DIARY

Book 373

February 15 - 19, 1941
Acheson, Dean
See War Conditions: Foreign Funds Control
Agriculture, Department of
See Financing, Government
Allison Engineering Company
See War Conditions: Airplanes (Engines)
Appointments and Resignations
Houghteling, James L.: "Duties" discussed at 9:30 meeting - 2/17/41. 372 52
Johnston, Gale P.:
Metropolitan Life Insurance Company agrees to release for few months in connection with Defense Savings Bonds - 2/15/41................. 31
a) Sullivan meets in St. Louis and considers him excellent - 2/25/41: See Book 372, page 22
Argentina
See Stabilization Fund
Australia
Wool: See War Conditions

B

Ballinger, E. R.
See Personnel, Division of
Bulgaria
See War Conditions: Foreign Funds Control
Business Conditions
Haas memorandum on situation for week ending February 15, 1941.................. 198

C

Chile
See War Conditions: Strategic Materials (Copper)
China
See Stabilization Fund
" War Conditions
Civilian Conservation Corps
See Financing, Government
Coast Guard
Transfer to Navy again deprecated in Gaston memorandum - 2/17/41.................. 101
Consolidated Aircraft
See War Conditions: Airplanes
Copper
See War Conditions: Strategic Materials

D

Dakar
See War Conditions: Gold
Defense Advisory Commission, National
See National Defense Advisory Commission
Financing, Government
Securities and Exchange Commission asked to
  guard against any large private financing
  February 25–27, 1941, while Government refunding
  operations are on - 2/17/41............................... 373  95,279
  (See also Book 375, page 138)
Department of Agriculture, Civilian Conservation
  Corps, National Youth Administration, and all
  public works: HMIr asks Bell to review with
  great care - 2/17/41........................................ 96
Debt limitation bill sent to FDR for signature -
  2/17/41.................................................. 98
  a) Senators Barkley, Harrison, and Brown
  thanked for assistance.............................. 97
  Treasury bill offering: Hadley memorandum - 2/17/41.. 99
  Open Market Committee meeting - 2/19/41.............. 281
  United States Government securities now vested and
  available for sale - 2/19/41........................... 332,334,336

Finland
  See War Conditions

General Counsel, Office of
  Report of projects during January 1941................. 187

German-occupied Europe
  See War Conditions

Germany
  See War Conditions

Gold
  See War Conditions

Greece
  See War Conditions: Airplanes

Houghteling, James L.
  See Appointments and Resignations

Investigative Service, Treasury
  See National Defense Advisory Commission

Johnston, Gale F.
  See Appointments and Resignations
LaGuardia, Fiorello
Job similar to Beaverbrook's suggested to FDR by HMJr - 2/18/41

Mint, Bureau of
Copper from Chile for Pennies: See War Conditions: Strategic Materials

National Defense Advisory Commission
After Helm affair, HMJr tells Gaston not to do any personnel investigations - 2/18/41
a) Gaston discusses further original arrangement between HMJr and McReynolds by which Secret Service would do about 275 character investigations - 2/19/41
   1) McReynolds-HMJr conversation - 2/21/41:
      See Book 374, page 193
   2) FDR's memorandum and McReynolds' request to FDR - 2/26/41: Book 377, pages 204 and 205
   3) FDR signs - HMJr and McReynolds discuss - 3/6/41: Book 379, page 193
   4) Reimbursement discussed in Gaston memorandum: Book 379, pages 246 and 247

National Youth Administration
See Financing, Government

Occupied (German) Europe
See War Conditions: German-occupied Europe
Ordnance
See War Conditions

Parran, Thomas G. (Surgeon General, Public Health Service)
Preliminary report from London on food situation - 2/17/41

Personnel, Division of
McReynolds looking for job for Ballinger; Wilson, from Farm Credit, may be made Director - 2/17/41

Price Control
See War Conditions
<table>
<thead>
<tr>
<th>Column A</th>
<th>Column B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rationing</td>
<td>Book Page</td>
</tr>
<tr>
<td>See War Conditions: Price Control</td>
<td>373 259</td>
</tr>
<tr>
<td>Revenue Revision</td>
<td></td>
</tr>
<tr>
<td>Tax-exempt Securities: Sullivan presents map on repeal of exemption on state and municipal bonds - 2/19/41</td>
<td></td>
</tr>
<tr>
<td>Port of New York Authority - Foley recommendations concerning in light of rescinding of tax-exempt feature of future issues - 2/31/41: See Book 374, page 247</td>
<td></td>
</tr>
<tr>
<td>Rifles</td>
<td>See War Conditions: Ordnance</td>
</tr>
<tr>
<td>Secret Service</td>
<td>See National Defense Advisory Commission</td>
</tr>
<tr>
<td>Stabilization Fund</td>
<td></td>
</tr>
<tr>
<td>Report for fiscal year ending June 30, 1940, transmitted to FDR - 2/19/41</td>
<td>328</td>
</tr>
<tr>
<td>Information with regard to China and Argentina provided for Senator Taft - 2/19/41</td>
<td>329</td>
</tr>
<tr>
<td>Taxation</td>
<td>See Revenue Revision</td>
</tr>
<tr>
<td>Tax-exempt Securities</td>
<td>See Revenue Revision</td>
</tr>
<tr>
<td>Turkey</td>
<td>See War Conditions: Foreign Funds Control</td>
</tr>
<tr>
<td>Unemployment Relief</td>
<td></td>
</tr>
<tr>
<td>Work Projects Administration report for week ending February 5, 1941</td>
<td>194</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>See War Conditions: Military Planning</td>
</tr>
<tr>
<td>War Conditions</td>
<td></td>
</tr>
<tr>
<td>Airplanes:</td>
<td></td>
</tr>
<tr>
<td>Consolidated bomber being flown from California to England with British crew: Jackson asks HMJr concerning; HMJr asks Purvis - 2/17/41</td>
<td>82, 85</td>
</tr>
<tr>
<td>a) Foley explains situation to Jackson - 2/18/41</td>
<td>228</td>
</tr>
<tr>
<td>Deliveries by purchasers and types, 1/1/40--2/16/41</td>
<td>348</td>
</tr>
</tbody>
</table>
### War Conditions (Continued)

#### Airplanes (Continued):

**Engines:**
- Status and disposition of inspected engines of British Empire in United States for week ending February 4, 1941 - 2/15/41
  - Allison Engineering Company: Shipments - 2/17/41

#### Greece:
- Signed order given to Knox by FDR; HMJr tells Young Treasury will stay out of it - 2/17/41

#### China:
- British Government asked by Chiang Kai-shek for fresh expression of views if Chinese Government should discontinue support of market in Shanghai in order properly to use credits granted by British and United States Governments for currency purposes - 2/19/41

#### Export Control:
- Exports of petroleum products, scrap iron, and scrap steel, from United States to Japan, Russia, Spain, and Great Britain, week ending 2/15/41

#### Finland:
- Financial condition, food situation, etc., reported on by American Minister, Helsinki - 2/18/41

#### Foreign Funds Control:
- Acheson in State Department a disappointment to HMJr; HMJr tells Frankfurter - 2/15/41
  - a) Acheson-HMJr conversation
    - 1) Foley memorandum on conference in Acheson's office

#### Bulgaria, Yugoslavia, Turkey:
- Gold and dollar resources inventory shows that possible freezing of American accounts would seriously affect Yugoslavia only - 2/19/41

#### Hungary:
- Transactions with Guaranty Trust Company and National City Bank - 2/19/41
  - a) Study to be made as to whether this is part of movement of funds from United States: See Book 374, page 6

#### German-occupied Europe:
- Report on current experience of American companies with properties in Axis territory (White memorandum) - 2/17/41

#### Germany:
- Food situation reviewed by American Embassy, Berlin - 2/17/41

#### Gold:
- Belgian gold at Dakar: American Embassy, Berlin, reports possibility of turn-over to Reichsbank - 2/18/41

---

<table>
<thead>
<tr>
<th>War Conditions (Continued)</th>
<th>Book</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Airplanes (Continued):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Engines:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Status and disposition of inspected engines of British Empire in United States for week ending February 4, 1941 - 2/15/41</td>
<td>373</td>
<td>25</td>
</tr>
<tr>
<td>Allison Engineering Company: Shipments - 2/17/41</td>
<td>131,132</td>
<td></td>
</tr>
<tr>
<td><strong>Greece:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Signed order given to Knox by FDR; HMJr tells Young Treasury will stay out of it - 2/17/41</td>
<td></td>
<td>89</td>
</tr>
<tr>
<td><strong>China:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>British Government asked by Chiang Kai-shek for fresh expression of views if Chinese Government should discontinue support of market in Shanghai in order properly to use credits granted by British and United States Governments for currency purposes - 2/19/41</td>
<td></td>
<td>366</td>
</tr>
<tr>
<td><strong>Export Control:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports of petroleum products, scrap iron, and scrap steel, from United States to Japan, Russia, Spain, and Great Britain, week ending 2/15/41</td>
<td></td>
<td>103</td>
</tr>
<tr>
<td><strong>Finland:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial condition, food situation, etc., reported on by American Minister, Helsinki - 2/18/41</td>
<td></td>
<td>241</td>
</tr>
<tr>
<td><strong>Foreign Funds Control:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acheson in State Department a disappointment to HMJr; HMJr tells Frankfurter - 2/15/41</td>
<td>14,54,</td>
<td>80</td>
</tr>
<tr>
<td>a) Acheson-HMJr conversation</td>
<td></td>
<td>80</td>
</tr>
<tr>
<td>1) Foley memorandum on conference in Acheson's office</td>
<td>218</td>
<td></td>
</tr>
<tr>
<td>(See also Book 375, page 201)</td>
<td></td>
<td>218</td>
</tr>
<tr>
<td><strong>Bulgaria, Yugoslavia, Turkey:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gold and dollar resources inventory shows that possible freezing of American accounts would seriously affect Yugoslavia only - 2/19/41</td>
<td></td>
<td>360</td>
</tr>
<tr>
<td><strong>Hungary:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transactions with Guaranty Trust Company and National City Bank - 2/19/41</td>
<td>370</td>
<td></td>
</tr>
<tr>
<td>a) Study to be made as to whether this is part of movement of funds from United States: See Book 374, page 6</td>
<td></td>
<td>370</td>
</tr>
<tr>
<td>(See also Book 375, page 368 - 2/25/41)</td>
<td></td>
<td>370</td>
</tr>
<tr>
<td><strong>German-occupied Europe:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Report on current experience of American companies with properties in Axis territory (White memorandum) - 2/17/41</td>
<td></td>
<td>115</td>
</tr>
<tr>
<td><strong>Germany:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food situation reviewed by American Embassy, Berlin - 2/17/41</td>
<td></td>
<td>62</td>
</tr>
<tr>
<td><strong>Gold:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgian gold at Dakar: American Embassy, Berlin, reports possibility of turn-over to Reichsbank - 2/18/41</td>
<td></td>
<td>240</td>
</tr>
</tbody>
</table>
War Conditions (Continued)
Lend-Lease Legislation:
Conference on form appropriations should take: present: HMWr, Stimson, Knox, Wickard, Bell, Foley, Cox, Young, McCoy, Harold Smith, and Jump (Department of Agriculture) - 2/15/41.
   a) Lump sum idea favored
   b) Large sum allocated to FDR favored plus an Army program and a Navy program
   c) Two alternative methods presented in memorandum to FDR.

FDR asked for appointment to discuss...
   a) Conference - 2/17/41 ...

Wadsworth amendment placing evaluation within power of FDR and not Comptroller General's office - 2/15/41 ...

Military Planning:
Report from London transmitted by Halifax - 2/15/41, etc ...

Ordnance:
"The Million Enfield Rifles": Young memorandum following second conference with president and vice-president of National Arms Corporation - 2/18/41 ...

Price Control:
Rationing of civilian demand: HMWr transmits to FDR chart outlining problem after conference with representatives of Henderson's office - 2/17/41 ...
   a) Chart giving specific example: sinc ...

Purchasing Mission:
See also War Conditions: Lend-Lease Legislation
British Financial Position:
British stockholdings in Viscose Corporation discussed (2/14/41) ...
Morgan (J.P.) loan: Purvis insists this is "device" to raise money quickly and not a "plan" - 2/16/41 ...

British needs and ways of handling discussed by Hopkins and HMWr - 2/17/41 ...
   a) FDR says Hopkins' visit to London was to ascertain needs; FDR wants to see Churchill personally ...

Hopkins asks Churchill to publicize present heavy British taxes as request for increase in Lend-Lease appropriations is about to be made - 2/17/41 ...

Federal Reserve Bank of New York statement showing dollar disbursements for week ending February 5, 1941 - 2/15/41 ...

Vesting order sales (resume of sales, February 22, 1940 - February 15, 1941) ...

United States Government securities now vested and available for sale - 2/19/41 ...

