated points, including the East End and other suburbs, during the last 24 hours. Damage reported was small. Small fires were started in growing crops and some houses, and the Rochester Cathedral was set on fire. Some power lines and water pipes were damaged. The night bombardment appeared to be almost at random.

Many aircraft casualties consisted of 62 destroyed, 21 probably destroyed and 29 damaged. The British lost 25 planes and 10 pilots. Personnel casualties in the Royal Air Force amounted to some killed and five injured; and among civilians, 63 killed and 227 injured.

During the last 24 hours six ships, totalling 4,400 (†) tons and all in convoy, were sunk in the Eastern Atlantic.

CONFIDENTIAL
CONFIDENTIAL

These included one steamer carrying 250 children and other passengers en route to New York.

The production of military aircraft in Great Britain reached a new and real high during the past week. It is difficult to understand why Germany has not given more attention to this circumstance.

Distribution:
General Watson
Secretary of War
State Department
Secretary of Treasury
Asth, Secretary of War
Chief of Staff
War Plans Division
Office of Naval Intelligence
Secretary of State,
Washington,

Thirty-first,

FOR COMMERCE,

Monthly, Government finance (SECTION ONE).

Internal Revenue collections city of Manila during July four
five two thousand pesos threefold increase over June and thirty-
four percent larger than July last year. As result large collections
in July total first seven months shows gain nearly four percent.

According preliminary figures of Bureau of Internal Revenue,
Internal Revenue collections throughout Islands during July recorded
gain seven naught four thousand pesos or one seven percent over
same months last year. Principal reason for increase was marked
gain in license and business taxes with moderate increase also in
doctorary stamp taxes. Other tax revenue items declined
particularly income taxes and domestic excise taxes. Total net
Internal Revenue collections first seven months this year only
three naught four thousand pesos or less than one percent below
sasily. This certainly extremely satisfactory showing in view of
unfavorable conditions obtaining during present year. Since fifty
percent
percent of income tax collections collectable during August whereas entire income tax payable in June nineteen thirty-nine safe predict actual collections first eight months this year greater than during safely. Steintorf.

HICKOK

IBM
Secretary of State,
Washington.

Thirtyfirst.
FOR COMMERCE.

Monthly Government finance (SECTION TWO).

Apparently official fears of smaller revenue for present year not yet realized although there is strong probability that there will be a decline during latter months of present year. July internal revenue collections thousand pesos domestic excise taxes six naught six license and business taxes three eight two one compensating tax one franchise tax six documentary stamp tax one one income tax four six naught inheritance tax two six residence taxes two nine less internal revenue allotment five one six incidental revenue three eight two earnings and other credits one one total collections four nine three seven.

Collections Bureau of Customs during July showed anticipated decline there being drop seven seven six thousand pesos or eight per cent from previous month and nine naught six thousand pesos or twenty per cent compared July last year. However, cumulative total
total first seven months nineteen forty slightly above sales.
Although largest decline in July was in customs collections
decreases noted also in internal revenue collections on imported
merchandise and in highways special fund collections with very
moderate increase in port works fund collections. Steintorf.

HICKOK
Secretary of State,
Washington.

Thirtyfirst.
FOR COMMERCE.
Monthly Government Finance (Section Three last).

July customs collections thousand pesos customs collections one eight two nine internal revenue collections of imports six eight four highways special fund collections seven twenty port works fund collections three seven four total three six maught seven.

Omitting special fund collections receipts Bureau Customs and Internal Revenue during first seven months nineteen forty four nine seven four three thousand pesos drop eight maught four thousand pesos from sapely. Sinecial fund collections eight six five eight thousand pesos during seven months period compared eight one one three thousand for same period last year. End.

Steintorf

HICKOK
J. P. Morgan & Co. Incorporated is Paying Agent

for two French Government dollar loans which at present remain outstanding, as follows:

<table>
<thead>
<tr>
<th>Government of the French Republic</th>
<th>Principal Amount of Bonds</th>
<th>Originally Issued</th>
<th>Outstanding</th>
<th>8/31/40</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twenty-Year External Gold Loan 7-1/2% Bonds due June 1, 1941</td>
<td>$100,000,000</td>
<td>$48,792,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>External Loan of 1924 Twenty-Five Year Sinking Fund 7% Gold Bonds due December 1, 1949</td>
<td>100,000,000</td>
<td>92,452,600</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Together</td>
<td>$200,000,000</td>
<td>$88,232,100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

On both loans interest matures semi-annually, on June 1 and December 1 of each year. In the case of the 7-1/2% Loan, the sinking-fund has expired. The 7% bonds, on the other hand, continue to enjoy the operation of a sinking-fund in respect of which $350,000 is payable on the first day of each month to the Paying Agent in New York. Such sinking-fund payments, originally calculated to be sufficient to retire the whole 7% issue by maturity, are to be applied to the purchase of bonds, if obtainable at or below 105% and accrued interest, or if not so obtainable, to the redemption of bonds, called by lot, at 105% and accrued interest. The 7% bonds are redeemable for the sinking-
fund on December 1 of any year before maturity. It will undoubtedly be necessary to hold a drawing of these bonds for redemption for the sinking-fund on December 1st next, as the Loan Contract requires such a drawing in case $100,000 or more remains unexpended in the sinking-fund on September 15th. Drawings are usually held early in October, and the Loan Contract requires notice to be published about October 15th, i.e., 45 days before the redemption date. If the French Government wish, the sinking-fund instalments due on October 1, November 1, and December 1, may be included; but the French Government have not included these instalments since the drawing for redemption on December 1, 1932. Of course, it cannot be expected that they should desire to do so this year.

As concerns the 7-1/2% loan, it will be noted from the table on page one above that an amount of $48,792,500, i.e. the amount of 7-1/2% bonds at present outstanding, becomes due on June 1, 1941. As shown on page four below, possibly no more than some $10,500,000 of 7-1/2% bonds are held in this country.

The sinking-fund provisions are in each case inscribed on the reverse side of the bonds. As to interest payments, however, the provision in regard to paying interest moneys in advance is not printed on the bonds. It is contained in the Loan Contract in the case of the 7-1/2's and in the Bankers Agreement in the case of the 7's. The time involved is five days as regards each loan.
It is, of course, impossible to determine in any exact way the amounts of bonds of the two issues which have in past years been repatriated to France. A stamping procedure was introduced in 1935 by the French Government, evidencing which bonds were then in non-French beneficial ownership. In 1937 a new stamping procedure was enacted, evidencing not only non-French-owned but also French-owned bonds. Subsequently, however, French-stamped bonds may have returned to the United States, and bonds enalled to evidence non-French ownership may have been purchased by French interests. In the circumstances a better criterion for existing holdings abroad or in this country would seem to be the relative amounts of coupons paid at Paris as compared with the amounts encashed in New York. December 1, 1939 coupon payments in either centre through May 14, 1940 suggest the following figures:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Percent of Dec. 1, 1939</th>
<th>Percentages of Coupons Encashed, applied to Amounts of Bonds now Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>7-1/2% Loan</td>
<td>$48,792,500</td>
<td>76.3% Paris, 21.7% N.Y.</td>
<td>$38,204,500, 10,588,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Together</td>
<td>$46,792,500</td>
</tr>
<tr>
<td>7%</td>
<td>$39,439,600</td>
<td>93.5% Paris, 6.5% N.Y.</td>
<td>$35,875,000, 2,583,500</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Together</td>
<td>$38,439,600</td>
</tr>
<tr>
<td>Both Loans Together</td>
<td>$88,232,100</td>
<td>85.1% Paris, 14.9% N.Y.</td>
<td>$75,080,500, 13,151,500</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Together</td>
<td>$88,232,100</td>
</tr>
</tbody>
</table>
We have received from Morgan & Cie monthly advices of the principal amounts of 7% bonds drawn for redemption on December 1, 1939, paid by them up to May 31st last. According to these advices the total principal amount of drawn bonds paid at Paris was $3,328,700 out of the total of $3,965,700 principal amount of bonds drawn. We have paid to date $275,200 principal amount of bonds. In other words, of the $3,601,900 bonds thus far known to have been paid, about 92.4% were paid at Paris in francs during the 6 months from December 1, 1939 to May 31, 1940, and about 7.6% were paid in New York in dollars during the nine months from December 1, 1939 to date. There now appear to be $383,800 principal amount of bonds unrepresented or not yet reported from France as paid there.