Regraded Unclassified
### War Conditions (Continued)

#### Strategic Materials:
- Copper from Chile for pennies discussed at 9:30 meeting - 2/19/41. 
  (See also Book 381, page 39)
- Tax consequences of proposed sale of copper to Metals Reserve Company by Mines Products Corporation - 2/19/41.
  a) Closing agreements - Sullivan memorandum regarding - 2/26/41: Book 374, page 126

#### Wool (Australian):
- Pinsent gives lower valuation ($85 million to $120 million) for amount to be stored in United States - 2/15/41.

#### Willkie, Wendell L.
- Gaston reports on talk at National Press Club luncheon following British trip - 2/17/41.

#### Wilson, T. F.
- See Personnel, Division of Wool (Australian)
- See War Conditions
- Work Projects Administration
- See Unemployment Relief

---

### Yugoslavia
- See War Conditions: Foreign Funds Control
MEMORANDUM FOR THE SECRETARY'S DIARY

On Friday afternoon, February 14, 1941, at 2:30, Merle Cochran brought in Pinsent and Playfair to talk with Bernstein and Foley in regard to raising money against the British stockholdings in Viscose Corporation.

Pinsent said that negotiations had been progressing in New York for more than two weeks whereby Courtauld, the British parent of Viscose, the United States subsidiary, would hypothecate with Morgan and Company its stockholdings in Viscose as collateral for a loan which Morgan would make to Courtauld. Courtauld would then make the dollars available to the British Government in exchange for sterling. Pinsent said that the arrangement had hit a snag when lawyers for Morgan and lawyers for Viscose raised the question that the transaction might constitute a violation of the Johnson Act and the Neutrality Act in that Courtauld might be charged with acting on behalf of the British Government. Mr. Foley asked Pinsent why the British had not requisitioned the American shares held by Courtauld. Pinsent replied that it had been the British policy not to take over the control of American corporations from British corporations.

Foley then suggested that Pinsent obtain a statement of facts from British representatives in New York and submit it to us.

On Saturday morning, February 15, Foley walked home with Secretary Morgenthau and related the incident to him. Foley explained to the Secretary that the transaction raised a question of policy as to whether this Government should insist on the outright sale on the part of the British of the Viscose shares or whether we should facilitate transactions of this character by being instrumental in obtaining for Morgan and Company and Viscose an opinion from the Attorney General to the effect that the transaction did not violate the Neutrality Act or the Johnson Act. Secretary Morgenthau's immediate reaction was that loans of this character smacked of outright
violation of the spirit of the two Acts and he would not be a party to it. He said he did not want to be put in the position of explaining to Congress that we were going back on our representations made to the Committees that the British would have to sell all of their holdings in this country. Secretary Morgenthau instructed Foley not to assist the British in the consummation of this arrangement and to tell Pinson and Playfair that he was grievously disappointed that they should even suggest that dollars be raised in this fashion, and that the Viscose shares should be sold outright as Sir Frederick Phillips had indicated to Secretary Morgenthau that the British were prepared to do with their direct investments in this country.
The Sub-Committee met yesterday to discuss the three kinds of appropriations, and the result was that the lump sum idea was favored. This sum would be allocated by the President, subject to questions of strategy and political tactics.

Stimson: What appropriations are included?

Bell: The appropriations prior to the passage of the bill, that is, the $1,300,000,000 as well as additional appropriations to be procured after the passage of the bill.

Knox: What about the funds which are already available, and also the use of RFC funds?

Stimson: Does this mean that we don't get any new appropriation if it is all included in a lump sum for allocation by the President?

Bell: Yes.

Knox: But this appropriation would just be used for lend-lease; does that mean a new purchasing organization would be set up?

Bell: It is my understanding that you won't know what is for United States and what is for Britain until it is made.

Knox: I can just see endless Greek situations coming out of this. When I wake up in the morning, I wonder what Henry wants today.
H.M., Jr.: Well, you know I didn't start it.

Wickard: But you certainly do know who finished it.

Stimson: When this bill is passed and working, there will be large desires for weapons and we don't know what will go where; that will be true of planes, ammunition, anti-tank guns and all things like that. A division will have to be made between what the Army applies for and what the President applies for. Now realizing that Congress has a keen interest in this, the Committee on Military Affairs would have no way of knowing and might not approve the division of material; it might not even know the aggregate amount.

Knox: Isn't it possible to treat British requirements separately and take it to Congress as a separate requirement? I want to keep it apart from our own Departments, and we all know that the Chinese, the Greeks, and the British all want something.

Stimson: You must remember this probable situation—we may get into the war while the bill is in effect, and, in that event, all our allies will want something. It seems to me that we must have a Board constituted to decide such questions; that is the only real way to do it although it may be determined in part by the form of the actual appropriation.

H.M., Jr.: That was the idea of setting the appropriation up in alternate forms so that the President could decide.

Stimson: We must think of the whole picture.

H.M., Jr.: It seems to me we are talking appropriations because they are the first step, not the organization.

Stimson: Is a Board possible under this memorandum?

H.M., Jr.: Oh Yes.

Smith: To us in the Bureau of the Budget this lump sum seems the simplest form for the appropriation to
take. The language can be simple and that is very important.

Wickard: It will be impossible to go to Congress every time we need something—the whole thing would bog down.

Stimson: I think you would run into a lot of duplication if you tried to handle all foreign purchasing separately.

H.M., Jr.: You saw the Purvis memorandum. The President could take the needs as outlined there and add to them the Army and Navy needs, then place the orders for all of them as one order. The stuff would not be divided up until it was made.

McCloy: Our staff is already at work trying to put those needs together. We would like to have one appropriation with at least a 15 per cent switch, that is, 15 per cent could be switched around from one type of equipment, such as ordnance, to another, such as air. I think that there should also be a small contingent fund for anything else. There should be only one program.

H.M., Jr.: I know that the President is contemplating these orders as one over-all picture.

Knox: He has asked me for a picture of the Navy.

McCloy: Well, after all, Secretary Morgenthau wrote the President the General Watson memorandum.

Wickard: You're caught again.

H.M., Jr.: Did General Watson just send a copy of his memorandum?

McCloy: Yes, he forwarded a photostat.

Stimson: There is a certain amount of intricate and laboring work in putting together such a program. However, there will be a great deal of saving and economy if it can be handled centrally. The Board should save the President as much as
Belli: The Allied Purchasing Commission coordinated the contracts.

Stimson: I would like to know how that was done.

Smith: You raised two points: (1) concerning the planning of the program, which must be done somehow, and (2) with respect to the responsibility of the Army and Navy.

Stimson: We can't take that responsibility without the Board. We don't want to make the ultimate decision.

Smith: On the appropriation process there is a feeling that a large fund allocated to the President would simplify the whole thing. You wouldn't save the President any time by making direct appropriations to the several Departments. I believe in the lump sum idea subject to policy decision by the Board as the best means to obtain flexibility.

Stimson: We want to reduce the amount of work which will have to go to the President, and it should save trouble if the routine things were left in a direct Army appropriation.

Smith: I feel that there is danger in splitting the lend-lease bill into two parts. If you divide it up, you must justify the Army and Navy part in detail, that is, so many guns, tanks, etc., and then when you get into so many bales of cotton and that sort of thing, you may find that you are subject to influences by pressure groups which would like to unload. I think it should be kept general in character even if it is put in the form of Army and Navy appropriations. It should not be marked as part of the lend-lease and mixed up with that. The lump sum is much clearer to put into appropriation language.

H.M., Jr.: Can I restate my position as I have changed my mind? I think this—as you know, I insisted on telling all there was to tell about British finances. If an
appropriation bill is to be prepared to care
for the needs of England and given to the Budget
on the basis of the Arthur Purvis memorandum,
and then to be approved by the President and
referred to Congress, I think you should tell
them what the money is to be used for. It is
a good way for democracy to work. If you do
that, then in a year or two there can be no
investigation of any lump sums. I like to
see the democratic processes work as they are
supposed to work.

There is a lot to McCloy's idea of having as
much of the appropriation flexible as possible
and even to having a contingent fund of a
billion or so on top. I suppose that the direct
appropriations would run about 75 per cent of
the total. Then, after the passage of the appro-
priation bill, you could have a policy board,
like Secretary Stimson suggests, make the neces-
sary decisions.

Knox: I am with you 100 per cent.
McCloy: You must have one program.
H.M., Jr.: I think so. You can have an Army program and
a Navy program and then an additional lump sum
for contingencies. Seems to me that this policy
board should also make the deal and it could have
a sub-committee to cover the necessary ground work.

Smith: I think we are missing the biggest point. After
all, you can justify a lump sum in as much detail
as you wish before the Committee.

H.M., Jr.: What committee?
Smith: The Appropriations Committee.
H.M., Jr.: Oh, that's it—not the Military Affairs or Naval
Committee.
Smith: By adopting my point you are avoiding hundreds of
types of appropriation language which will get you
all snarled up.

Cox: Having the Army and Navy in on it would tend to
alleviate public fears.
Stimson: Even if you justify a lump sum appropriation, it wouldn't be handled in Congress by people acquainted with Army and Navy affairs.

Smith: The Army and Navy would justify it just the same.

McCloy: In the last war they didn't have a lump sum appropriation. You need flexibility for the Army as well as for the British.

H.M., Jr.: Even if a direct appropriation slowed up the passing of the bill for a week or two, I think it would be worth it.

Knox: So do I.

H.M., Jr.: I don't think it's a good idea to take the power away from Congress—it's their responsibility and they ought to keep it.

Knox: I can't get out of mind the idea that when we get through we are going to need a unified country more than ever, and that point is carrying a lot of weight in the Senate.

H.M., Jr.: What I would like to do would be to take one plan to the President rather than two plans.

Knox: What do you think, Harold?

Smith: I don't care much either way as far as the handling is concerned. Actually it depends a lot on strategy factors. Are we fighting a war or are we not? If we are much more detail would be required. I still think that I would give the President at least one alternative.

H.M., Jr.: I think we are pretty well agreed among ourselves on one plan.

Smith: Well, there was no agreement between us after two hours of discussion last night.

H.M., Jr.: Seems to me there is pretty good agreement here.

- 6 -
Stimson: I like your fairness of mind, Henry, and I am trying to keep mine the same way.

H.M., Jr.: May I suggest that plan No. 2 be drawn up for the President, and Secretary Stimson's memorandum included in it as a part. I'll ask for an appointment Monday through Pa Watson.

Wickard: I want it understood that I can talk directly with the British. You can't have so many boards that you can't move.

H.M., Jr.: Oh, you'll be a member of the board on all agricultural problems.

Stimson: There is no intention of freezing you or anybody else.

H.M., Jr.: Well, gentlemen, thank you very much for coming.

(Meeting adjourned about 10:10 A.M.)
well as to meet unforeseen contingencies of the Army and Navy.

II. Appropriate to the President as Commander-in-Chief.

In case of an emergency or unforeseen contingency, the President may appropriate a lump sum appropriation, and in address a lump sum appropriation for the purpose.

 exempt from regulation for plant expansion can be made by the

3776 in accordance with the President, will not authorize the

and the extent of expenditures made to that effect. H. R. 3776 exempts and (b) the Secretary of the Treasury in his discretion, to authorize the

postponed until 31st July 1942, 300,000 worth of defense materials purchased on the date

are devoted under the title of the Department to the following purposes:

Appropriations to be made. If a jump sum appropriation is needed for new procurement and also

from the 3776 effect of future stock.

Appropriations to carry on H. R. 3776

The following two alternative methods are provided.
From the standpoint of simplicity and flexibility the lump sum method is deemed best. Among other things the lump sum method eliminates the necessity for predetermining the precise type of aid to be given to foreign countries.

However, since other questions of policy and political strategy may be involved the other alternative method is also presented.
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE: February 15, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

The Secretary's stenotypist recorded the conversation which the Secretary had at 10 o'clock yesterday morning with Sir Frederick Phillips, and with Mr. Cochran present. The Secretary had indicated to Sir Frederick the desirability of Sir Edward Peacock being able at the earliest possible date to report some concrete results in this undertaking for the disposal of direct British investments in this country.

At 11 o'clock Mr. Pinsett telephoned me that, following Sir Frederick's visit to the Treasury, a telephone conversation had been had with Sir Edward Peacock in New York. The latter had reported that difficulty had arisen on the legal side of the transaction which Sir Edward had hoped might be consummated at a very early date with respect to the Viscose Company. Since the difficulties set up by the lawyers were likely to block an early transaction, and perhaps make necessary a longer process for the handling of this property Pinsett asked whether the British could not take advantage of the Secretary's offer made to Sir Edward Peacock and avail themselves of the advice of our General Counsel.

I brought this matter to the Secretary's attention at noon and then telephoned Mr. Pinsett that Mr. Foley and I would receive Mr. Pinsett and Mr. Playfair at 2:30 p.m.

At the fixed hour I presented Messrs. Pinsett and Playfair to Mr. Foley; Mr. Bernstein and I remained during the conversation. The British were asked to obtain a memorandum from New York as to the details of the transaction and the difficulties experienced, without any expression of legal opinion. We promised to look into this matter further as soon as such a report might be received.
February 15, 1941
10:55 am

HM Jr called General Watson's office and asked his secretary to tell the General that the Secretaries of War, Navy, Agriculture, Director of the Budget and HM Jr would like to see the President the first thing Monday morning to report to him on their meeting this morning on a recommendation as to how the Appropriation Bill to the Lend-Lease Bill should be handled. HM Jr would like the first appointment on Monday on the President's calendar.
February 15, 1941
11:00 a.m.

Justice Frankfurter: Pretty well. How are you? You've had a vacation.

H.M.Jr: Yes, sir!

F: Glad you did.

H.M.Jr: Are you where you can talk?

F: Yeah.

H.M.Jr: The reason I'm calling you is this: I asked Ferdinand Kuhn to get in touch with you today.

F: He did. Tomorrow he's talking with me.

H.M.Jr: Good. I'm terribly disappointed in your friend, Dean Acheson and I wanted to tell you about it.

F: What's happened?

H.M.Jr: Oh, he's just gone over look, stock and barrel to the ring over there.

F: (Laughs). That's a great maw over there, isn't it.

H.M.Jr: Yeah, and I'm not the only person who feels that way. They've already sensed it in other quarters and ....

F: Well, he may be temporarily trying to ...... Well, I don't know anything about it.

H.M.Jr: Well, it's on this freeze thing and the whole business and everything else. Ferdi has the - all the details.

F: Well, I'll talk with him.

H.M.Jr: But I'm terribly disappointed. Well, I mean, he's - Feis has stood by his guns as far as I know. That's the interesting thing.

F: In helping - I mean, in cooperating.
H.M.Jr: Yes, he hasn't changed. But Hull evidently turned over the drafting of this thing to Acheson and he's been working with a man over at Justice and when I told Robert Jackson what they had agreed on, namely, selective freezing, where an F.B.I. man will go snooping at each company and then if they think they are a little pro-German then they certify and I'm to go in and freeze that company.

F: Huh.

H.M.Jr: They told our people that Jackson agreed to it. Well, I'd bet anybody 3-to-1 Jackson knows nothing about it, and I called him up and he said he'd be damned if he'd do it. He said he'd have nothing to do with it. He says that's the last thing in the world he wants to do - another witch hunt. Acheson wrote the memorandum on that basis which Hull signed and sent it to the President. It's just unbelievable.

F: Is that where the matter now is?

H.M.Jr: Yeah.

F: Well, Ferdi knows all . . . .

H.M.Jr: Ferdi knows it inside out.

F: How free am I to have that knowledge after I get it? I mean how free am I to talk to Dean? Let me see what the talk is.

H.M.Jr: As far as I'm concerned, I'm perfectly willing to have him know that I've laid the facts before you.

F: You are.

H.M.Jr: Yes.

F: All right. Have you had a talk with him?

H.M.Jr: No. He goes over there, works on this thing, which is vitally important to us, and he doesn't talk to anybody over here but works with this man - what is his name, used to be in the law school at Buffalo.
Shea.

Yeah - works it out with Shea and Shea is telling our people that this is what Jackson wants and when Jackson heard about it he really got very angry, very angry. But we wouldn't know that - I mean, Dean has contacted nobody in the Treasury.

Really.

Yeah.

Well, I don't understand that at all. I'm seeing Ferdi tomorrow afternoon and then I'll know all the details and, as I understand it, I'm free to know what I shall know. Is that it?

Absolutely.

And I'm free to, in talking with him, to let him know that I've talked with you as I have for sometime past on this matter.

Yes, because the way I feel is if that's what his attitude is going to be, well then he's no different than all the rest of the gang over there.

Yes. Well, I know that one of the things that worried him when he went over there was lest he because of his relations with other people - that he was going to play an independent role and I think that moved him very deeply.

Well, what I did was I kept away from him because I didn't want him handicapped by being known as possibly ....

Well, that has worried him very much that his friendship for you and a lot of other people - that they might think that he comes in there to be an independent guy. That's an awful place you know, the State Department.

That's why I kept away but this - and then the other thing which is so amusing, Berle said, "State Department is a policy shop. We don't want this export control," and they've placed the whole of it in the State Department.
F: Un-huh. Did you say the matter is now before the President?

H.M.Jr: Hull wrote the President a letter yesterday of which he sent me a copy, which Ferdi knows about and has seen. I think he's got a copy of it, and he laid the whole thing before the President. So when I got this, after talking to Bob, he says, "Let's Hull, you and I get together," and I immediately wrote Hull a letter yesterday morning and asked that we get together because Bob and I absolutely will not do it the way Hull has asked that it be done.

F: And the recommendation comes from Shea, you say.

H.M.Jr: No, the recommendation .......

F: Collaboration.

H.M.Jr: Well, it's a collaboration between Shea and Acheson but mostly, we understand, Acheson. Now the gossip is that Acheson got his facts - this is gossip - from Pasvolsky, because Berle and Feis agreed with me that if it was to be done it should be done by freezing on a geographical basis. They agreed to that and Pasvolsky was the only one who didn't. Now along comes a memorandum doing it by selective companies. It would be the damndest witch hunt you ever saw.

F: Yes. Well, if I were Attorney General I wouldn't want to have that responsibility.

H.M.Jr: Well, Bob said he wouldn't touch it and I wouldn't - even if he said he would, I wouldn't carry out the orders. I'd say take the damn thing out of the Treasury. You can imagine the witch hunt, and for Dean to be a part of it, to me it's just unbelievable.

F: Well, I'll find out and then I'll have a talk with you, Henry.

H.M.Jr: Fine.

F: Thanks for calling me.
My dear Mr. McCormack:

Thank you very much for your letter of February 14, 1941.

Ed Foley and Oscar Cox discussed the matter which you raise in your letter yesterday afternoon with Senators George and Byrnes.

It was tentatively decided to execute the idea you have in mind by an amendment on the Floor of the Senate, should a favorable occasion present itself. The amendment would add a sentence at the end of section 3(a)(2), which would read somewhat as follows:

"Such value shall be determined by the head of each department or agency concerned in accordance with the rules and regulations promulgated under this Act."

In the normal course, regulations to give effect to this and other provisions of the bill would be formulated by an Executive Order signed by the President. The Attorney General has held
that the Comptroller General has no power to re-
view the discretion of heads of executive depart-
ments in matters of this kind. I think this language
will take care of the problem satisfactorily.

I appreciate very much your letting me
have your views on this matter.

Very truly yours,

(Signed) N. Morgenthau, Jr.

Secretary of the Treasury.

Hon. John W. McCormack,

House of Representatives.
Office of the Majority Leader
House of Representatives U.S.
Washington, D.C.

February 14, 1941.

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

PERSONAL.

Dear Secretary Morgenthau:

I am submitting to you a suggestion made to me by Congressman Wadsworth, and which I have discussed with Speaker Rayburn. I also talked over the telephone with Secretary Hull who suggested that I talk it over with you.

Congressman Wadsworth offered an amendment in the House, which I include herein. The second part of his amendment is what I call to your attention. "Jim" Wadsworth feels that something of this kind should be put in the bill to protect the President. He feels that unless something of this kind is done that the Comptroller General might take the position that under existing law he must pass upon the value of any "Defense Article" transferred, leased, etc., and that he might set a different value than the President. I can see this point. Wadsworth feels that something along these lines should be made a part of the bill.

"That the elements of expense and the amounts in this Act shall be determined, respectively, by the head of each department and agency concerned, under regulations to be approved by the President, which shall be uniform so far as practicable for all departments and agencies."

Such language definitely places the power within the President. I, removes all doubt as to the position that the Comptroller General's Office might take, or feel constrained to take, under existing law, on reviewing values placed by the President or a department or agency. I think there is something to his suggestion, and I am passing it along to you for your consideration.

Sincerely yours,

[Signature]
CONGRESSIONAL RECORD—HOUSE

February 8

way or another from the tyranny of various forms of dictatorship. Through a combination of force and fraud, this great country has become the perfection of what we now call democracy. Is it to our contention that America owes its greatness to the past and that it can, by declaring its own self-sufficiency and own satisfaction, maintain that it should have no interest in the security of a future world?

Our whole argument has been based around the theory of self-preservation. I contend that many of these countries that are now fighting for their lives and have lost their independence and liberty as free men have contributed materially to the advancement of our own country. It is true that we should not engage in the quarrels of any foreign country from the fact that we had no part in the making of things that brought about these quarrels, and, particularly, had nothing to do with the beginning of this terrible conflict. But I do think America must play a part in this great world struggle for the lives, directly or indirectly, or fighting to preserve the heritage which has made our entire moral support and of everything else we can. That is the course our material substance in this time of world peril.

I believe that it is possible to gain our objectives without even thinking of consenting to the sending of a single solitary soldier across the sea. In conflicts of that kind you cannot determine the outcome by counting the relative strength of armaments.

There are other very important considerations, namely, the justice of the cause for which men struggle, the inability for any military organization to comprehend and understand what the future might bring. For example, the Italian white slavery, and the idea that the Negroes are not and never will be the equal of the white race, bred by the time and place when a time would come to get the part of the white. Yet, when the first American has now lost his African possessions, and the dream of the expansion of his empire has vanished and he is now under the control of the (now deceased) —not Napoleon—he is not even playing a good second fiddle.

These are the fortunes of war and no man can tell what the fortunes of war will be tomorrow. So I say, in answer to those questions, that the democracies cannot win because they are weak, forget these events of past history. If our great country is, in unity, mobilized through its ingenuity, through its combination of labor and industry, it can provide the means of winning this war, and then the world will be free from once supreme in the air and rule the waves; and when that day comes this war will be over. It was true in the last war, that the Kaiser did not war, and the effort has been the greatest of all. That is the reason we are speaking of the newspapers that contain the blessings that continued men, are aware that this country has

thrown its whole moral and part of its economic support on the side of right, with the hope that these men who have followed the desire for freedom, and a firmer grasp will be taken upon the torch of liberty.

This is not just because there is no one who will lose any other country. It is not that sectionalism is duplicate of our ideals and in the interest of our own national defense. (Applause.)

Mr. Gardner asked and was given permission to revise and extend his remarks in the Caucus.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts (Mr. Roanne).

The amendment was rejected.

Mr. WADSWORTH. The amendment reads as follows:

Sec. 1. That, in order to be appropriated from time to time, out of any money in the Treasury not otherwise appropriated, it may be necessary to carry out the provisions and accomplish the purposes of this act.

(b) All property which is converted into money received under section 3 from any government shall, with the approval of the Director of the Budget, return to the respective appropriation or appropriations out of which funds were expended with direct or general expenses of government, and such a portion of such property as is needed for the purposes of this act.

Mr. WADSWORTH. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. Wadsworth: On page 85, line 21, insert a new paragraph reading as follows:

"The provisions of the United States Tax Act of 1932 as amended with respect to defense efforts and defense information shall not cease to be in the aggregate the sum of $7,000,000,000 as provided. The President shall determine the elements of such expense and the aggregate amount of money shall be determined and may be paid, by the head of each department and agency concerned, under the recommendations and of the Committee, to establish such a limitation.

I may say at the beginning that the establishment of such a limitation is very frequently the case. After the war, Congress has passed acts authorizing the performance of certain functions by Government, the performance of which must be spent in the expenditure of money, and in the passage of those acts has stated a maximum amount to be authorized.

Under such authorities the Director of the Budget of the department involved submits estimates for the appro-
TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION  

DATE February 15, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

- Sold to commercial concerns £12,000
- Purchased from commercial concerns £11,000

Open market sterling moved from 4.03 at the opening to 4.03-1/4 at the close. 

Transactions of the reporting banks were as follows:

- Sold to commercial concerns 0
- Purchased from commercial concerns £4,000

Continuing its improvement, the yuan advanced to 5-5/8¢ in Shanghai this morning, up 1/8¢.

Closing quotations for the other currencies were:

- **Canadian dollar**: 16-3/8¢ discount
- **Swiss franc (commercial)**: .2323-1/2
- **Swedish krona**: .2385
- **Reichsmark**: .4005
- **Lira**: .0505
- **Argentine peso (free)**: .2363
- **Brazilian milreis (free)**: .0505
- **Mexican peso**: .2066
- **Cuban peso**: 6-15/16¢ discount

We purchased $500,000 in gold from the earmarked account of the Central Bank of Chile.

No new gold engagements were reported.