Following the devaluation of the American dollar in 1933, and in view of the large extent to which repatriation of bonds had taken place, the French Government insisted that a machinery be set up whereby all service moneys on both loans were paid in francs to Nesara, Morgan & Cie, Paris. Under this arrangement the French Government have been making sinking-fund payments on the 7% bonds not to us in dollars, as required by the terms of the bonds, but to Morgan & Cie in francs. The French Government have also been offering payment of drawn bonds optionally at Paris in francs at the current rate of exchange; and these payments have been made out of the franc deposits of sinking-fund moneys with Morgan & Cie, who have also been purchasing bonds at Paris for the sinking-fund out of the franc moneys in their hands. When
payments of interest and purchases of bonds for the sinking-fund were made here in dollars, we advised Morgan & Cie, who reimbursed us in dollars by converting the necessary amounts of francs. While we have on several occasions during these years endeavored to obtain full sinking-fund payments in dollars, our efforts have not been successful. The French Government has continued to make monthly deposits of francs with Morgan & Cie in the amount of about Fr. 15,000,000 each, representing the equivalent of the monthly sinking-fund installments of $350,000 each at the rate of approximately Fr. 43.90 = $1. Such franc deposits have been made for the monthly installments due up to and including August 1, 1940. There has been no Paris-New York exchange rate for a number of weeks past, however, and Morgan & Cie's cable advising us of the franc deposit for August 1, 1940 described it as the "initial step" toward payment of the instalment due on that date.

We received dollar service monies in an amount of about $4,300,000 on June 22, 1940, from Morgan & Cie, who have advised us that this was a "purely accidental amount," arrived at by converting into dollars the proceeds of certain French Treasury bills in their vaults and sent to us at the time, after discussion with the Treasury, with a view to making us "feel a little more comfortable about the French loans." Morgan & Cie have suggested that no attempt be made to allocate this dollar amount as between sinking-fund monies in respect of the 7\% bonds and coupon monies...
(1) by changing the words "upon presentation and surrender", in reply Morgan & Cle
(2) by inserting the words "upon presentation and surrender", In reply Morgan & Cle

We stated that if these dollar funds were not in our hands before

publication of the notice, we planned to notify the usual text

of amount of the written notice of amounts thereby and a before

published or the Dollar funds thereof and a before


In September 1932, however, the war began, and then the

attacked basis for all dollar funds to pay these bonds

had been received, we called to Morgan & Cle on October 9, 1939,

of amounts is in the written notice and that payment of the other

of the bonds at our office, "upon presentation and surrender", or

Last year we wrote that Morgan & Cle

on August 17th about the 1939 drawing. With our letter we em-

clined the 1938 redemption notice and suggested that the same text,

with the necessary changes of amounts and dates, might be used for

the 1939 drawing. The 1938 notice, and earlier notices, had

the total deposit of the bonds, and are changing to
to the total deposit of the bonds, and are changing to

we do not know what part of the dollar deposit is attributable

The French Government, looking toward a constitutional plan for Germany, would consider suggestions from the United States on how they could not accede deposit of funds-unknown money in France.

In the matter ofứ the monetary situation and the fact that France had not deposited any of its funds in France, an advance in the matter was made on October 1.

In a letter dated December 12, 1947, it was stated that they would recommend in a letter to Morgan a date during October 24, 1947, Morgan & Co., Inc.

The French Government, after the discussion, was willing to agree to the terms of the advance as long as the advance was not an advance for the purpose of the advance or for the purpose of the French Government...

We agreed upon a date during October, and Morgan & Co., Inc.
or in France." Morgan & Cie replied to this message asking
whether they would "be able to ship and present drawn bonds in
New York and receive payment in dollars." Our reply of August
1, 1940 referred to the freezing restrictions now in effect here
and stated that if the July and August sinking-fund instalments
were "deposited with us in dollars as required by the loan con-
tract" we should hope to obtain the necessary licenses for such
payments. We added that we would take this question up with our
authorities in Washington if Morgan & Cie so wished.

In reply Morgan & Cie cabled on August 3, 1940, that
they had forwarded our messages to their partners at Paris. They
suggested that we explore license questions with the authorities
in Washington. We prepared a memorandum on the subject which
Mr. George Whitney sent to Mr. E. Herle Cochran of the Treasury
Department with a letter dated August 6, 1940. Mr. Cochran's
reply of August 8th stated that the information contained in the
memorandum would be held for the guidance of the Treasury "whenever
an application for a license covering the transaction involved
may be received."

Any recapitulation of the present position, weighing
the service moneys which we have on hand in dollars against total
requirements on account of past-due coupons and sinking-fund
purchases, is difficult to make with any degree of exactitude
inasmuch as we do not know how many matured coupons have been
encashed in France in France during the last couple of months.

-327-
The latest month-end statement which we have received from
Messrs. Morgan & Cie is the one as of April 30, 1940. The follow-
ing figures suggest that we may have on hand about two-thirds
of the potential dollar requirements.

**Potential Dollar Requirements:**

**Equivalent of franc balances**
in coupon accounts on
June 22, 1940, respecting
7-1/2's
7's

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance in sinking-fund on October 1, 1939</td>
<td>$24,71</td>
</tr>
<tr>
<td>Add: Twelve months' sinking-fund instalments of $350,000 each from October 1, 1939 to September 1, 1940</td>
<td>$4,200,000</td>
</tr>
<tr>
<td>Deduct: $36,000 bonds purchased from October 1, 1939 to August 31, 1940</td>
<td>$35,425</td>
</tr>
</tbody>
</table>

We should have on hand in respect of 7% sinking-fund
moneys

**Total Dollar Requirements**

At the call price of 105%, $4,164,599.71 would redeem $3,966,200
principal amount of bonds, - costing $4,164,510. It has been
possible to make only a limited number of bond purchases here
for the sinking-fund. No purchases are being made in France at
this time. Indeed, the most recent sinking-fund purchase made
in New York was one concerned with $7,000 of bonds at the price
of 70 on August 10 last.

Against the foregoing amount of potential dollar
requirements assumed to aggregate $7,257,219, there remains in the account in which the sum of $4,300,000 was placed on June 22, 1940 a present balance of $4,253,193.73. However, it cannot be unnatural to assume that a substantial amount of coupons has been paid in France after June 22, 1940. To the extent that such is the case, the foregoing table overstates requirements on account of matured but unregistered coupons. Whatever may be the amount of outstanding coupons, the dollar balance on hand exceeds the sum needed for redeeming 7½% bonds on December 1, 1940.

By way of further illustration we attach hereto a table showing semi-annual and annual interest requirements on bonds calculated to be outstanding here and abroad.
<table>
<thead>
<tr>
<th>Semi-Annual Interest Requirements</th>
<th>Paris</th>
<th>New York</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>7-1/2% Loan</td>
<td>$1,432,669</td>
<td>$397,050</td>
<td>$1,829,719</td>
</tr>
<tr>
<td>7% Loan</td>
<td>$2,960,660</td>
<td>$82,766</td>
<td>$3,143,426</td>
</tr>
<tr>
<td>Both Loans Together</td>
<td>$3,723,329</td>
<td>$486,776</td>
<td>$4,210,105</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Annual Interest Requirements</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>7-1/2% Loan</td>
<td>$2,855,337</td>
<td>$794,100</td>
<td>$3,649,437</td>
</tr>
<tr>
<td>7% Loan</td>
<td>$4,581,320</td>
<td>$179,452</td>
<td>$4,760,772</td>
</tr>
<tr>
<td>Both Loans Together</td>
<td>$5,436,657</td>
<td>$973,552</td>
<td>$6,410,209</td>
</tr>
</tbody>
</table>
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE August 31, 1940

TO Secretary Morgenthau
FROM Mr. Cochran

STRICTLY CONFIDENTIAL

At 11 o'clock this morning Mr. Wailes, who handles the Canadian desk in the Department of State, told me by telephone that the Canadian Legation was inquiring as to whether the Canadian Government accounts had yet been opened with the Federal Reserve Bank at New York. I immediately talked by telephone with Mr. Enloe and referred to our conversations of the past few days toward the end of opening the Canadian accounts. He was able to tell me that the Bank of Canada accounts will be transferred to the new Canadian Government accounts as at the close of business today. The arrangement was that this operation was to take place at the close of business on the day on which the letter requesting this operation was received from the Canadian authorities through the American Government channels. Mr. Enloe was on the point of telephoning Governor Towers of the Bank of Canada to inform him of the above. After speaking with Mr. Enloe, I at once telephoned Mr. Wailes and gave him the information which he desired for passing on to the Canadian Legation.
<table>
<thead>
<tr>
<th>Petroleum Products</th>
<th>Japan</th>
<th>Russia</th>
<th>Spain</th>
<th>Great Britain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel and Gas Oil (including Diesel Oil)</td>
<td>119,525 Bbls.</td>
<td>—</td>
<td>—</td>
<td>80,000 Bbls.</td>
</tr>
<tr>
<td>Crude —</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Marketed or California</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>High Octane Crude</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>All Other Crude</td>
<td>105,000 Bbls.</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Gasoline —</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Aviation Motor Fuel **</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>All Other Gasoline (including Kerosene and Benzine)</td>
<td>—</td>
<td>—</td>
<td>63,000 Bbls.</td>
<td>113,800 Bbls.</td>
</tr>
<tr>
<td>Lubricating Oil —</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Aviation Lubricating Oil **</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>All Other Lubricating Oil</td>
<td>4,206 Bbls.</td>
<td>—</td>
<td>—</td>
<td>15 Bbls. 22,785 Bbls.</td>
</tr>
<tr>
<td>Tetraethyl Lead **</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>&quot;Boosters&quot;, such as Iso-</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Octane, Iso-Hexene, or</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Iso-Pentane</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>&quot;Scrap Iron and Scrap Steel&quot;</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Number 1 Heavy Melting Scrap</td>
<td>12,166 Tons</td>
<td>—</td>
<td>—</td>
<td>2,292 Tons</td>
</tr>
<tr>
<td>All Other Scrap</td>
<td>32,015 Tons</td>
<td>—</td>
<td>—</td>
<td>12,268 Tons</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury, Division of Research and Statistics. Sept. 2, 1940