The Federal Reserve Bank's report of February 11, listing deposits of banks in Asia with the New York agencies of Japanese banks, showed that such deposits totaled $13,170,000, an increase of $6,524,000 since February 5. Most of the change in deposits took place on the books of the Yokohama Specie Bank's New York agency. The latter's principal dollar liabilities to and dollar claims on Japanese banks in Asia stood as follows on February 11:
<table>
<thead>
<tr>
<th>Liabilities</th>
<th>February 11</th>
<th>Change From Feb. 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits for Japan &amp; Manchuria</td>
<td>$65,316,000</td>
<td>+ $8,751,000</td>
</tr>
<tr>
<td>Deposits for China</td>
<td>37,182,000</td>
<td></td>
</tr>
<tr>
<td>&quot; : U.S. Treas. bills, comm. paper, etc.</td>
<td>27,463,000</td>
<td>- $48,000</td>
</tr>
<tr>
<td>Claims</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>$61,997,000</td>
<td>+ 5,333,000</td>
</tr>
<tr>
<td>&quot; : Other - mainly Jap. import bills</td>
<td>13,296,000</td>
<td>+ 1,228,000</td>
</tr>
</tbody>
</table>

The last three categories refer mainly to Japanese banks in Japan and Manchuria. Most of the $8,751,000 rise in deposits of such banks was accounted for by the $5,333,000 increase in the Agency's loans, plus the $1,127,000 reduction in the U. S. Treasury bills, etc., which the Agency holds for Japanese banks.

CONFIDENTIAL
The Federal Reserve Bank of New York reported the following transaction in the account of the Central Corporation of Banking Companies, Budapest, maintained with the Guaranty Trust Company of New York.

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount Debited</th>
<th>Paid To</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 14</td>
<td>$25,000</td>
<td>Guaranty Trust Company of New York for account of the Union Bank of Switzerland, Zurich</td>
</tr>
<tr>
<td>Engine company and type of engine</td>
<td>Inspected engines on hand during week</td>
<td>Total inspected engines to be accounted for</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-------------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>Allison Engineering Co.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>V 1710-015</td>
<td>306</td>
<td>1440</td>
</tr>
<tr>
<td>V 1710-015 (1,115 h.p.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Allison</td>
<td>306</td>
<td>1440</td>
</tr>
<tr>
<td>Jacobs Aircraft Engine Co.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>L-502</td>
<td>154</td>
<td>194</td>
</tr>
<tr>
<td>L-468</td>
<td>154</td>
<td>194</td>
</tr>
<tr>
<td>Total Jacobs</td>
<td>308</td>
<td>400</td>
</tr>
<tr>
<td>Lycoming Division of Aviation Manufacturing Co.</td>
<td>500 h.p.</td>
<td>-</td>
</tr>
<tr>
<td>R 580-83</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Menasco Manufacturing Co.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D 8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pratt &amp; Whitney Aircraft</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R 1950-82</td>
<td>37</td>
<td>40</td>
</tr>
<tr>
<td>R 1950-82 (3,600 h.p.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R 1950-82 (3,600 h.p.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R 1950-82 (3,600 h.p.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R 1950-83 (3,600 h.p.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R 1950-84 (3,600 h.p.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R 1950-84 (3,600 h.p.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R 1950-84 (3,600 h.p.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R 1950-84 (3,600 h.p.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R 1950-84 (3,600 h.p.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R 1950-84 (3,600 h.p.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R 1950-84 (3,600 h.p.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R 1950-84 (3,600 h.p.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R 1950-84 (3,600 h.p.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R 1950-84 (3,600 h.p.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R 1950-84 (3,600 h.p.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Pratt &amp; Whitney</td>
<td>1,169</td>
<td>1,490</td>
</tr>
<tr>
<td>Warner Aircraft Corp.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>165-E-9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wright Aeronautical Corp.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R 760-81</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R 750-81</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R 750-81 (1,100 h.p.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R 860-81</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R 860-81 (1,100 h.p.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R 860-81 (1,100 h.p.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Wright</td>
<td>1,528</td>
<td>1,628</td>
</tr>
<tr>
<td>TOTAL ALL COMPANIES</td>
<td>3,335</td>
<td>3,480</td>
</tr>
<tr>
<td>Engine company and type of engines</td>
<td>Airframe company and type of airframe involved</td>
<td>Total Engines at engine factory</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>---------------------------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Inspected engines on hand</td>
</tr>
<tr>
<td>Allisicg Engineering Co.</td>
<td>Curtis Hawk 81-A pursuit</td>
<td>373</td>
</tr>
<tr>
<td></td>
<td>Lockheed 150 2-engine pursuit</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Bell P-39 airframe pursuit</td>
<td>11</td>
</tr>
<tr>
<td>Total Allison</td>
<td></td>
<td>492</td>
</tr>
<tr>
<td>Jacobs Aircraft Engine Co.</td>
<td>D-50 3-engine trainer</td>
<td>156</td>
</tr>
<tr>
<td>Pratt &amp; Whitney Aircraft</td>
<td>Grumman O-37 2-engine bomber</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td>North American H-6 trainer</td>
<td>204</td>
</tr>
<tr>
<td></td>
<td>Vought-Silveray T-156 2-engine bomber</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td>Lockheed 410-06 3-engine reconnaissance bomber</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>Martin 167F 2-engine bomber</td>
<td>202</td>
</tr>
<tr>
<td></td>
<td>Consolidated 7x2</td>
<td>183</td>
</tr>
<tr>
<td></td>
<td>Lockheed 410-13 3-engine reconnaissance bomber</td>
<td>103</td>
</tr>
<tr>
<td></td>
<td>Grumman New fighter</td>
<td>120</td>
</tr>
<tr>
<td></td>
<td>Consolidated 135-30 3-engine bomber</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td>Separate engines</td>
<td>39</td>
</tr>
<tr>
<td>Total Pratt &amp; Whitney</td>
<td></td>
<td>1,414</td>
</tr>
<tr>
<td>Wright Aeronautical Corp.</td>
<td>North American H-6 trainer</td>
<td>49</td>
</tr>
<tr>
<td></td>
<td>Grumman O-13 3-engine reconnaissance bomber</td>
<td>47</td>
</tr>
<tr>
<td></td>
<td>Vought-Silveray T-156 2-engine bomber</td>
<td>156</td>
</tr>
<tr>
<td></td>
<td>Martin 167F 2-engine bomber</td>
<td>202</td>
</tr>
<tr>
<td></td>
<td>Douglas 3-engine bomber</td>
<td>183</td>
</tr>
<tr>
<td></td>
<td>Brewster 300 2-engine bomber</td>
<td>103</td>
</tr>
<tr>
<td></td>
<td>Grumman New fighter</td>
<td>120</td>
</tr>
<tr>
<td></td>
<td>Separate engines</td>
<td>38</td>
</tr>
<tr>
<td>Total Wright</td>
<td></td>
<td>1,455</td>
</tr>
<tr>
<td>Subtotal: engines in airframes</td>
<td></td>
<td>2,868</td>
</tr>
<tr>
<td>Subtotal: separate engines</td>
<td></td>
<td>684</td>
</tr>
<tr>
<td>TOTAL ALL ENGINES</td>
<td></td>
<td>3,552</td>
</tr>
</tbody>
</table>

### Table II

#### AIRPLANE ENGINES

Status of Inspected Engines of the British Engine on Hand in the United States

As of February 4, 1941

<table>
<thead>
<tr>
<th>Engine company and type of engines</th>
<th>Airframe company and type of airframe involved</th>
<th>Total Engines</th>
<th>Engines at engine factory</th>
<th>Engines at engine factory (or separate locataion)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>124 Engines</td>
<td>Engine <em>on hand</em></td>
<td>Assigned <em>on hand</em></td>
</tr>
<tr>
<td><strong>Allison Engineering Co.</strong></td>
<td></td>
<td></td>
<td>Engine <em>on hand</em></td>
<td>Assigned <em>on hand</em></td>
</tr>
<tr>
<td><strong>1710-125</strong> 1000 h.p.</td>
<td>Curtiss R-1414-14 A-4 pursuit</td>
<td>373</td>
<td>96</td>
<td>96</td>
</tr>
<tr>
<td><strong>1710-24</strong> 1125 h.p.</td>
<td>Bell R-39 aircooler</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total Allison</strong></td>
<td></td>
<td>382</td>
<td>96</td>
<td>96</td>
</tr>
<tr>
<td><strong>Jacobs Aircraft Engine Co.</strong></td>
<td></td>
<td></td>
<td>Engine <em>on hand</em></td>
<td>Assigned <em>on hand</em></td>
</tr>
<tr>
<td><strong>165</strong> 135 h.p.</td>
<td>Ceesna T-50 2-engine trainer</td>
<td>154</td>
<td>34</td>
<td>34</td>
</tr>
<tr>
<td><strong>Pratt &amp; Whitney Aircraft</strong></td>
<td></td>
<td></td>
<td>Engine <em>on hand</em></td>
<td>Assigned <em>on hand</em></td>
</tr>
<tr>
<td><strong>9-60/320</strong> 450 h.p.</td>
<td>Grumman G-21A amphibious bomber</td>
<td>49</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td><strong>1350-630</strong> 600 h.p.</td>
<td>North American NA 66 trainer</td>
<td>204</td>
<td>112</td>
<td>112</td>
</tr>
<tr>
<td><strong>1550-630</strong> 825 h.p.</td>
<td>Vought X-150L dive bomber</td>
<td>21</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td><strong>1620-620</strong> 1090 h.p.</td>
<td>Lockheed L-10 4-engine reconnaissance bomber</td>
<td>16</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td><strong>1630-620</strong> 1090 h.p.</td>
<td>Martin RB-39 2-engine bomber</td>
<td>202</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td><strong>1830-620</strong> 1200 h.p.</td>
<td>Consolidated FB-7012</td>
<td>493</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td><strong>1850-630</strong> 1200 h.p.</td>
<td>Martin L-35 2-engine reconnaissance bomber</td>
<td>120</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td><strong>Pratt &amp; Whitney</strong></td>
<td></td>
<td>1,938</td>
<td>214</td>
<td>214</td>
</tr>
<tr>
<td><strong>Wright Aeronautical Corp.</strong></td>
<td></td>
<td></td>
<td>Engine <em>on hand</em></td>
<td>Assigned <em>on hand</em></td>
</tr>
<tr>
<td><strong>1820-205A</strong> 1200 h.p.</td>
<td>Grumman X-56 2-engine reconnaissance bomber</td>
<td>162</td>
<td>63</td>
<td>63</td>
</tr>
<tr>
<td><strong>2600-459</strong> 1500 h.p.</td>
<td>Grumman X-56 2-engine reconnaissance bomber</td>
<td>133</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td><strong>2637-505</strong> 1800 h.p.</td>
<td>Martin R-39 2-engine reconnaissance bomber</td>
<td>133</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td><strong>2637-501</strong> 1800 h.p.</td>
<td>Boeing R-28 2-engine bomber</td>
<td>133</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td><strong>3600-459</strong> 2400 h.p.</td>
<td>Douglas R-39 2-engine bomber</td>
<td>133</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td><strong>3833-505</strong> 2400 h.p.</td>
<td>Douglas R-39 2-engine bomber</td>
<td>333</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total Wright</strong></td>
<td></td>
<td>1,995</td>
<td>384</td>
<td>384</td>
</tr>
<tr>
<td><strong>Subtotal: Engines in Airframe</strong></td>
<td></td>
<td>2,601</td>
<td>406</td>
<td>406</td>
</tr>
<tr>
<td><strong>Subtotal: Separate Engines</strong></td>
<td></td>
<td>684</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total ALL ENGINES</strong></td>
<td></td>
<td>3,489</td>
<td>776</td>
<td>776</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury, Division of Research and Statistics.

Source: British Air Commission.

Prepared February 15, 1941.
February 15, 1941

CONFIDENTIAL

Dear Mr. Knobe:

Permit me to acknowledge, on behalf of the Secretary, the receipt of your letter of February 13, 1941, enclosing your compilation for the week ended February 5, 1941, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank and the means by which these expenditures were financed.

Yours faithfully,

R. Horle Cochran
Technical Assistant to the Secretary

L. V. Knobe, Esquire,
Vice President,
Federal Reserve Bank of New York,
New York, New York.

HMC:ksma
2/15/41
February 15, 1941.

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. Merle Cochran

I am enclosing herewith our compilation for the week ended February 5, 1941, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

L. W. Knoke,
Vice President.

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

Enclosure
<table>
<thead>
<tr>
<th>PERIOD</th>
<th>DEBITE</th>
<th>CREDITS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Gov't</td>
</tr>
<tr>
<td></td>
<td>Debits</td>
<td>Expendi-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>tures(a)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>April 30</td>
<td>293.1</td>
<td>293.1</td>
</tr>
<tr>
<td>May 5</td>
<td>194.7</td>
<td>194.7</td>
</tr>
<tr>
<td>June 27</td>
<td>261.1</td>
<td>261.1</td>
</tr>
<tr>
<td>First year of war</td>
<td>1928.3</td>
<td>1928.3</td>
</tr>
</tbody>
</table>

**Week Ending Jan. 15**
- Average Weekly Expenditures Since Outbreak of War:
  - France (through June 19): $19.6 million
  - England (through June 19): $28.6 million
  - England (since June 19): $56.6 million

**Transfers from British Purchasing Commission to Bank of Canada for French Account**
- Week ending Feb. 6: $2.2 million
- Cumulation from July 6: $128.2 million

Credits are strictly confidential.
Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Ministry of Supply, Timber Control, and Ministry of Shipping.

Through June 19, these figures represent total sales of American securities in Second District reported for account of the United Kingdom. (Proceeds of these sales, however, may not have been credited to the Bank of England's account in all cases.) Beginning with the week ended June 26, the figures represent transfers from the Bank of Montreal, New York Agency, which is custodian for requisitioned American securities held in this country. The transfers apparently reflect proceeds of official security sales, including those handled through private deals. From June 19 to July 15, transactions in securities payable in specified foreign currencies, including dollars, by United Kingdom residents were prohibited.

Includes payments for account of French Air Commission and French Purchasing Commission.

Includes adjustment for (b) above.

About $25 million transferred from accounts of British authorized banks with New York banks.

About $11 million transferred from accounts of British authorized banks with New York banks.

About $3 million transferred from accounts of British authorized banks with New York banks.

About $10 million transferred from accounts of British authorized banks with New York banks.

(j) Adjusted to eliminate the effect of $20 million paid out on June 26 and returned the following day.

(k) About $5 million transferred from accounts of British authorized banks with New York banks.

About $3 million transferred from accounts of British authorized banks with New York banks.

(l) About $2 million transferred from accounts of British authorized banks with New York banks.

(m) About $6 million transferred from accounts of British authorized banks with New York banks.

(n) About $32 million transferred from accounts of British authorized banks with New York banks.

(o) About $2 million transferred from accounts of British authorized banks with New York banks.

(p) About $17 million transferred from accounts of British authorized banks with New York banks, and $1.7 million transferred from account of Commonwealth Bank of Australia.
### Analysis of Canadian and Australian Accounts

#### In Millions of Dollars

<table>
<thead>
<tr>
<th>Period</th>
<th>Total Debits</th>
<th>Official British A/C</th>
<th>Other Debits</th>
<th>Total Credits</th>
<th>Proceeds of Gold Sales</th>
<th>Transfers from Official British A/C</th>
<th>Other Credits</th>
<th>Net Incr. (+) or Deocr. (-) in Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1939</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aug. 31 - Sept. 27</td>
<td>17.5</td>
<td>0.6</td>
<td>16.9</td>
<td>21.6</td>
<td>15.1</td>
<td>5.8</td>
<td></td>
<td>+ 4.3</td>
</tr>
<tr>
<td>Sept. 28 - Nov. 1</td>
<td>9.6</td>
<td>0.3</td>
<td>3</td>
<td>16.7</td>
<td>7.3</td>
<td>2.1</td>
<td></td>
<td>+ 7.5</td>
</tr>
<tr>
<td>Nov. 2 - 29</td>
<td>3.9</td>
<td>0.7</td>
<td>2.2</td>
<td>14.4</td>
<td>10.3</td>
<td>11.1</td>
<td></td>
<td>+ 7.9</td>
</tr>
<tr>
<td>Nov. 30 - Jan. 3</td>
<td>30.0</td>
<td></td>
<td>30.0</td>
<td>22.6</td>
<td>18.3</td>
<td>6.5</td>
<td></td>
<td>+ 9.2</td>
</tr>
<tr>
<td>Jan. 4 - 31</td>
<td>23.5</td>
<td></td>
<td>25.7</td>
<td>21.1</td>
<td></td>
<td>4.6</td>
<td></td>
<td>+ 2.2</td>
</tr>
<tr>
<td>Feb. 20 - 26</td>
<td>38.1</td>
<td></td>
<td>34.5</td>
<td>29.6</td>
<td>29.3</td>
<td>2.1</td>
<td></td>
<td>+ 12.8</td>
</tr>
<tr>
<td>Mar. 1 - 29</td>
<td>32.2</td>
<td></td>
<td>32.2</td>
<td>42.9</td>
<td>34.6</td>
<td>3.1</td>
<td></td>
<td>+ 2.5</td>
</tr>
<tr>
<td>Apr. 4 - May 1</td>
<td>37.9</td>
<td>15.0</td>
<td>22.9</td>
<td>50.2</td>
<td>50.0</td>
<td>0.2</td>
<td></td>
<td>+ 12.5</td>
</tr>
<tr>
<td>May 2 - 29</td>
<td>44.1</td>
<td></td>
<td>44.1</td>
<td>78.5</td>
<td>72.2</td>
<td>0.9</td>
<td></td>
<td>+ 19.4</td>
</tr>
<tr>
<td>May 30 - July 3</td>
<td>26.2</td>
<td></td>
<td>26.2</td>
<td>117.8</td>
<td>96.3</td>
<td>1.2</td>
<td></td>
<td>+ 54.9</td>
</tr>
<tr>
<td>July 4 - 31</td>
<td>33.1</td>
<td></td>
<td>33.1</td>
<td>19.5</td>
<td>19.5</td>
<td>0.2</td>
<td></td>
<td>101.7</td>
</tr>
<tr>
<td>Aug. 1 - 28</td>
<td>18.7</td>
<td></td>
<td>18.7</td>
<td>22.8</td>
<td>22.8</td>
<td>0.2</td>
<td></td>
<td>273.7</td>
</tr>
<tr>
<td>First year of war</td>
<td>336.0</td>
<td>15.6</td>
<td>320.4</td>
<td>500.7</td>
<td>412.7</td>
<td>32.4</td>
<td></td>
<td>273.7</td>
</tr>
<tr>
<td>Aug. 29 - Oct. 2</td>
<td>44.3</td>
<td></td>
<td>44.3</td>
<td>42.9</td>
<td>16.4</td>
<td>2.0</td>
<td></td>
<td>- 0.4</td>
</tr>
<tr>
<td>Oct. 3 - 30</td>
<td>36.7</td>
<td></td>
<td>36.7</td>
<td>26.6</td>
<td>14.0</td>
<td>0.3</td>
<td></td>
<td>+ 1.9</td>
</tr>
<tr>
<td>Nov. 21 - Dec. 30</td>
<td>35.2</td>
<td></td>
<td>35.2</td>
<td>56.9</td>
<td>40.2</td>
<td>3.1</td>
<td></td>
<td>+ 34.4</td>
</tr>
<tr>
<td>Dec. 31 - Jan. 31</td>
<td>48.0</td>
<td></td>
<td>48.0</td>
<td>60.6</td>
<td>42.0</td>
<td>3.1</td>
<td></td>
<td>+ 12.5</td>
</tr>
<tr>
<td>War period through Dec. 31</td>
<td>477.3</td>
<td>16.5</td>
<td>460.6</td>
<td>707.4</td>
<td>534.8</td>
<td>4.0</td>
<td></td>
<td>- 230.2</td>
</tr>
<tr>
<td>Jan. 2 - 29</td>
<td>33.7</td>
<td></td>
<td>33.7</td>
<td>33.7</td>
<td>16.2</td>
<td>2.0</td>
<td></td>
<td>- 0.2</td>
</tr>
<tr>
<td>Jan. 30 - Feb. 26</td>
<td>35.7</td>
<td></td>
<td>35.7</td>
<td>33.9</td>
<td>16.2</td>
<td>2.0</td>
<td></td>
<td>- 0.2</td>
</tr>
<tr>
<td>Feb. 27 - Apr. 2</td>
<td>35.7</td>
<td></td>
<td>35.7</td>
<td>33.9</td>
<td>16.2</td>
<td>2.0</td>
<td></td>
<td>- 0.2</td>
</tr>
</tbody>
</table>

#### Weekly Averages of Total Debits Since Outbreak of War

<table>
<thead>
<tr>
<th>Period</th>
<th>Total Debits</th>
<th>Official British A/C</th>
<th>Other Debits</th>
<th>Total Credits</th>
<th>Proceeds of Gold Sales</th>
<th>Transfers from Official British A/C</th>
<th>Other Credits</th>
<th>Net Incr. (+) or Deocr. (-) in Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 15</td>
<td>9.0</td>
<td></td>
<td>9.0</td>
<td>18.2</td>
<td>18.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan. 22</td>
<td>9.0</td>
<td></td>
<td>9.0</td>
<td>9.7</td>
<td>4.5</td>
<td>4.0</td>
<td></td>
<td>+ 0.7</td>
</tr>
<tr>
<td>Jan. 23</td>
<td>11.3</td>
<td></td>
<td>11.3</td>
<td>15.4</td>
<td>5.2</td>
<td>10.2</td>
<td></td>
<td>- 3.9</td>
</tr>
<tr>
<td>Feb. 5</td>
<td>8.4</td>
<td></td>
<td>8.4</td>
<td>7.1</td>
<td>4.6</td>
<td>2.3</td>
<td></td>
<td>+ 3.3</td>
</tr>
</tbody>
</table>

Weekly Average of Total Debits Since Outbreak of War Through Feb. 5: $6.9 million
Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

My dear Mr. Morgenthau:

I have your letter concerning Mr. Gale F. Johnston. I have been away from the office for a couple of days, holding business meetings with our Field Force, and am just now hastening to reply.

We are, of course, desirous of cooperating in any request from the Government and we shall be pleased to release Mr. Johnston from his important duties with our Company for a period of "a few months" as requested by you. I have just telephoned Mr. Johnston at St. Louis and have informed him that I am writing you accordingly.

I have no idea who brought Mr. Johnston's name to your attention in this connection but, whoever it was, is deserving of real thanks at your hands. In addition to being an outstanding citizen of St. Louis and active in community matters, Mr. Johnston is one of the exceptionally fine men in our Metropolitan family and he will surely give a good account of himself in the important work you propose to assign to him.

With kind personal regards, I am

cordially yours,

(s) Leroy A. Lincoln
President
My dear Mr. Lincoln:

In connection with a program now being developed for the promotion of the sale of Treasury securities to the public, it would be very helpful for us to have the services of your Mr. Gale F. Johnston. If he could be made available, we feel that he would be of great value in assisting in the organization of the campaign which we have in mind. It would be much appreciated if you could find it possible to lend him to us for a few months for the purpose indicated.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

HNG/mff

Secretary of the Treasury.

Mr. Leroy A. Lincoln,
President, Metropolitan Life Insurance Co.,
1 Madison Avenue,
New York City.
Dear Merle,

You may remember that in Phillips's letter to you of the 10th January he put the value of the 250,000,000 pounds of Australian wool to be stored in the United States at something between $130,000,000 and $150,000,000. Although, as we understand, the purchase of this wool by the United States Government is not likely to be proceeded with for the present, I thought I should let you know for purposes of record that we now find that the above figure for the value of this wool is too high, and that the figure should in fact be something between $85,000,000 and $120,000,000. The reason for the large difference between the minimum and maximum figures is that the grades of wool to be shipped have not yet been selected, but it seems possible that the actual value may be somewhat nearer the upper limit than the lower limit. I am also not clear at present whether the new figures for value are based on f.o.b. prices in Australia or c.i.f. prices. As I understand that the United Government under the storage agreement is to pay for the cost of shipment of the wool from Australia to the United States, the correct basis of the valuation, in the event of the purchase of the wool by the United States Government, would of course be the Australian f.o.b. prices.

Yours ever,

(Signed) Jerry Pinesent

Mr. H. Merle Cochran,
United States Treasury,
Washington, D. C.

Copy:emk
Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary

Very sincerely yours,

[Signature]

The Honourable

Henry Morgenthau, Jr.,
United States Treasury,
Washington, D.C.
Telegram received from London
dated February 14th, 1941.

1. Reference to convoy attacked east of Azores, now known that at least three ships totalling 14,590 tons two being British and one Greek are sunk. Survivors state that at least four ships were undamaged. Reported that raider was "Admiral Scheer" or Hipper class cruiser.

2. German "Uckermark" still afloat, attempt being made to tow her into harbour. One other Italian ship about 5000 tons was also captured on the 11th.

3. On the thirteenth two east coast convoys bombed but no damage reported.

4. One British ship (1900 tons) bombed and damaged off the east coast.

5. British tanker (10,516 tons) torpedoed and reported on fire and sinking in the north-west approaches.

6. Italian Somaliland. A cruiser bombed without damage off Brava. There was no reply to her fire from the shore batteries at Kismayu, the town being apparently evacuated. Scuttled merchant ship was lying in harbour.

7. H. A. F. No day operations other than curtailed routine reconnaissances were undertaken yesterday owing to adverse weather conditions. Night of 13th/14th. No bomber command operations took place.

   Albania. Four tons of bombs dropped on enemy camp at Elbasan.

8. German Air Force. Daylight 13th. Little activity
Two bombers and one fighter intercepted and damaged during attack on Dover balloon barrage.

9. Night 13th/14th. Thirty enemy aircraft crossed the coast, aerodromes in east Anglia apparently being their objective.

10. Aircraft casualties in operations over and from the British Isles.
   German 3 damaged.
   British nil.
SITUATION REPORT

I. Western Theater of War.

Air: German. Fairly heavy attacks on the night of the 14th-15th in the London area. Considerable activity against shipping.

British. Normal operations on the night of the 14th-15th over western Germany, focussing over the Ruhr.

II. Greek Theater of War.

Ground: Strong local Greek attacks which may indicate resumption of a coordinated offensive, but which cannot as yet be identified as such.

Air: No information available.