*Any material from which by commercial distillation there can be separated more than 3% of aviation motor fuel, hydrocarbon or hydrocarbon mixture - President's regulations of July 26, 1940.*

** As defined in the President's regulations of July 26, 1940.
<table>
<thead>
<tr>
<th>Item Description</th>
<th>Week Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Aircraft</td>
<td>61,615</td>
</tr>
<tr>
<td>2. Airplane Engines</td>
<td>3,401</td>
</tr>
<tr>
<td>3. Airplane Accessories</td>
<td>322</td>
</tr>
<tr>
<td>4. Total Aircraft Products</td>
<td>65,418</td>
</tr>
<tr>
<td>5. Machine Tools</td>
<td>102</td>
</tr>
<tr>
<td>6. Chemical Warfare Material</td>
<td>-</td>
</tr>
<tr>
<td>7. Explosives &amp; Propellants</td>
<td>921</td>
</tr>
<tr>
<td>8. Ammunition</td>
<td>10,749</td>
</tr>
<tr>
<td>9. Ordnance Equipment</td>
<td>2,136</td>
</tr>
<tr>
<td>10. Sustains &amp; Tents &amp; Equipment</td>
<td>-</td>
</tr>
<tr>
<td>11. Motor Vehicles</td>
<td>594</td>
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<td>12. Iron &amp; Steel</td>
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<td>13. Non-Ferrous Metals</td>
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Notes of the Secretary of the Treasury, Division of Research and Statistics.

SOURCE: British Purchasing Commission.

Regarded Unclassified
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<td>2,804</td>
<td>2,461</td>
<td>49,018</td>
<td>7,216</td>
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Office of the Secretary of the Treasury, Division of Research and Statistics.

SOURCE: British Purchasing Commission

Regraded Unclassified
### Total of Orders Placed Through the British Purchasing Commission, and of Orders Placed with Its Knowledge (But Not Through Its Facilities),
#### August 31, 1940

**Total of Orders Placed Through the British Purchasing Commission, and of Orders Placed with Its Knowledge (But Not Through Its Facilities),**

*August 31, 1940*

**Classified by Commodity Groups**

*(In thousands of Dollars)*

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<th>Commodity Group</th>
<th>July 5</th>
<th>July 13</th>
<th>July 20</th>
<th>July 27</th>
<th>Aug-3</th>
<th>Aug-10</th>
<th>Aug-17</th>
<th>Aug-24</th>
<th>Aug-31</th>
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<td>121</td>
<td>946</td>
<td>10,773</td>
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<td>4,087</td>
<td>7,204</td>
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<td>1,959</td>
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<td>15. Foodstuffs &amp; Tobacco</td>
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<td>337</td>
<td>574</td>
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<td>21. Total Non-Aircraft Products</td>
<td>20,956</td>
<td>30,598</td>
<td>33,357</td>
<td>16,343</td>
<td>15,314</td>
<td>66,280</td>
<td>18,864</td>
<td>25,569</td>
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<td>22. Grand Total - All Commodities</td>
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<td>66,224</td>
<td>44,706</td>
<td>17,522</td>
<td>15,487</td>
<td>76,121</td>
<td>27,902</td>
<td>25,999</td>
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</tr>
</tbody>
</table>

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

**NOTES:**

- British Purchasing Commission
- **C** Cancelled

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*Regraded Unclassified*
### Schedule I

Summary of Total Capital Commitments
of the British Empire and of France

August 31, 1940

(In millions of dollars)

**STRICTLY CONFIDENTIAL**

<table>
<thead>
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<th>Capital Commitments on orders placed:</th>
<th></th>
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<tbody>
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<td>In the aircraft industry</td>
<td>60.0</td>
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<tr>
<td>Other than the aircraft industry</td>
<td>60.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120.5</strong></td>
</tr>
</tbody>
</table>

Additional Capital Commitments in connection with expediting deliveries (amounts are approximate)

| The aircraft industry                | 22.5  |
|                                     | (Contracts in preparation) |
| Other than the aircraft industry    | 69.0  |
|                                     | (Chiefly for machine tools) |

| **Total**                            | **87.5** |

Total — Capital Commitments: 228.0

For detail, see Schedule II

For detail, see Schedule IX

---

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

SOURCE: British Purchasing Commission.

Regraded Unclassified
# Schedule II

Summary of Capital Commitments of the British Empire and of France in the Aircraft Industry, Classified by Purpose. August 31, 1940

(In thousands of dollars)

<table>
<thead>
<tr>
<th>Purpose</th>
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<th>Aug. 3</th>
<th>Aug. 10</th>
<th>Aug. 17</th>
<th>Aug. 24</th>
<th>Aug. 31</th>
<th>Sept. 7</th>
<th>Sept. 24</th>
<th>Sept. 21</th>
<th>Total to Date</th>
<th>Supporting Schedules</th>
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Office of the Secretary of the Treasury, Division of Research and Statistics.

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

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

Source: British Purchasing Commission.
## Schedule V

**Commitments of the British Empire and of France for Personal Training in the Aircraft Industry, Classified by Company**

**August 31, 1940**

(In thousands of dollars)

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<th>Aug. 10</th>
<th>Aug. 17</th>
<th>Aug. 24</th>
<th>Aug. 31</th>
<th>Sept. 7</th>
<th>Sept. 14</th>
<th>Sept. 21</th>
<th>Total to date</th>
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Office of the Secretary of the Treasury, Division of Research and Statistics.

**Source:** British Purchasing Commission.

[c] Regraded Unclassified
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<th>Aug. 17</th>
<th>Aug. 24</th>
<th>Aug. 31</th>
<th>Sept. 7</th>
<th>Sept. 14</th>
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Office of the Secretary of the Treasury, Division of Research and Statistics.

SOURCE: British Purchasing Commission.
## Schedule VII

Commitments of the British Empire and of France for Development Costs Incurred by United States Government in the Aircraft Industry, Classified by Company

August 31, 1940

(In thousands of dollars)

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<td>0</td>
<td>1,121</td>
</tr>
<tr>
<td><strong>Total - Aircraft</strong></td>
<td>3,913</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>3,913</td>
</tr>
<tr>
<td><strong>Airplane Engines</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pratt &amp; Whitney</td>
<td>750</td>
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<td>0</td>
<td>0</td>
<td>0</td>
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<td>0</td>
<td>0</td>
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<td>0</td>
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<td>4,663</td>
</tr>
</tbody>
</table>

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

Source: British Purchasing Commission.
### Schedule VIII

**Capital Commitments of the British Empire and of France with Purpose not Designated**

**Classified by Company**

**August 31, 1940**

(In thousands of Dollars)

---

**STRICTLY CONFIDENTIAL**

<table>
<thead>
<tr>
<th>Company</th>
<th>July 27</th>
<th>Aug. 3</th>
<th>Aug. 10</th>
<th>Aug. 17</th>
<th>Aug. 24</th>
<th>Aug. 31</th>
<th>Sept. 7</th>
<th>Sept. 14</th>
<th>Total to date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Airplanes</strong></td>
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<td></td>
<td></td>
<td></td>
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<td>940</td>
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<td>1,432</td>
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<tr>
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<td>0</td>
<td>0</td>
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<td>2,372</td>
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<tr>
<td><strong>Airplane Engines</strong></td>
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<tr>
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<td>9,743</td>
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<td>Pratt &amp; Whitney</td>
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<td></td>
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<td>469</td>
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<td>Allison</td>
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<tr>
<td>Total - Engines</td>
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<td>11,131</td>
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<tr>
<td><strong>Airplane Accessories</strong></td>
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</table>

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

**Source:** British Purchasing Commission.

---

Regarded Unclassified
Schedule IX

Capital Commitments of the British Empire and of France Other than in the Aircraft Industry for Expansion of Plant Capacity.