III. Mediterranean and African Theaters of War.

Ground: In Italian Somaliland the British forces which captured Afmadu are advancing southward on the port of Chisimaio. British naval units are demonstrating along the coast.

British progress in Eritrea appears held up.

Otherwise no change in the situation.

Air: The Italians claim effective aerial reaction against the British naval forces off Italian Somaliland.

German attacks on British units in Libya continued.

Malta was again attacked on the night of the 14th-15th.

Note: 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.
London, filed 13:00, February 16, 1941.

1. On Saturday, February 15, planes of the British Coastal Command engaged in the usual patrols and one Bomber Command plane attacked an occupied French port. During the preceding night Coastal Command planes attacked occupied French and Belgian ports with unobserved results. During the same night planes of the Bomber Command started a number of fires at the inland German port of Duisburg and attacked a Colognekichten oil refinery. Airfields in Holland and in the Ruhr Valley were the targets of late British raiders but the success of these missions could not be determined. British aircraft losses as a result of these operations were one fighter plane during the day and one bomber during the night.

2. During the night of February 15-16 an 8-hour alert went into effect in London at night o’clock in the evening. However, only a small number of bombs were released over London by German planes that passed over apparently bound for other points. Other German air activities during this night consisted of an attack against Gloucester, another against Aberdeen, a third along the coast of Norfolk and two others against Liverpool. German planes based on the Channel Islands carried out the first attack on the latter place. Two German bombing planes were destroyed during this night. During the preceding day German planes were fairly active over England. Continuous German
petrols were operated along the east coast of Britain and over the
English Channel and the Strait of Dover. Raids were carried out
against Norfolk and Suffolk and small cities in eastern Scotland
were machine gunned and bombed by lone German raiders. German airc-
craft casualties during daylight hours were three planes.

3. British planes based in Aden, the Sudan, Greece and
Kenya cooperated with land forces in their respective sectors. Three
Italian planes were destroyed by British fighter planes and bombers
in the Sudan theater. All Italian airfields on the Isle of Rhodes
and in the Dodecanese Islands were severely and successfully attacked
by British bombers based in Egypt. Reports circulating in London
indicate that some damage was inflicted on Italian railroad facilities
by the British parachute troops that landed there.

4. Axis fighter planes were on patrol duty in the Malta
area and two attacks with bombs and mines were made against harbors,
dock facilities, and airfields on the Island. These raids resulted in
some damage. In addition, barracks at the Libyan city of Bengasi were
dive bombed by one Axis plane.

Distribution:
Secretary of War
State Department
Secretary of Treasury
Amt. Secretary of War
Chief of Staff
War Plans Division
Office of Naval Intelligence
Air Corps
G-3

-3-

CONFIDENTIAL
February 16, 1941

Spoke to Arthur Purvis at 6:30 today and told him that I had heard that Edward Peacock's lawyers had been in to see Foley yesterday, and I was very much disturbed to learn that they are proposing to get a loan through J. P. Morgan and not to actually make a sale. I said that I thought that was a very poor way to proceed.

Purvis said that he had been in touch with Peacock since I spoke to him about it a couple of days ago, and it was simply a device with which to raise some money quickly, but they found that in using this device, they couldn't raise the money any more quickly than if they made a real sale. I said that I never could explain such a thing to the Congress and I thought it was a great mistake. Purvis kept insisting that it was simply a device and not a plan, but I still questioned it, and he said, "Well, you'll have to take my word for it." He said he was working very hard with Peacock and pushing him to get through a sale as promptly as possible.
February 16, 1941

Secretary Stimson called me at five minutes past seven, and wanted to know about the meeting for Monday, as he is anxious to go away Tuesday for a week's vacation.

He told me that he had sent the President a copy of his memorandum which outlined the setup to handle the Lend-Lease Bill after it has passed. I told him that I had not been in communication with the President to indicate how I thought the Appropriations Bill should be handled.
February 17, 1941
9:30 A.M.

GROUP MEETING

Present:  
Mr. Gaston  
Mr. Young  
Mr. Pehle  
Mr. Sullivan  
Mr. Foley  
Mr. Thompson  
Mr. White  
Mr. Haas  
Mr. Bell  
Mr. Cochran  
Mr. Schwarz

H.M. Jr:  
I cut out of this morning's paper, John Sullivan, this report by Professor Lutz of Princeton, and I wish you would get a copy of it. I would like to read it. I think it would be a good thing to invite him down here, for you to invite him down here and have a talk with him.

Sullivan:  
All right, sir.

H.M. Jr:  
Did you see it in the paper?

Sullivan:  
No, I did not.

H.M. Jr:  
Well, this is kind of in two pieces. I am sorry I tore it. I think if anybody has any ideas - I can't do it this week, because
I have just booked myself up solid on financing.

Chick, I have got the report from Graves on your division.

Schwarz: Yes, sir.

H.M.Jr: And it is an excellent report. I compliment you.

Schwarz: Thank you.

H.M.Jr: I don't know whether you have seen it or not.

Schwarz: I haven't seen it, but I would be interested.

(Mr. Foley entered the conference.)

H.M.Jr: If you would please not let anybody else see it, if I could have your word on it.

Schwarz: Surely.

H.M.Jr: Is there any reason why he can't see it?

Graves: No, no; he ought to see it.

H.M.Jr: I would like your word on it.

Schwarz: Thank you.

H.M.Jr: One of the men that he compliments the most, I never knew existed.

Schwarz: It shows how mysterious we are sometimes.


Schwarz: I will bring them in when there is an opportunity.
H.M. Jr: Herbert?

Gaston: I haven't anything of importance. I had a letter from Sherman Minton over at the White House the other day telling us to investigate a man to replace a collector of internal revenue at Pittsburgh. It is the first entrance of Sherman Minton in to the political picture. I have referred it back to Mr. Flynn.

H.M. Jr: Where does he and - what is that other young fellow's name?

Gaston: Jimmy Rowe?

H.M. Jr: Yes. Where does one begin and the other stop?

Gaston: So far as I know, neither of them is supposed to be in that picture now that Ed Flynn is down here, although he is away on vacation now at Palm Springs, California.

H.M. Jr: Well, it isn't too much for you yet, is it?

Gaston: Oh, no, not yet. We can stall on this for quite a while.

H.M. Jr: Anything else?

Gaston: No, I haven't got anything else.

H.M. Jr: Coast Guard still intact?

Gaston: Yes. I don't know whether you want to revive consideration of this question of the Italian and German ships. I don't think so. The situation is still as it was. They brought it up to me the other day, and I said unless something new occurred to make it more menacing or more disturbing, that we had better go right
ahead on the previous orders that we had.

H.M.Jr: That is all?

Gaston: That is all.

H.M.Jr: Edward?

Foley: Here is the outline of the appropriations program under H.R. 1776.

H.M.Jr: Have you seen it?

Foley: Cox worked it up with the people over in the Budget.

H.M.Jr: I will give Dan a copy.

Well, we will read this - we have a tentative appointment for 11:30, and I can only take one person. I think the person to take is Dan. So if you will be posted. Will you, Dan?

Bell: It looks all right to me.

Foley: Cox indicated that after they got back to the Budget, Smith again said that the other way was preferable, and he probably is going to submit a minority report orally.

H.M.Jr: I am sure he is. I counted on that.

Foley: He didn't participate in the drafting of this thing. One of his people did it.

H.M.Jr: I was counting on that, because Secretary Stimson called up and was nervous about it and wanted to know, and I told him that I am sure that Smith will report afterward.

Foley: I will show you the memorandum to Irey on that
Viscose transaction.

H.M.Jr: Well, I have sent word - I called up Purvis and told him it was just out of the question, that they couldn't put a deal like that through, and I told the President what I had done about it yesterday; and he said I was absolutely right, absolutely right.

Foley: Harry and Bernie and I are going over to Dean Acheson's office at a quarter after ten. I think it would be a good idea if Pehle could come along also.


(Laughter.)

Foley: That will make it four against four.

H.M.Jr: All right. Is that fair?

Foley: Well, I don't know whether it is fair to the State Department.

H.M.Jr: O.K. John?

Sullivan: Mr. Doughton is still talking about that vacancy on the Processing Tax Board of Review, and I assume that I can state to him that after you get through with the financing and have time, you will be glad to discuss it.

H.M.Jr: This week. I am through Monday. Ferdie, you might in confidence see our friend Ed Wright after this meeting. He is pretty good.

Sullivan: I have got to see Doughton this morning, and the House will concur in the Senate's amendments to the Public Debt Act, and they are introducing --

(Telephone conversation with Secretary Stimson follows.)
February 17, 1941
9:40 a.m.

Operator: Secretary Stimson.
Henry L. Stimson: Hello.
H.M.: Henry talking. I broached that subject last night - the personal one.
S: Yes.
H.M.: And the President thought it was an excellent idea and an excellent time.
S: Well, I'm very glad to hear that. You were very kind.
H.M.: He unhesitatingly thought it was good.
S: Well, did he give you any light on when we are going to meet on this .......
H.M.: No, I simply told him that if he would see us, it was going to be a unanimous report so I thought he'd be more apt to see us on that basis.
S: (Laughs). Well, will it be today?
H.M.: Well, what happened - it's set for 11:30 if he approves.
S: Oh, I see. But he hasn't turned you down?
H.M.: Oh, no. He does his appointments somewhere around 10 o'clock and then .......
S: I see, so somewhere between 10:00 and 11:30 I'll get word to come over.
H.M.: Well, your agent will let us know.
S: All right. Well, I'm very much obliged to you, Henry. That relieves me very much.
H.M.: That was easy.
S: Thank you.
H.M. Jr: I always refer to General Watson as Stimson's agent, and he says, "Now don't get sarcastic;" and I said, "Well, was he? Isn't he in the army?" "Well, he is no agent of mine. He lets me know about an 11:00 appointment at five minutes past 11:00. He is no agent of mine."

Sullivan: Am I to go to St. Louis?

H.M. Jr: Yes. When is it?

Sullivan: I believe it is Friday.

H.M. Jr: Don't you want to go?

Sullivan: Sure, I am willing to go and take a crack at them, but I saw the letter you wrote to La Guardia suggesting that I go, and I hadn't seen that he had taken the suggestion.

H.M. Jr: That is here. I have had no answer.

Sullivan: Knox is going to speak out there too.

H.M. Jr: That will be company for you.

Sullivan: I think he is going to fly out Thursday, and I might fly out with him.

H.M. Jr: All right. Anything else? Just as soon as we get this financing thing over, I am going into taxes up to here. (Indicating neck.)

Sullivan: I had a talk with Senator George this morning. He is home in bed ill. It sounded like a pretty bad cold.

H.M. Jr: Merle, would you drop over to the State Department sometime between now and lunch and take a look at the Balkan despatches and the Far
East despatches?

Cochran: Yes, sir.

H.M. Jr: Will you, please?

Cochran: Surely.

(SEcretary on White House phone.)

H.M. Jr: Hello.....

Yes.....

Yes.....

Wonderful.....

I would rather you would.....

Is Harry going to eat with us?.....

You say I am expected for lunch?.....

Harry having lunch too?.....

Well, I'll be damned.....

H.M. Jr. signing off.....

O.K.....

Good-bye.....

H.M. Jr: Twelve-thirty, and I should call the others.

I said "no."

Bell: Five minutes of one.

H.M. Jr: Lunch with the President and Hopkins. Hopkins, incidentally, looks wonderful. He has got
regular Yorkshire pink cheeks.

Cochran: When do you want me to report to you?

H.M.Jr: Oh, after lunch.

Cochran: All right, I will go between 12:00 and 1:00.

H.M.Jr: Yes. I will say now I will see you at 3:00.

Cochran: All right, sir.


Cochran: Yes, sir. I had nothing this morning except Zoltowski, the Polish financial counselor, telephoned from New York Saturday saying he is writing a letter asking your intervention in behalf of a man named Roman, who used to be Minister of Commerce in Poland. His property is going to be taken over by the Germans. I told him that I didn't know that you could do anything. He has already written Bullitt and Biddle and has the Embassy taking it up with the State Department.

H.M.Jr: I suggest you all read Frank Waldrop's article on this particular Pole who is here and there trying to get him out of the country. What is his name? He is a doctor. He didn't have it entirely straight. It is very interesting.

White: Rajchman.

H.M.Jr: He has got to leave the country, and his two friends, Mowrer and Harry White, are trying to move heaven and earth to keep him from getting out of the country. I won't tease you, Harry. Edgar Mowrer and Benjamin Cohen are the two men. Read it.

Schwarz: It will be in the Times-Herald.
I don't know how he missed you.

It is the understanding we have.

Very interesting.

Lacour-Gayet was phoning again on that matter of helping get refugees out of France. I think it is still a State Department matter.

We are still way beyond a 24-hour basis on the $10,000,000 of gold for Africa.

That is all I have.

I telephoned Gregory this morning with what came up in connection with his story of yesterday. He said that he had been saving that material that he got, a good bit of it, when he was up in New York talking to bond dealers. He said he also talked to members of the Committee before which we asked an appropriation, and he talked to about three or four people in the Treasury and that he used annual reports for 1917 and '18 to get the background.