Classified by Company,
August 31, 1940

(In thousands of dollars)

<table>
<thead>
<tr>
<th>Company</th>
<th>Jul 27</th>
<th>Aug. 3</th>
<th>Aug. 10</th>
<th>Aug. 17</th>
<th>Aug. 24</th>
<th>Aug. 31</th>
<th>Sept. 7</th>
<th>Sept. 14</th>
<th>Sept. 21</th>
<th>Total to date</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Car &amp; Foundry Co.</td>
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<td>Bridgeport Brass Co.</td>
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<tr>
<td>Burgess Co.</td>
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<td>Colt’s Patent Fire Arms Mfg. Co.</td>
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<td>750</td>
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<td>E. A. Oakes</td>
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<td>E. W. Bliss Co.</td>
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<td>Generall Electric Co.</td>
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<tr>
<td>General Electric Co.</td>
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<td>7,137</td>
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<td>Heyney &amp; Taeckel Corp.</td>
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<tr>
<td>National Pneumatic Co.</td>
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<tr>
<td>New Jersey Powder Co.</td>
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<td>Pullen Standard Mfg. Co.</td>
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<td>2,758</td>
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<td>Tennessee Powder Co.</td>
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<td>2,758</td>
<td></td>
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<tr>
<td>The Bradford Machine Tool Co.</td>
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</tr>
<tr>
<td>The Reliable Electric &amp; Engineering Co.</td>
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<td>9</td>
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</tr>
<tr>
<td>The Waterbury-FARREL Foundry &amp; Machine Co.</td>
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<td></td>
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<tr>
<td>Washington Engine Co.</td>
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<tr>
<td>Winchester Repeating Arms Co.</td>
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<tr>
<td>TOTAL</td>
<td>37,475</td>
<td>1,937</td>
<td>10,308</td>
<td>7,386</td>
<td>1,008</td>
<td>2,866</td>
<td></td>
<td></td>
<td>60,582</td>
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</tr>
</tbody>
</table>

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

SOURCE: British Purchasing Commission.
GERMAN CHEMICAL WARFARE AND SMOKE

NOTICE

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SOURCE

These notes are based upon information from a British official publication issued in July, 1940.

CONTENTS

I. GENERAL POLICY
II. GENERAL ORGANIZATION, ADMINISTRATION, AND POLICY
III. DEFENSE
IV. OFFENSE
V. RESEARCH AND RESEARCH ESTABLISHMENTS
VI. MANUFACTURING ESTABLISHMENTS AND DEPOTS
VII. SMOKE
VIII. INCENDIARY
IX. BACTERIA

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I. GENERAL POLICY.

Although the German government has ratified the international agreement prohibiting the use of gas as a weapon of war, it should be borne in mind that the Germans were instrumental in introducing the gas weapon into warfare. Despite the stress of active war, they independently discovered and tried out during the war 1914-1918 many of the most effective war gases known and at the same time developed an effective if sometimes faulty chemical warfare technique. Our information indicates that since the last war, German research on chemical warfare methods has been pursued unremittingly. Moreover, the German chemical industry is very highly developed. It must be assumed, therefore, that Germany is in a high state of preparedness, both offensively and defensively, for gas warfare and, if the Germans deem it expedient to introduce gas warfare, it will be pursued with their characteristic vigour, ingenuity, and ruthlessness.

The introduction of gas warfare in the form of cloud attacks from cylinders on the Western Front in the last war was, to some extent, a tactical error on the part of Germany, for the prevailing wind was inimical to such operations on over 60 percent of occasions. Modern chemical warfare methods, however, are much less dependent upon wind limitations. Consequently, it is improbable that this factor will deter them from the use of gas, and in the light of all information available, the indications are that the Germans are in a position to bring the gas weapon into effect as soon as they see fit to do so.

II. GENERAL ORGANIZATION, ADMINISTRATION AND POLICY.

General control and coordination of all German chemical warfare activities are centered in the Heereswaffenamt (Ordnance and Supply Department, Ministry of Defense). It is presumed that this department also directs the policy regarding the offensive use of gas.

The technical side of chemical warfare is controlled by the anti-gas section in the testing branch of the Ordnance Department. Despite its nomenclature, it is probable that research regarding offensive gases is also the concern of this section, and that it cooperates in this work with the various establishments and firms enumerated in Paragraph V of these notes.

III. DEFENSE.

A. Organization, Administration, and Strength.

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Anti-gas training in the army is on a sound and efficient basis; large scale field exercises or gas war games have been reported on a number of occasions. Army anti-gas schools are located in Berlin, Duitsch, and Sarnack, and the schools attached to the firms of Auer and Braeger are also extensively used for training of instructors for the army.

It is believed that there is in each battalion or equivalent unit an anti-gas officer assisted by a non-commissioned officer, and in each company an anti-gas N.C.O. These specialists instruct their units in anti-gas measures and carry out periodical inspections of all anti-gas equipment. Each company or equivalent unit has a man detailed as a gas sentry (Gassucher).

It is stated that in addition to these specialists, decontamination, or anti-gas detachments, exist in all formations.

B. Equipment.

1. Facemasks.

a. Since 1934, the gas mask issued to the German armed forces has been of the type known as the G-mask or Model 30/31, essentially a somewhat rigid facepiece with directly attached (screw-in) drum container, the whole transported in a cylindrical sheet metal carrier.

The facepiece is composed of canvas, rubber, and cotton fabric. The eyepieces are of cellulose acetate, with anti-dimming discs. Inlet and outlet valves are in the container attachment piece, which is screwed to the neck of the container.

Two types of container were approved and issued for use with the above facepiece, one made by Braeger, the other by Auer (Deges). In general appearance these containers are similar, being grey-painted tinplate drums.

The general scheme of filling for these two containers is comparable and consists of a wire gauze immediately below the neck of the drum, a finer mesh gauze made up of strips of twisted paper, a layer of brick granules, another twisted paper gauze, a layer of activated charcoal supported by a third paper gauze, and a perforated metal plate under which the particulate filter is housed. The containers differed in the volumes of the granule and charcoal layers, and in the Auer container the particulate filter consisted of two discs of beaten cotton fibers arranged concertina fashion, whereas in the Braeger design, the...
filter consisted of a single pad of a mixture of cotton and white asbestos fibers. The granule layer is usually treated just before issue or on mobilization to protect against acid gases.

b. There is another type of respirator, the
Deutscher F37, which is reported to be made for use in places where heavy concentrations of gas may lie.

Of the German respirators examined since the outbreak of war, the facepieces show no material change, and some of the containers were similar to the two asbestos pad type containers already described. They bore in addition to the more usual markings, the letters "Getr" and a date, from which it may be concluded that the granules have been subjected to final treatment.

In two containers, however, the filling was found to be materially different, as the normal upper layer of impregnated granules was replaced by a layer of extruded type charcoal impregnated with copper and iron, with a cotton wool pad above this layer to prevent charcoal dust being inhaled. The normal layer of nutshell charcoal was also replaced by untreated charcoal, while one of the filters contained blue asbestos instead of white. These two containers afforded protection, possibly incidental, against arseniuretted hydrogen, whereas the previous type did not.

It is probable that this is the true mobilization container. An inscription, "F.Z. 37", probably meaning Feld Einwurk, or Field Container 1937, appears on the container.

The navy is stated to have an extension piece providing protection against carbon monoxide, and there are indications that a limited quantity of carbon monoxide masks and also oxygen respirators is available for land forces.

It is understood that a spare container may be carried by troops on active service. As the container is merely screwed into the facepiece, it can be rapidly changed if necessary even in a gas cloud. It is improbable, therefore, that penetration will be achieved except by delivering a massive concentration on the target, and the element of surprise is essential for attack by any but persistent gas.

2. Protective Clothing. Anti-gas suits made of rubberized fabric, either in two pieces—a jacket with hood and trousers—or in one piece—the overall type with a fixed hood for

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the head—are provided for all members of decontamination squads. The material used is rubberized, either on both sides or on one side only. The former type resists liquid mustard gas for 7 hours and the latter for 2½ hours. Apart from the personnel mentioned above, these suits hitherto have been issued only for demonstration and experimental purposes on a scale of one per company or equivalent unit, but recently large issues have been made to many units.

The Germans realize that this anti-gas clothing is cumbersome and can be worn only for limited periods, but they lay much stress on training to accustom men to wearing it for long periods.

Reports now suggest that German troops are provided with a sheet of rubberized fabric, called Sasulan, to protect them from splashes of blister gas (spray) and to be used as an anti-gas pathway over contaminated ground. It measures about 5 feet 4 inches square. There is a hole in the center of the sheet to put the head through, and when worn, it reaches down to the knees.

3. Mobile Laundries. Mobile decontaminating plants for clothing are available in units. These are carried on powerful motor lorries and consist of a water tube boiler for generating steam quickly, a steam chamber, and a drying chamber. Uniforms can be contaminated in these vehicles in 15 minutes.

4. Decontamination Materials. Bleaching powder is the usual substance for ordinary decontamination work. Clothing will be subjected to steam treatment.

5. Anti-Gas Ointment. The Germans are reputed to prefer dry bleach to bleach ointment for personal decontamination, and their troops carry packages of Losantin tablets, a stabilized bleach of high chlorine content. Mixed with water or saliva, this is used on the skin to neutralize the effects of mustard gas. Work has, however, been carried out on ointments, and it is believed that a chlorehine type has been developed.

6. Gas Detectors. It is stated that German troops are issued with gas detectors in the form of sheets of test paper in an ebbonite case. The chemical components of this detector are not known.

7. Collective Protection. Anti-gas curtains will probably be available for the German army, and it is stated
that the field artillery makes a practice of gas-proofing its gun positions. Gas-proofing of tanks and armored cars has also been mentioned. It is believed that many of the fixed fortifications in Germany are equipped with filtered ventilation.

IV. OFFENSE.

A. Organization, Administration and Strength.

Germany is apparently convinced of the utility of specialist troops for conducting large scale gas operations. For several years the Germans have been experimenting secretly with different forms of offensive gas units and special smoke units, but no accurate information as to the final form of this organization is available.

1. Special Gas Units. It is believed that the Germans intend eventually to include a gas battalion in each army corps; these battalions are reported to consist of two to four mechanized companies equipped variously with portable contamination apparatus, such as wagons of 400 liters capacity for larger scale contamination, projectors, mortars, mixers charged with yellow cross gas, spray apparatus adaptable to gas and smoke, and flame throwers. There are also believed to be a number of independent offensive gas companies, each about 250 strong. The latter are attached temporarily to regiments as and when required, and could, if necessary, be concentrated into larger units. It is at present uncertain whether these companies will in war be formed into the corps gas battalions mentioned above, or whether they will be retained as additional gas troops.

2. Gas in Smoke Units. The equipment of the smoke units described in Paragraph VII, A, is suitable for the dispersion of gas.

3. Gas in Tank Units. It appears certain that a proportion of the tanks in a tank regiment are fitted with apparatus for the emission of gas.

4. Gas in Engineer Battalions. There have been reports of mechanized engineer battalions equipped with offensive gas weapons, including flame throwers and gas sprayers driven by motor pumps. Such units are reported to be fully trained for offensive and defensive gas warfare; they are also reported to carry smoke apparatus for screening bridging operations.

B. Contemplated Gases for Offensive Use.

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Regraded Unclassified
1. General, All Types: Mister, Choking, Tear and Nose Gases.

In the following paragraphs the main gases likely to be met are listed. Experimental work on a wide variety of other gases has been reported from time to time, and although it is not thought that any important new war gas has been discovered, indications of possible new developments are included in the lists.

Recent information suggests that the Germans are familiar with the potentialities of amanitiated hydrogen and it has been shown that their new respirator containers afford protection against this gas.

2. Mister Gases. German Classification: "Yellow Cross".

<table>
<thead>
<tr>
<th>Common Names</th>
<th>German Names</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Mustard H. S.</td>
<td>Lach Senfgen; Gelbfress.</td>
</tr>
<tr>
<td>b. Lewisite I.</td>
<td>Possibly Gelbfress II.</td>
</tr>
<tr>
<td>c. Dick (Ethylidichloro-</td>
<td>Dick; Grünfress III.</td>
</tr>
<tr>
<td>arsine)</td>
<td></td>
</tr>
<tr>
<td>d. Vesicant Toxic Smoke (Combination of blue and yellow cross gases)</td>
<td></td>
</tr>
</tbody>
</table>

Notes:

a. Mixtures of mustard gas and Lewisite may be used in cold weather to reduce the freezing point.

b. It is not thought that Germany regards Lewisite alone very favorably, but reserve stocks are reported to exist.

c. The mustard gas is likely to be an improvement on the 1914-1918 German mustard. It is more persistent, possibly more vesicant, and more difficult to decontaminate.

d. It should be noted that as a result of exposure to the fumes from some German explosives, respiratory and skin effects have been noticed. These are of such a nature that they might easily be confused with the results of exposure to blister gases.

3. Choking Gases. German Classification: "Green Cross".

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Common Names.

1. Phosgene: G.G.
2. Diphosgene
3. Chloropicrin: F.S.
4. Dick (Ethylidichloro-arsine)
5. Chlorine.

Note. There have been frequent references to mixtures of choking gases such as phosgene, diphosgene and chloropicrin.

4. Hose Gases (Toxic Smoke). German Classification: "Blue Cross."

<table>
<thead>
<tr>
<th>Common Names</th>
<th>German Names</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. D. A.</td>
<td>Clark I: Handkreuz.</td>
</tr>
<tr>
<td>B. D. C.</td>
<td>Clark II: Cyan Clark.</td>
</tr>
<tr>
<td>C. D. M.</td>
<td>D. M. Adamsite.</td>
</tr>
<tr>
<td>D. Vescant Toxic Smoke (Combination of blue and yellow cross gases).</td>
<td></td>
</tr>
</tbody>
</table>

Note. Germany shows a preference for D. A. and D. C. D. M. was not used in the war 1914-18.

5. Tear Gasses. German Classification—Usually Y-Stoff.

<table>
<thead>
<tr>
<th>Common Names</th>
<th>German Names</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. C. A. P.</td>
<td>R-Stoff</td>
</tr>
<tr>
<td>B. B. C.</td>
<td>T-Stoff.</td>
</tr>
<tr>
<td>C. Bromaceton</td>
<td></td>
</tr>
<tr>
<td>D. Benzyl Bromide</td>
<td>Y-Stoff.</td>
</tr>
<tr>
<td>E. Xylyl Bromide</td>
<td></td>
</tr>
</tbody>
</table>

Confidential

-3-
6. Miscellaneous.

a. ECH (Hydrogen Cyanide) Not used by the Germans in the last war.
b. Arseniuretted Hydrogen: Arains (Not related to toxic smokes).
c. Carbon Monoxide (and metallic carbonyls)
d. Organic Antimony Compounds Toxic smoke in which antimony replaces the arsenic atom.
e. Camouflaging or Fake Gases Used for tactical (Methyl telluride and derivatives).

C. Offensive Weapons and Equipment.

1. General. As has already been stated, research in chemical warfare methods has been almost continuous in Germany since the last war. The marked attention given to aerial and ground methods of contamination may be taken as an indication that the Germans regard these as being more efficient and economical than artillery shell for the dispersion of gas. The possible development of some ingenious new gas weapon cannot therefore be ignored.

Since the last war the Germans have studied the influence of meteorological factors and topography on the tactical use of gas and smoke. It may be anticipated that conditions from the offensive and defensive aspects suitable and unsuitable for the use of gas have been approximately but clearly defined and an accurate estimate made of the value of the different types of weapons.
2. Aerial Spray. Considerable work has been carried out on aerial spray. The Germans undoubtedly regard low altitude spray (below 1,000 feet) as an effective weapon both against personnel and for ground contamination, and a number of trials have been carried out in which as many as six aircraft have been employed together or in relays. They are rather significantly silent as to the possibilities of high altitude spraying; and although such evidence as is available suggests that its use is unlikely, it is not certain that the true position has been disclosed. Information as to designs of spray apparatus is meagre and of little value, as so many factors have a material influence on results. The charging will probably be mustard gas, but lewisite and mixtures of mustard gas and lewisite have also been mentioned.

3. Chemical Aircraft Bombs. Marked attention has been given by Germany to aircraft gas bombs. Types of bombs which have been mentioned are:

   a. 10 kg. bombs with S. E./toxic smoke effect.

   b. 50 kg. mustard gas bombs with highly sensitive impact fuse; small burster for ground contamination or larger burster for antipersonnel effect, giving an area of contamination about 20 meters radius from point of burst.

   c. 250 kg. mustard gas bombs with time fuse, to function at about 100 meters above the ground and contaminate an area of about 5,000 square meters. Plain glass bombs and glass capsules, charged mustard gas.

4. Projectors. No reference has been made to any efforts to increase the range or improve the mobility of this weapon, which forms part of the equipment of the special gas units.

5. Artillery Shells. The limitations of gas shell for artillery are clearly realised. Nevertheless, reports suggest that Germany has for some time been building up extensive stocks of gas charged shell, and the evidence is rather against any development of a base ejection design of shell, but this point is by no means certain.

The Germans mainly favor the 10.5 cm. (4.14 in.) and 15.0 cm. (5.9 in.) calibers with chargings of choking gas using small bursters and blister gas using a larger burster to scatter the liquid over a considerable area. The area of contamination is given as about 50 square meters for the 10.5 cm. and 100 square meters for the larger caliber. A highly sensitive percussion fuse will be used to minimize crater formation and consequent loss.
of charging in the soil.

Another type which they used during the last war and which they still regard as highly effective is their "Blue Cross" shell, in which a fragile container of glass filled with D. A. or D. C. is embedded in an H. E. charge. The shells have considerable H. E. effect, and the detonation is supposed to disperse the D. A. as a toxic smoke cloud. During the last war, however, our experience was that the toxic smoke effect was nearly always trifling.

5. Mortars. Mortars for the dispersal of gas and smoke are included in the equipment of the chemical troops. The 8.1 cm. (3.16 in.) mortar could, if necessary, fire a projectile containing gas, but no details are available of special designs of mortar gas projectiles.

7. Gas Grenades. Experiments have been carried out with these weapons, but no details are available. Gas grenades having twice the capacity of the last war designs are stated to be available in Germany.

8. Gas Cylinders. Although little is said about these, Germany is certainly familiar with the possibilities of the bean cylinder method of attack, and small portable cylinders have been mentioned in connection with chemical troops; also knapsack sprayers of persistent and possibly non-persistent gas.

9. Gas Mines. The Germans used a variety of designs of large caliber mortar bombs, or Minenwerfer during the last war. These could be adapted to gas charges and might be used as contamination mines. Reference has also been made to large gas containers sunk at the sides of roads. These are actuated by a time mechanism upon passage of vehicles or fired electrically. Gas mines are also mentioned in relation to frontier fortification and on tidal beaches to harass landing parties.