I was glad to read it. I found out what we were doing. That was Gregory in the Tribune.

I didn't see it.

I thought it was a little previous. It was perfectly good.

He also said that he got some from Ted Goldsmith. He got some help from him.

From who?

Ted Goldsmith. (Laughter.)
Gaston: Then he did see somebody in the Treasury.
Bell: I will have to read the article.
H.M. Jr: Read the article and you too, Kuhn.
Schwarz: I compared it this morning with Goldsmith's letter, and Goldsmith doesn't have the same stuff in his letter.
H.M. Jr: If you want to find out what we are doing down to the last ten cent postage stamp, it is very interesting. It is very favorable and very nice to me and all that, but I was just sort of amused that he had such a good pipeline.
Schwarz: Well, they get around.
Kuhn: Is this in yesterday's Tribune or today's?
H.M. Jr: Yesterday's.
Schwarz: He does the Sunday column.
H.M. Jr: If anybody wants to know what the program is, I suggest you read Nick Gregory in yesterday's Tribune.
Schwarz: I will be asked today whether it is all right or not.
H.M. Jr: It is all right.
Schwarz: At the request of Mr. Houghteling with the approval of Mr. Graves, they deferred announcing his appointment. He was - he didn't want us to announce it quite that way. You may be asked this afternoon, however. I have had one query asking was he coming over here, and nobody knows yet.
H.M.Jr: My wife asked me the same question, and I said, "He succeeded Judge Hoyt." He is doing the same work that Choate and Hoyt did.

Gaston: Work?

(Laughter.)


Graves: Half back?

H.M.Jr: No, ask Harold. Isn't he going to --

Graves: Yes, he is all right. He is very serious and intelligent about his approach to this thing and very industrious.

Gaston: I remember Choate but not Hoyt.

H.M.Jr: He has already dug up one thing, that we don't begin to cover every retail outlet each year. We don't collect our $25 stamps. If he does nothing else, if he gets that thing through and gets it back so we cover every retail liquor outlet once a year, he would pay for his salary.

Graves: Many times over.

H.M.Jr: Harold was very suspicious, but he came back and was man enough to say he thought he was all right. I didn't know. It was a chance. All right?

Schwarz: All right.

Pehle: Riefler called Friday from Princeton and asked me to see Jacklin, who is the treasurer of the League of Nations. He is over here temporarily. He came in Saturday, and he was troubled about
the possibility that if we froze Swiss funds we would freeze the League of Nation's funds, and I told him that we had mechanical devices for giving them pretty complete freedom.

H.M.Jr: Can't you put the League of Nations and the Vatican in the same category?

Pehle: Sure you can.

(Laughter.)

Pehle: He wanted to know whether he could get some assurances as to how he would be treated, and I told him maybe he had better talk to State Department.

H.M.Jr: It is worth one good dinner.

Foley: We haven't been up there to lunch yet.

Pehle: He didn't want to talk to the State Department. He said he had just talked to British Treasury officials and they said, "Stay away from the State Department."

(Laughter.)

H.M.Jr: Who told him that?

Pehle: He just said British Treasury officials, and he had seen Sir Frederick, I think, so I don't know just who it was, but --

(Laughter.)

I got the feeling that the point was that --

White: We got it.

Pehle: He was afraid if he went over to the State
Department the State would use it as another argument against freezing somehow. He said he was going to Canada, and he gave me the impression that if Canada promised him complete freedom of his funds, he might move them up there.

H.M.Jr: Good.
Pehle: I think that wouldn't --
H.M.Jr: Tell him to take a look at Haiti, also.
Pehle: He is operating out of Canada. That is all I have.

H.M.Jr: Philip?
Young: Mr. Van den Brock, the head of the Netherlands Purchasing Commission --

H.M.Jr: Yes, I have given him an appointment.
Young: You have? And I think Mr. Zimmerman ought to come with him, who is the fellow who has been running the show during his absence in London. Is that for today?

H.M.Jr: No, tomorrow. How about the Greeks? Are you going to let them know about their planes?
Young: I haven't said anything about it or done anything about it.

H.M.Jr: Well, I would do it today.
Young: Ask the Minister to come in?

H.M.Jr: Well, why don't you call up Frank Knox's office and find out what he has done about it first?
Sure.

Just to check.

Right. Then I will check with you again before I do anything on it.

No, that is all right, go ahead. You have got to work the thing out to see that he really gets them now.

Right. That is all.

George, I know you have still got that thing. Hang onto it. Tell Stephens I want to see you.

All right. Allison was particularly late today, but that table has the figure. I marked it in. It is 66.

Could you find out what the Allison engine – what number they are, whether they are D or E, the ones that are going to the Army now? I would be interested in the new ones for the Army. What ones are they that the Army is getting. From now on, if the English are still getting the – what is the first one they turned out?

C. Are they still getting C, and what would that new one that the Army is getting be.

It is the E.

I would like to know.

George and I have a new table here on the engines, the status of British engines, those in transit and awaiting shipment and export and so on. I would like to take a minute sometime to explain it to you, and we are getting a similar table on frames which will
match it. I think you will find the figures quite interesting, because they show a picture that has never been shown before of just what the situation is.

H.M.Jr: Well, I can see you gentlemen at 11:30. What are you doing at 11:30?

Young: Seeing you.

H.M.Jr: Fair enough. Haas and Young. We can clean up the other stuff from Leon Henderson's shop at that time, too.

Haas: That is all.

H.M.Jr: Ferdie?

Kuhn: I have nothing.

H.M.Jr: Harry?

White: In re-examining the value of the large British direct investments here on the first batch, which includes possibly a third, our estimates are running about 10 per cent higher than those of the Department of Commerce, largely because theirs were made four years ago, so that it is interesting at least to know they are not lower than the Department of Commerce.

H.M.Jr: You mean higher than the 900 million?

White: Yes, it will be, if the remainder of them remain the same, of course. The large companies show somewhat higher in book value than theirs do.

H.M.Jr: Anything else?
White: We would - Louchheim, with whom we are working in the S.E.C. on these evaluations, would - thinks that it would be very helpful if he had your permission to go to the New York State Insurance Commission to get information and data on the British insurance companies.

H.M.Jr: Go ahead.

White: Is that all right with you?

H.M.Jr: Go ahead. We have got to put a lot of pressure on these boys on the direct investments. I don't like the way they are acting at all.

White: There was a comment in the British paper, Financial News, that just came in in which the leading article spoke of the danger to British interests of being forced to sell Courtauld and other items indicating a very definite displeasure at being forced to part with their direct investments, but that is natural. Possibly you remember that the New York bankers, many of them, were a little bit concerned over the proposed Inter-American Bank.

H.M.Jr: Yes.

White: They came down and had a meeting and they raised their objections. Their objections were explained away, and then an additional suggestion was made by them with the end result that they have gone along, and they are going to support it when it comes before Congress.

You might be interested also in the wind-up of the several months' dispute between Argentina and the State Department on the Most Favored Nation treatment. They came to some sort of a compromise in which Argentina agreed
to let them know ahead of time if any discriminatory treatment was being practiced. We have got a rather detailed study which shows that Germany has acquired an awful lot of gold and foreign exchange in the last year or two. We think that she has got almost three quarters of a billion dollars.

H.M. Jr.: Good. That gives her that much more interest in gold.

White: Well, you will notice that her comments on gold which were so prevalent a year ago, about getting along without it, have almost ceased.

H.M. Jr.: Anything else?

White: That is all.

H.M. Jr.: Harold? How is Odegarde?

Graves: Mr. Kuhn and I talked with him Saturday morning.

Kuhn: Saturday, yes.

Graves: He was out of bed but quite obviously not able to get out of his house. As I understood, he intends, if he is well enough, to be down here Wednesday.

H.M. Jr.: Good. Well, if you gentlemen want to see me, let Stephens know, will you? I am going to be very tight on appointments all week except financing. Dan?

Bell: The Social Security Act as amended in 1939 sets up a Trust Fund Board to handle the Old Age Fund, and it is required to render a report on the first day of the session of Congress. We are a little late on it. We had some difficulty in getting agreement with the Social
Security Board, but now we have that agreement. It is here for you to sign.

I read over the minutes of that meeting we had of March 10, 1938, of which Ransom wants a copy. I see nothing in it which he couldn't have except the argument or the explanation that Crowley gave for his helping Glass draw that bill. You remember he drew it.

H.M.Jr:  May I make a suggestion?
Bell:  I would just cut that out.
H.M.Jr:  No, he will have to come to your office and see it. I don't want it to leave the building, Dan.
Bell:  It is nothing but just a matter of procedure.
H.M.Jr:  I know, but I don't like these things floating all over Washington. I never know where they are.
Bell:  O.K. I will let him come over.
Thompson:  Mr. McReynolds is working on the Ballinger case. I have been pressing him pretty hard. He is having a little difficulty finding a place at the same grade in salary, but he has definitely promised to work it out.
H.M.Jr:  What did we hear from the Department of Agriculture?
Thompson:  We can get Ted Wilson, not on a reimbursement basis, but on a direct transfer. They can't spare him. They are losing their assistant director.
Thompson: We can get him, yes.
H.M.Jr: Couldn't I see him with you and have a talk with him?
Thompson: Yes. I was wondering if you would rather wait until we get Ballinger placed.
H.M.Jr: No. I would like to see what this man looks like, so if you will tell Stephens I would like to see - what is his name?
Thompson: Wilson.
H.M.Jr: I would like to see Wilson with you. I would like to see him. It is a question of today or tomorrow, because I am going to go into these other meetings, and I won't have any time. Please.

All right, gentlemen.
DEPARTMENT OF STATE
WASHINGTON

February 17, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of a strictly confidential memorandum dated January 24, 1941, received without covering communication from Mr. Donald R. Heath, First Secretary, American Embassy, Berlin, concerning Germany's food supply.

Enclosure:

Memorandum from Embassy, Berlin.
FOR TREASURY FROM HEATH AND FOR THE DEPARTMENT'S INFORMATION

Shortly after the outbreak of the war I had a conversation with the head of the research section of the newly formed National Defense Council who, while avoiding detailed comment on the economic problems confronting Germany, did state very categorically, and I believe sincerely, that Germany would be able to maintain her initial scale of rations without diminution for a period of two years. After that time, if the war continued, various factors would cause a gradual reduction in rations, among them: presumable shortage of agricultural labor, transportation difficulties, fuel shortage, difficulty of replacement of agricultural machinery and lack of phosphatic fertilizers. Similar predictions were privately uttered by other informed contacts.

I now learn from what I believe to be a reliable source that at a recent conference on the food situation the Secretary of State of the Ministry of Food and Agriculture announced that it would probably be necessary by next summer (in other words some two or three months before the end of the first two years of the war) to reduce the meat ration and possibly the fat ration as well. My informant asked that this information be not telegraphed or in any way reported unless it could be done in the most confidential manner.

Donald R. Heath,
First Secretary of the Embassy

Approved:

Leland Morris
Charge d'Affaires ad interim

A true copy of the signed original.
February 17, 1941
10:41 a.m.

Justice
Frankfurter: Henry, this is Felix.

H.M.--: Hello, Felix.

F: I'd like to have a leisurely talk with you before very long, preferably tomorrow. When do you go to your shop in the morning — tomorrow?

H.M.--: Oh, I leave the house usually at 8:15 or 8:30.

F: Oh, God! Would you pick me up and we could have a talk then?

H.M.--: Surely. Surely.

F: It's something that I'd like to have a talk — not for five minutes over the phone.

H.M.--: No. Well, now is that ......

F: I spent a good deal of time on your damn job. (Laughs).

H.M.--: (Laughs).

F: I mean not on your job but on your commission and it's all really — I mean really it's going to be all right.

H.M.--: You think so.

F: Yes, but what I'm concerned with is to give you a little bit of the background of the situation.

H.M.--: Should I be at your house at 8:45 tomorrow? How would that be?

F: That would be — that would give me fifteen minutes more in bed. That's a good place for a judge.

H.M.--: Well, I'll be at your house tomorrow morning at 8:45.
F: Or I'll give you a cup of tea in late afternoon at my house. What would you prefer?

H.M.Jr: Today?

F: No, tomorrow - well, I'll give it to you today. Sure. How about that?

H.M.Jr: Well, what time do you get home?

F: Well, what time do you get home and I'll bargain with you.

H.M.Jr: I'm not terribly good in the late afternoon.

F: You'd prefer it in the morning, wouldn't you?

H.M.Jr: I'm not awfully good late afternoons.

F: You'd prefer it in the morning, wouldn't you?

H.M.Jr: Well, you've got me at my best.

F: All right. Well, you pick me up at 8:45 tomorrow.

H.M.Jr: Right.

F: Thanks very much. In the meantime you know that the thing is going forward with a good procedure, I think.

H.M.Jr: Well, our boys I think are over there now.

F: That's what I'm saying.

H.M.Jr: I haven't talked to Kuhn - I haven't had a chance, so I don't know.