10. Bulk Contamination. Tanks, armored cars, and lorries are stated to be equipped with apparatus for spraying gas and smoke. Chemical lorries are included in the equipment for the special gas units. Portable sprayers are also envisaged.

11. Toxic Generators. No evidence has been obtained that the Germans possess an official design of thermal toxic generator, but generators made by a private firm, Stolzenberg, containing D. A., D. C., and diphenylarsinic acid have been found to be very effective, although their storage properties were not good.
V. RESEARCH AND RESEARCH ESTABLISHMENTS.

Scientific aspects of chemical warfare are dealt with at the Technical High School at Charlottenburg. Research is also carried out at the Kaiser Wilhelm Institute in Berlin, in several state laboratories, and in the laboratories of the German Dye Combine (the I. G.), the Auer Company, and the Continental Rubber Company. A large field experimental station is situated in the Breslau-Münster district (Lunenburger Heide), around Lake Marita in East Prussia, and in an area near the Tyrolean border. There are probably others at Nunsdorf and List.

VI. MANUFACTURING ESTABLISHMENTS AND DEPOTS.

A. Gas.

There is little doubt that the German chemical industry could meet large demands for war chemicals. During the last war Germany manufactured nearly 50,000 tons of actual war gases, and it has been suggested that capacity is now far in excess of this.

B. Respirators.

The total number of firms at present engaged on the manufacture of either respirators or components is about twelve; of these the Auer and Draeger Companies are the most important.

VII. SMOKE.

A. Smoke Units (Nebelabteilungen).

1. General. The Germans attach great importance to the use of smoke units, formerly a part of the artillery but now constituted as a separate arm of the service. They are controlled by the Inspectorate of Smoke Troops and Gas Defense (Inspektion der Nebeltruppen und der Gasabwehr) in the General Army Branch in the Department of the Commander-in-Chief of the Army. These units are fully mechanized. Six have been identified.

It is possible that each corps will eventually include a smoke unit, but up to the present, as far as is known, only a few of these units have been formed. They could, if necessary, be used as gas troops, as the weapon with which they are equipped could be employed to fire a gas projectile.

2. Organization. Each smoke unit consists of headquarters, signal section, and three smoke companies each of two
sections, each provided with four mortars. One company is equipped with material for decontaminating gassed areas.

3. Strength. Little information is available. It is believed that the strength of a smoke company is about 120 all ranks, and that it has approximately 24 vehicles (four cars for commanders, twelve lorries for personnel and eight lorries for weapons and equipment).

4. Armament. Each smoke unit has 24 and each company eight 8.1 cm. (3.25 in.) mortars. It is possible that a 10 cm. (3.94 in.) mortar may be introduced.

B. Equipment.

Information is lacking as to actual smoke materials used, but it is reasonably certain that the Germans possess:

1. Generators or smoke pots, probably with Berger type mixtures.

2. Generators of the C. S. A.-line type.

3. Spray-type smoke apparatus probably using C. S. A. or similar.

Preference seems to be given to spray apparatus of the C. S. A. type for land forces. The C. S. A.-line generator was developed during the last war.

C. Smoke Units and Apparatus in Other Arms of the Service.

1. Artillery. It is believed that the Germans consider the dispersion of smoke by artillery weapons uneconomical, as the latter are thereby prevented from carrying out their primary function. Smoke shells are, however, still carried in artillery units.

2. Tank Units. It is believed that a proportion of the tanks in each tank regiment and other armored vehicles are provided with smoke-producing apparatus.

3. Engineer Units. It is probable that engineer units are or will be equipped with smoke-producing apparatus to cover working parties engaged in bridging and similar operations and can use it for screening special sites such as railheads.
4. Aircraft. It is reasonably certain the Germans possess smoke curtain apparatus for use by aircraft using titanium tetrachloride. German aircraft also lay smoke screens, as distinct from vertical curtains, in conjunction with land forces.

5. Other Special Smoke Units (Blaseneinrichtungen).

Special smoke units exist, but their organization is not known. It is probable that they come under the Air Ministry and form part of the air defense organization of the country. They are, it is believed, responsible for protection of stations, bridges, industrial areas, etc., against air attack, and for such protection they use smoke screens. They are said to be equipped with small generators and large smoke spray apparatus.

VIII. INCENDIARY.

1. Bombs. The Germans have a very high opinion of the offensive value of incendiary bombs, particularly as a means of attack on rear areas and civilian centers. The bombs principally considered are of the thermite type, containing a thermite charge in a casing of metallic magnesium, of 2, 5 and 10 kilos, and would be released from aircraft in large numbers against suitable targets. There is a tendency in foreign practice to insert a small explosive charge in the larger type of incendiary bombs to prevent interference with them during the burning period.

2. Flame Throwers. Little is known regarding types of flame throwers in use, and it is possible that no definite decision regarding these weapons has yet been reached.

The Germans developed and used during the last war two types:

b. A portable type carried on the soldier's back. This was capable of projecting a jet of flame about 20 yards for a period of about one minute.

b. A cumbersome semi-stationary type consisting of several cylindrical tanks of oil, which could be used in relays together with suitable cylinders of compressed nitrogen to provide the pressure, and connecting pipe systems, the whole weighing several tons and capable of projecting a jet of flame about 40 to 50 yards.

Germany has continued to experiment with these weapons and it is stated that she possesses both portable and semi-stationary types comparable with the above, with somewhat increased
In addition, a larger type mounted on tanks or armored vehicles, or mounted permanently in concrete emplacements has been developed as an antitank weapon. The mobile types must, however, be highly vulnerable, because of the large quantity of inflammable oil they carry. The range is given variously as 45 to 120 meters, but this is probably an exaggeration.

The latest information is of 2-ton flame thrower wagons, each carrying a heavy machine gun and a flame thrower coupled to the engine of the vehicle, with a range of about 200 yards.

IX. BACTERIA.

Methods of bacteriological warfare have been thoroughly investigated by scientific experts and courses on this subject are held from time to time in Berlin. The students at these courses, which, it is believed, last for six weeks, are advanced gas specialists.

Experiments on the spraying of "foot and mouth" disease, dispersal of anthrax spore, pollution of water supplies and destruction of crops by means of germs dropped from the air, have been specifically mentioned. Some of these are directed by the Agricultural High School at Bonn.

It is maintained that the whole investigation is being undertaken from the defensive point of view, as Germany is in possession of authoritative information that preparations for bacteriological warfare are at present being made in Russia.
This military situation report is issued by the Military Intelligence Division, General Staff. In view of the occasional inclusion of political information and of opinion it is classified as Restricted.

I. Western Theater of War.

1. No ground operations.


On the afternoon and night of the 30th German air attacks over England reached a new high in intensity. Principal foci of attack were the southeast coast, north London and Hertfordshire. Day targets were largely airfields. The attacks are continuing today.

British offensive operations included some day bombing of airfields across the Channel and night raids over Germany. About 100 planes were employed in the night attacks. A two-hour alert was caused at Berlin, where the Tempelhof airfield and the Siemens electric plant were bombed.

II. Mediterranean Theater of War.

Minor operations only reported on land and in the air.
August 31, 1940

Mr. Cochran

At 11:15 yesterday morning the assistant of Mr. Alphand, the French Financial Counselor, telephoned me from New York. He referred to Mr. Alphand's visit and to the memorandum which Mr. Alphand had filed with us requesting a reclamation of our control over certain French Government accounts. This official was insistent that Mr. Alphand's official account be freed at once in order that and of such payments could be made.

At a special meeting of the Control Group which was in session at this hour, I communicated the above request, and also handed to Professor Chamberlain the note of August 29 which Mr. Alphand had left with me. I was obliged to be absent thereafter from the meeting, but was informed afterwards that the Committee had agreed to grant a license to the National City Bank freeing the 'French Financial Agency' account by permitting withdrawals, etc., up to $5,000, and that Professor Chamberlain had telephoned this decision to Mr. Alphand's office. Mr. McLaughlin has informed me by memorandum today that the Committee decided to defer judgment with respect to the other requests of Mr. Alphand.

[Signature]

Regraded Unclassified
At 10:30 this morning Mr. Reesey told us that the application of J. P.
Morgan & Co., for a license to pay 2,000,000 francs to the American hospital in Paris
had been approved. Consequently I telephoned to Morgan & Co. this forenoon, hoping
to give the information to Mr. Bernard Carter. In his absence, I informed Mr. Reesey
as to the action taken.
August 31, 1940

Piless

Mr. Cochran

At 10:30 this morning Mr. McFadden told me that the application made in behalf of Mr. Robert Rosear by Reserve, Bank of America and Reserve had been approved and that a telegraphic instruction to this effect was being issued to the Federal Reserve Bank of New York. At 10:45 I telephoned Mr. Fletcher Verran in the Department of State, giving the above information for communication to Ambassador Hugh Verran, in whose behalf Mr. Verran had made inquiries of us concerning this application.

[Signature]
In reply refer to \# 355.115 Chase National Bank/1.

August 31, 1940

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of a letter dated August 23, 1940 from the Chase National Bank, New York, regarding difficulties of communication with banks in Belgium in relation to obtaining instructions for the protection of merchandise covered by shipping documents under export letters of credit issued on behalf of the Belgian banks.

The Secretary of State would appreciate any comment or suggestions the Treasury Department may make on this matter.

Enclosure:

From The Chase National Bank,
August 23, 1940.
The Department of State, 
Washington, D. C.

Sirs:

We have in our possession a number of shipping documents covering payments made under export letters of credit issued on behalf of Belgian banks. These documents are being held by us because of our inability to communicate with our principals in Belgium and obtain instructions for the protection of the merchandise.

It has occurred to us that perhaps you may be able to obtain these instructions for us through sources not at our disposal. If this can be arranged will you so advise us, at the same time outlining the procedure, so that we may know to whom our letters should be addressed and whether individual letters should be written on each transaction.

Thanking you for your kind consideration in this matter, we remain

Yours very truly,

FRANK H. PONELSON
Assistant Cashier
MEMORANDUM FOR THE SECRETARY:

Attached is a summary report of the projects which have been worked on in the Division of Tax Research during August, 1940.

Attachment.
I. New projects

1. Additional assignments on war and excess profits taxes.
New assignments on various aspects of the study of war and excess profits taxes are incorporated in the summary statement on this project given below.

2. Taxation trends and developments
Articles treating on trends and developments in the field of taxation during 1940 for the Britannica Book of the Year and the National Year Book are in process. (Mr. Atlas and Miss Wells)*

3. Gift Tax
Suggested tabulations of gifts classified by total gift plus tax classes are under review. (Mr. Mills)

II. Continuing projects

1. War and excess profits taxes
Analysis of issues raised by war and excess profits tax proposals and assembly of statistical and other information relative thereto have proceeded along several lines. These include a report on the treatment of the issues raised in the Agenda for the Excess

*Persons listed as working on the different projects do not include those who acted largely or exclusively in a consulting or reviewing capacity. In general, the person, if any, actively in charge of the project is listed first.
Profits Tax Committee under the War Revenue Acts; study of amortization and inventory problems; analysis of special treatment accorded to particular types of business under the World War, and present excess profits taxes of the United States, Great Britain, and Canada; consideration of the treatment of non-corporate business entities and of business income of individuals under an excess profits tax; the compilation from official documents of statistical and other basic data relating to excess profits taxation; analysis of statistical information relating to business profits and failures; analysis of various rate structures and other technical aspects of the excess profits tax bill; and preparation of estimates on collections, refunds, credits of the excess profits taxes of the World War period. (Mr. Blough and staff)

2. **Undistributed profits tax**

A memorandum is in process analyzing in the light of issues raised by the undistributed profits tax, the statistics made available from income tax returns and other sources. (Mr. Shere, Mr. Atlas and Mr. Copeland)
3. **Tax on value added**

A memorandum is in preparation analyzing the economic and administrative issues which would be involved if a value added tax were imposed. (Mr. Faroletti)

4. **Tax chronology, 1913-1940**

The chronology of Federal tax rates 1913-1940 has been completed for possible publication in the forthcoming Annual Report of the Secretary of the Treasury for the fiscal year 1940.

5. **Tax-exempt securities**

A preliminary inquiry with respect to the procedure for estimating outstanding tax-exempt securities as of June 30, 1940, is in process. (Mr. Ecker-Racz and Mr. Mannen)

6. **Income tax study — W.P.A.**

The work of the Philadelphia project has been divided in the past two months between continuance of the study of income tax returns in process since October 1938 and a special analysis of statistics relevant to war and excess profits taxes. Plans and procedures for this special tabulation were formulated. Additional text and table forms connected with the continuing study were reviewed. (Mr. Blough, Mr. Shere, Mr. Ecker-Racz and Miss Coyle)
7. **Inventory of tax proposals**

A compilation of proposals for raising additional revenue is pending review; another containing Treasury tax proposals other than those designed to produce revenue is in preparation. (Mr. Shere, Mr. Zorach)

8. **Income and estate taxation**

(a) An analysis of the credit allowed under State individual income taxes to residents for income taxes paid to other States is in preparation. (Mr. Ecker-Bacz and Miss Wells)

(b) Reports on the following subjects have not been actively prosecuted during the month:

1. Differential treatment of mutual insurance companies other than life and various tax exemption issues relating thereto. (Mr. Shere, Miss Till, and Mr. Mills)

2. Analysis of the suggestion to exempt dividends on building and loan association stock from the Federal normal income tax. (Mr. Shere and Miss Till)

3. Distribution of tax exempt securities by net income brackets with particular reference to the holdings of such securities by persons in high income brackets. (Miss Coyle)

4. Proposal to allow corporations with five or less shareholders to be treated for tax purposes as partnerships. (Mr. Mills)
(5) Analysis of the provisions of S. 3560, 76th Congress, providing for the imposition of a tax which is reduced as the expenditure for labor used in business is increased. (Mr. Shee and Mr. Farioletti)

(6) Powers of appointment and remainders under the estate tax. (Mr. Mills)

(7) Analyses of the problems of estate tax payment. (Mr. Mills)

III. Routine assignments

1. Reviews of publications.

(a) Preliminary report of Statistics of Income for 1936, Part 2, and a press release relating thereto were reviewed. (Mr. Atlas and Mr. Zorach)

(b) The report Taxation of Corporate Enterprise prepared by C.J. Eynning for the T.N.E.C. was reviewed. (Mr. Atlas)

2. Statistics

(a) Data relating to different taxes, digests of tax items and Congressional activity on tax items of interest to the Division are currently prepared. (Staff members)

(b) In connection with the supervision of the technical work of the Bureau of Internal Revenue, several proposals of statistical tabulations were reviewed. (Mr. Blough and Mr. Shee)
(o) Administrative reports and statistics of the Bureau of Internal Revenue are graphed and commented upon for Mr. Sullivan's information.  
(Mr. Campbell)  

3. **Correspondence**  
The Division handled correspondence pertaining to tax matters. (Staff members)
MEMORANDUM FOR THE SECRETARY:

The following case is now pending before the Bureau of Internal Revenue:


Under the authority of paragraph 12 of Mimeograph Coll. No. 4960, R.A. No. 1014, approved by you under date of September 14, 1939, the foregoing case has been excepted from the decentralization procedure for reasons stated in the memorandum of withdrawal, a copy of which is herewith attached.

Enc.

Mem.

[Signature]

Commissioner.
MEMORANDUM FOR THE SECRETARY:

The following case is now pending before the Bureau of Internal Revenue:


Under the authority of paragraph 12 of Hinsograph Coll. No. 4960, R.A. No. 1014, approved by you under date of September 14, 1939, the foregoing case has been excepted from the decentralization procedure for reasons stated in the memorandum of withdrawal, a copy of which is herewith attached.

(Signed) Roy T. Hatcher
Commissioner.

Enc.
Rcv.
The above entitled proceeding has been pending before the Los Angeles office of the Pacific Division of the Technical Staff since June 20, 1938; action on this case, however, was suspended in January, 1939, in view of the investigations being made of the income tax liabilities, respectively, of Joseph H. Schenck, Darryl F. Zanuck and William Goetz.

Involved in the above described case now pending before the Board of Tax Appeals is the valuation of stock in the Twentieth Century-Fox Film Corporation which was the subject of a gift made in December, 1933. This office recommends withdrawing this case, docketed before the Board of Tax Appeals, from the jurisdiction of the Staff Field Division, at Los Angeles, California. The disposition of this case may be then had under our joint direction pursuant to the provisions set forth in "Functions and Jurisdictions of the Field Divisions of the Technical Staff" dated September 14, 1939.

The foregoing recommendation is made for the following reason: The issue of valuation is related to the issues involved in Darryl F. Zanuck v. Commissioner, B.T.A. Docket No. 101937, and Virginia Zanuck v. Commissioner, B.T.A. Docket No. 101938, each for a redetermination of deficiency in income tax for the year 1935. The latter two cases among others were withdrawn from the jurisdiction of the Staff Field Division at Los Angeles, California, under date of April 25, 1940. It is believed that the interests of the Government will be best served if the above entitled matter is centrally administered along with the other cases referred to herein.

J. F. Wenzel,  
Chief Counsel,  
Bureau of Internal Revenue.
Professor Chamberlain

Mr. Cookman

At 10:30 this forenoon Mr. Eakins telephoned me that the Federal Reserve Bank was paying under license to the Chase Bank for the account of Special Ambassador Thaw the sum of $351,599, which matter has been the subject of our negotiations of the past week. Mr. Eakins stated, however, that a further instruction or license would be required from the Treasury before the Chase Bank could pay this sum or access to the Guaranty Trust Company of New York which, I understand, is needed as of September 1 to meet service on Belgian bonds in this country. I told Mr. Eakins that I would check up the application made by the Federal for the above operation, which was New York No. 24215, and would see if the Foreign Funds Control could straighten out the matter yet this morning.

I then spoke with Mr. McCasky, explaining the situation. Mr. McCasky looked up the application and telephoned Mr. Eakins. While this was being done, Mr. Eakins called me from the Chase Bank in New York. I told Mr. Eakins what was being done and that he would receive the necessary instructions from Mr. Eakins before closing time today.

At 11:30 Mr. Eakins informed me that he and Mr. McCasky were in agreement on the procedure to be followed to complete the technicalities of the operation, and that he had passed the necessary assurances to the Chase Bank so that the payment could be effected to the Guaranty Trust Company as of today. Upon receiving this information, I telephoned Baron de Gruben giving him the above information, and reminding him that this was also in response to the Ambassador's personal letter addressed to me on August 29. When I had talked with the Ambassador yesterday afternoon, acknowledging his letter and reporting the status of this case, it was agreed that I should telephone Baron de Gruben this morning, in the absence of the Ambassador.

A copy of the letter which the Belgian Ambassador had addressed to me is attached hereto.

[B.F.]

RNC:dm:9-3-40
Dear Mr. Cochran,

The Federal Reserve Bank in New York has transmitted you the text of a letter which it requested the Embassy to sign in order to confirm an order of the Banque Nationale de Belgique instructing it to transfer the sum of $351,396 to the account of Mr. Georges Houllier with the Chase National Bank. This letter, signed, will no doubt be transmitted to you today to be forwarded to the Federal Reserve Bank of New York. I suppose that upon receipt of the letter, the Federal Reserve will effect the transfer in question.

As you know, this amount is intended to meet interest and sinking fund payments on Belgian Government Bonds issued in the United States and of which payment is assured by the Guaranty Trust Company of New York. Mr. HERMES intends to redeposit this sum in the Guaranty Trust before the end of this week. I shall be greatly obliged if the Treasury Department will grant the necessary authorization in due time.

Believe me, dear Mr. Cochran,

Yours sincerely,

(Signed) B. Straton

V. H. Herle Cochran
Technical Assistant to the Secretary of the Treasury
WASHINGTON
BRITISH EMBASSY,
WASHINGTON, D. C.

August 31st, 1940

FORWARDED WITH THE COMPLIMENTS OF THE
FINANCIAL ADVISER

Mr. H. Merle Cochran,
United States Treasury,
Washington, D. C.
Memorandum.

30th August, 1940.

At the conference held at the Treasury Building on Thursday, August 29th, 1940, with Messrs. Cochran and Cairns and representatives of the Bureau of Internal Revenue, it was understood that the Treasury Department was preparing to issue a ruling to the effect that sales of securities made by the British Government in this country were exempt from Federal Transfer Taxes. By virtue of the recent Orders of the British Government, under which that Government has acquired title to various securities owned by its subjects which are dealt in in American markets, such sales have been and are being made in this country and will, no doubt, continue to be made in the future.

In handling such securities and sales, the Bank of Montreal, through its New York Agency, acts as the Agent of the British Government, and is generally known to be so acting. Formal evidence of its appointment as such is on file with the Treasury Department. The sales, however, are generally made through brokers and deliveries are made by various sub-custodians in the manner hereinafter described in detail, so that identification of the sales as having been made by, or for the account of, the British Government is difficult. For the reasons discussed at length in prior conferences, representatives of the British Government and the Treasury Department have agreed that such concealment of the operations of the British Government was necessary and desirable, not only for the protection of the British Government, but also to prevent disruption of the securities markets.
here. To that end, the British Embassy has acted at all times in close co-operation with the Treasury Department and, we are informed, has caused daily reports of the securities sold to be filed with the Treasury Department.

Following that practice, as pointed out at the conference on August 29th, it will be utterly impracticable, after the exemption ruling has been issued, for the British Government or its agents or brokers to claim exemption on such sales, since such exemption claims would immediately disclose and identify the sales made by the British Government. The only practicable course will be to have the tax paid as usual on all such sales, as has been done in the past; and the principal point discussed at the conference was the procedure to be followed in securing refunds to the British Government of the taxes so paid.

It should be stated at the outset that, in seeking such refunds, the British Government will of course waive any claim for interest on such refunds; and as stated at the conference, an express waiver of interest will be inserted in each refund claim filed. It is understood that waivers in that form will be satisfactory to the Treasury Department.

The procedure suggested at the conference by Messrs. Opie and Bell, representing respectively the British Government and the Bank of Montreal, was, that the Bank of Montreal, on behalf of the British Government, should file each month a claim for refund of the Federal Stamp taxes paid on all sales of securities owned by the British Government, made during the third preceding month (i.e. the
claim for refund to be filed in September, 1940 covering all such sales made prior to July 1st, 1940; the claim filed in October, 1940, covering all sales during July, 1940, et cetera). It was agreed, however, that it would probably be better, for procedural reasons hereafter explained in detail, not to include both stock sales and bond sales in the same claim for refund, but to file separate claims for each class of securities.

That general procedure was, it is understood, satisfactory to the Treasury Department; but the form of such claims and the data to be submitted with them were discussed at considerable length. It was finally agreed that the Bank of Montreal, on behalf of the British Government, should submit a detailed explanation of the way in which such sales are handled, as explained orally at the conference, together with specific suggestions as to the precise manner in which such claims should be made out.

The simplest and, it is submitted, the most satisfactory form of such claim would be to show only the total amount of taxes paid and to state in the body of the claim, as the ground for refund, something as follows:

"Taxes paid on sales of stock owned and sold by the British Government, during the month of .............. exempt from tax under the ruling of the Treasury Department, dated .................... Such sales have heretofore been reported to the Treasury Department, and full details of such sales are on file in the office of the New York Agency, Bank of Montreal, 64 Wall Street, New York City. Refund should be made to the Agents, Bank of Montreal."
at that address for account of the British Government.

Interest on such refund is hereby expressly waived. 

Inasmuch as the British Embassy files with the Treasury Department daily reports of all such sales, the Treasury Department has on hand current data from which it will be able to verify the amount of the taxes so paid. Whatever further investigation is deemed necessary, could be made from the information on file at the New York Agency of the Bank of Montreal.

It was suggested at the conference that the claim must comply with the requirements of Section 3304 of the Code; but it is submitted that Section 3304, headed "Redemption of Stamps" and dealing primarily with the redemption of unused stamps, does not limit or restrict the general authority to make refunds given to the Commissioner by Section 3770 of the Code (Compare also Section 3313, containing the statute of limitations on claims for refund of taxes paid, with the statute of limitations in Section 3304, c., on claims for the redemption of or allowance for stamps purchased). In any event, since the requirements of Section 3304 may be waived by the Commissioner, any attempt to comply with the technical requirements of Section 3304, even if it should be considered applicable, would seem a useless formality.

The actual procedure followed in making sales of securities is as follows:

Mr. T.J. Carlyle Gifford, Agent of the Bank of England, supervises sales and instructs the selected broker to sell a given number of shares, at not less than a fixed price. When the sale is effected, the broker or agent sends advice to the Agency in duplicate
and on Mr. Gifford's instructions the stock is withdrawn from the
securities held by the Agency, or one of the seven banking institu-
tions which act as sub-custodians for the Bank of Montreal, and
delivered to the broker who has made the sale. If delivery is to
be made by one of the sub-custodians, the Agency, Bank of Montreal
instructs the sub-custodian to deliver the shares to the broker
against payment of a net amount mentioned in the letter of instruc-
tions. Brokerage, stamp taxes, etc. have been deducted from the
amount the sub-custodian is to receive, and the net proceeds are
credited in the books of the sub-custodian to the Agency, Bank of
Montreal - Special Account. The Agency, Bank of Montreal, in turn
credits the Bank of England on its books with the proceeds from
deliveries made either by the sub-custodians or the Agency. An
advice of all sales is sent to the Bank of England.

On sales of bonds, the tax is usually affixed to the sales
contract; and as the contract often passes through the hands of
several brokers, it would be difficult to determine the location of,
and to check, the cancelled stamps.

If required by the Treasury Department, the Bank of Montreal
is willing, as stated at the conference, to supply with the claims
for refund, a notarial certificate as to the amount of taxes paid,
or full information as to the details of the sales, including
certificate numbers, names of Transfer Agents, etc., or in the case
of bond sales, to supply a duplicate of the broker's contract for
each sale. It is submitted, however, that such details would be
inappropriate and unnecessary to accompany the claim for refund.
Such claims are filed in the local Collector's Office, where they
may pass through many hands, and the details of the claim are material
only for the purpose of checking and verifying the correctness of the
claim.

Neither the Bank of Montreal nor the British Government can
fairly ask the Treasury Department to commit itself in advance as to
just what evidence will be accepted or required to substantiate such
claims for refund. However, it seems hardly conceivable that, under
present conditions, for which there is no precedent and which are
not likely ever to occur again, any real controversy should arise as
to the amount of taxes actually paid by, and as to the amount of
refund actually due to, the British Government. For that reason, we
submit that a claim for refund in the simplest form will be the most
practical and satisfactory.

Agency, Bank of Montreal,

(Signed) G. R. Hall
Agent.