F: Well, I've spent a good deal of time on it and I just want you to be - well, what shall I say - in a relaxed frame of mind.

H.M.Jr: Well, I'm relaxed. There are two things that bother me equally. One is the accomplishment of what we were trying to go after and the other was my disappointment in ......
F: Well, that's what I'm most concerned with and that's what I want to talk to you about.

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

F: That's more important than the immediate problem.

H.M.Jr: Yes. If Dean Acheson isn't going to be what you think he is, the sooner I know it the better.

F: Well, - (laughs) - you assume he's going to be what you thought he was going to be.

H.M.Jr: Wonderful.

F: All right.

H.M.Jr: May I thank you for all your time and trouble?

F: No, you may not but I'll see you in the morning.

H.M.Jr: But it's really important.

F: It's more important than you think.

H.M.Jr: Well, I'm ever so much obliged.

F: Fine.

H.M.Jr: Thank you.
February 17, 1941
11:46 a.m

H.M.Jr: Hello.
Operator: Mr. Lovett.
Robert Lovett: Hello, Mr. Secretary.
H.M.Jr: Good morning.
L: Good morning, sir.
H.M.Jr: Lovett, are you coming to see me tomorrow?
L: 10:15, sir.
H.M.Jr: Yes. Now, I've got another thing if you could have it. I know I've asked for a lot but if you can get it - I wonder if you could bring with you a list of any Army planes which are finished, completely finished, but have no engines, if that condition exists.
L: Well, now, Mr. Secretary, I'm afraid you may get confusing information on that type of statistics because we would have a plane that is in the GHQ air force for example down in Panama that has no engines in it because the engines are being overhauled.
H.M.Jr: I don't mean that; I mean at the factory - new.
L: You mean on the planes at the factory.
H.M.Jr: I mean Army factories - well, like the case of .......
L: B-17.
H.M.Jr: Yeah.
L: All right, sir.
H.M.Jr: I mean, are there any more cases like the B-17's where for instance in that case you were flying them out and had to send the engines back to get more.
L: Yes. Well, I can get that for you very easily, sir, but I don't believe that's fully responsive to, perhaps, what's in your mind because I can say this, that we can get very much more accelerated air frame production if for example we had the engines that - the R-2800's of the Pratt-Whitney which are going to the British. In other words, the Martin B-26 bombers are held up not because of air frames but because there are no engines for them.

H.M.Jr: Which engine do they take?

L: They take the Pratt-Whitney 2800's. We are getting engines now from them; we are getting planes from them this month, but Martin tells us that he could double the production by April 1st if he could get engines.

H.M.Jr: How much horse power is that?

L: That's approximately 2,000 horse.

H.M.Jr: No. Well, the English can't help you on that because they haven't got any.

L: Well, they are beginning to come out now.

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

L: So the problem in other words is that there are certain types of air frames that we could accelerate production on if we could get engine deliveries.

H.M.Jr: Well, you're a little ahead of me. All I want to know is there anything like the case of the Boeings where you actually are short of engines and the planes are lying around without engines in them.

L: The airframes without engines.

H.M.Jr: Yeah.

L: I can give that to you easily.
That's all, just are there air frames completed, under canvas somewhere, lacking engines.

Yes, sir. Only for the Army, because I know of some for other takers that are in that fix.

Well, Navy?

I think the Navy is O.K. on engines.

Well, I'm only interested in the Army and Navy.

All right.

Who did you have in mind?

Well, there were some British planes completed out at Glendale, Burbank, that did not have engines a couple of weeks ago. In other words, the air frames are coming through faster than the engines.

You'd better check that; I question that.

All right. Bob Gross told me on the phone, I think it was about two weeks ago.

Yeah. Well, you might check that.

Well, I won't bother with them, sir, because

No, don't bother with them because I've got their tables here before me and what I had in mind was if you people have got - the Army and Navy have got planes sitting around completed without engines, maybe I could be a little helpful. That's what I was thinking about. See?

Fine. Yes, sir.

I mean on a temporary basis. That's what I was thinking about. If the English have anything like that, they can get that to us.
L: All right. That'll be helpful.
H.M.Jr: Yeah.
L: I'll have that ready for you tomorrow.
H.M.Jr: Thank you.
Congressman McKeough: Yes, Mr. Secretary.

H.M.Jr: How are you?

McK: Fine, thank you.

H.M.Jr: Mr. McKeough, I just want to tell you I’m working on the Marx Brothers case.

McK: Thanks very much, sir.

H.M.Jr: I just wanted to let you know.

McK: Well, that’s very thoughtful of you.

H.M.Jr: Do you know when it’s coming up for trial?

McK: Well, the situation with relation to the trial briefly is this: they were scheduled two weeks ago today—tomorrow. Then Monday, two weeks ago today, I appealed to Mr. McGuire, because of my inability to get to Mr. Jackson, and after pleading my heart out he finally stated that I could have a week.

H.M.Jr: I see.

McK: And in the meanwhile that I was to ask Mr. Marx to come to Washington and meet with Mr. Wenchel on Thursday a week ago, which I did. Then Mr. Wenchel, as I understand it, called the Justice Department. To whom he spoke personally I don’t know—oh, I think I do. It was Mr. Clark, and he asked Mr. Clark to give some additional time and that they were due a week ago tomorrow for trial. He indicated, incidentally, when he discussed that phase with me that Mr. Clark was somewhat piqued that he asked for the additional time.

H.M.Jr: I see.

McK: Then that leaves it, as I see it, waiting final decision from you—that is, the Treasury Department.
Yeah.

And I know of no date certain that has been set. I'm sure that that might be confirmed by discussing it with Mr. Wenchel.

We'll do that.

May I ask again, Mr. Secretary, in the event that no favorable decision is reached by you, that you be good enough to let me again see you before final decision?

That's a fair request. Yes.

Thanks a million.

O. K.

Thank you, sir. Good-bye.
CONFERENCE AT THE WHITE HOUSE, 12:30 P. M., FEBRUARY 17, 1941

Those present besides the President were: Secretaries Morgenthau, Stimson, Knox, and Wickard; Director of the Budget Smith, Messrs. Harry Hopkins and Bell.

The President discussed for a few moments Harry Hopkins' trip to London. He said he had practically lived with British officials and had come back with first-hand information; he had talked with Harry the night before until 2 A. M. and they had not finished yet. One important thing which we had overlooked was the coming need for food supplies. He thought that was something which should be looked into immediately by the Secretary of Agriculture.

The President said that he had talked with the Congressional leaders that morning about the total requirements under the Lend-Lease Bill. He asked them how the Congress would feel about his submission of estimates, whether they would like to have a total at once, say 3 or $4,000,000,000 in cash and 3 or $4,000,000,000 in contract authorizations or whether they would like to have it divided into several submissions. They were unanimous in recommending that it be divided and that the amounts required be submitted from time to time, including just enough cash and contract authorizations to come within the capacity of the country to produce the articles.

Secretary Stimson commented that this was important and he said that as we all knew, they have been working through Mr. Jones in the RFC in order to build up the capacity of the country and to keep that capacity producing in the interim while the Lend-Lease Bill has been pending.

At this point the Secretary handed the President the memorandum which had been prepared in the Bureau of the Budget as a result of the conference held at his house on Saturday morning. He told the President that this was a memorandum of procedure which the four Cabinet officers present had agreed upon, but he was not so sure that his Director of the Budget was happy about it. He was there and could speak for himself.
The President then read the first paragraphs of this memorandum, which are a summary of I and II detailed procedure and said it was all right with him but he was not quite sure it would be all right on the Hill. He asked about percentage of flexibility and whether or not ten per cent would be sufficient. The Secretary said fifteen per cent had been suggested at the conference held at his house on Saturday. He personally was not able to say what that percentage should be.

Mr. Smith stated that obviously some percentage would have to be worked out as it was necessary to have flexibility in operating the program.

The President then asked as to what proportion would the funds be split between I and II, and just as a rough guess, someone suggested that it might be $3,000,000,000 cash and contract authorizations to the War and Navy, and $1,000,000,000 cash and contract authorizations as a lump sum which would take care of all the Departments, including Agriculture, Maritime Commission, etc. The exact figures would have to wait on the breakdown of the British program and its integration with the present National Defense program. The War and Navy Departments are now working on that.

Mr. Smith then made his point, that while he was willing to go along on this program, he still was of the opinion that it was not the best method of procedure. He had discussed it at some length with the members of his own staff and they, with all of their background and experience, felt that it was wrong to split up this program among the many items of appropriations on the books of the War and Navy Departments. He said that he thought there was a great chance of losing budgetary control by the Budget Bureau and accounting control by the Treasury over the appropriation procedures. He was quite certain it was not as simple as had been outlined and before we were through, we would have to go back to Congress many times to get authority for additional flexibility.

The President said that he agreed with Mr. Smith in general but he was quite certain that the Congress would not give him a lump sum appropriation as large as we will need to carry out the provisions of the Lend-Lease Bill. He thought it would be better to handle it in the manner outlined in the memorandum, then as the materials or articles come off the manufacturing line it then be determined which were to go to the British and which were to form a permanent part of our National defense. He then asked me if I did not think this the best way to account for them and at that time have an account with the British to which these articles would be charged. I said that that was the only way to handle the matter under this proposed procedure, but I wanted to point out it should be understood that the only way the Treasury can handle the expenditures under this whole program is in the first instance charge them to our National defense so that each day when our Daily Statement is published it will show a large National defense expenditure, part of which will be for the account of the British and which will not be determined until weeks or possibly months later. As the documents
are signed leasing or loaning these articles and materials to the British and those documents are filed in the Treasury, that is the first opportunity the Treasury will have to charge the British and credit our own National defense expenditures, and by that process reduce our previously published National defense expenditures. The one objection to this is that the expenditures in the first instance will be made, say in 1941, and the credits for the British may be made in 1942. In other words, you will have credits against 1942 expenditures for an adjustment of 1941 expenditures. While this is not the best thing, it is the only practical way that we can work it out without a great accounting organization.

There was some discussion as to the drafting of the bill but it was concluded that there was no necessity for this as the regular budgetary procedure would be followed. The War and Navy Departments would submit their estimates to the Director of the Budget who would prepare the necessary documents for the President to submit to the Congress, which would be referred to the appropriation committee and on which that committee would hold hearings in the usual way.
It is recommended that the following method be used to obtain the appropriations to carry out H.R. 1776:

I. The War and Navy Departments should request funds for their own and foreign future needs for military and naval equipment.

II. A separate request should be made for a lump sum to the President for allocation to the appropriate agencies to take care of:

(a) Procurement of merchant ships, agricultural products, strategic and critical materials, etc.

(b) Unanticipated needs including those of War and Navy.

I.

A major part of the foreign need is of a military and naval character of the same general categories as are provided in existing appropriations for War and Navy and thus provision to meet the foreign need simply requires expansion of those appropriations. To afford some flexibility provision should be made for a percentage of interchangeability between appropriations within each department. The planning and production of planes, ships, guns and other articles would be melded and a separation could be given to the Appropriations Committees of the approximate
dollar amount of the equipment for United States and foreign
needs in justification of the request for appropriations. The
allocation of equipment need be made only at the time of
disposition. We could thus retain for use equipment which had
become more essential to our own defense than to that of a
foreign country because such a country had been defeated, or for
other reasons.

By augmenting Army and Navy appropriations in the foregoing
manner, the amount of the lump sum appropriation requested would
be proportionately less. This would be more in keeping with the
present method of securing funds for military and naval purposes
and might be less subject to criticism than a request for one
over-all lump sum.

II.

The lump sum would be desirable to cover the articles for
which the need is not clearly known at this time and to provide
for their procurement through those agencies best equipped to do
the job. The lump sum will also be useful to meet sudden
expansions of needs for military and naval equipment beyond those
provided under the additional appropriations for those purposes
and any percentage of interchangeability which it may be feasible
to secure. It might also be required to take care of our own or
foreign needs resulting from some major disaster.
February 17, 1941

Hopkins told me that what the English want after the Bill passes are 50 more PBY flying boats, 90 long distance bombers, and 30 destroyers (10 a month), and all the merchant shipping that we can spare. All this is over and above everything else that they are getting now. They want the above as soon as the Bill passes, plus experienced crews to fly them. They are useless to them without the crews.

I told Hopkins the plan was for a four-man board, Hull, Stimson, Knox and myself, to decide how everything should be distributed. At first he didn't like it, and then he suggested himself as secretary to the board, and I said, "Swell." He said that he expects to devote the next two or three months entirely to promptly getting material for the English.
February 17, 1941

The President said at lunch today that Hopkins was sent to England to find out what the needs of the English were for the next five months. One of the most interesting things the President said was, "I have just got to see Churchill myself in order to explain things to him."
The White House
Washington

February 17, 1941.

Hon. Winston Churchill

We must implement Lend-Lease Bill at once with very large appropriations which must result in very substantial increases in taxes here. There is no adequate understanding in this country relative to the increases in taxes in England due to the war and the fact that Britain is making real financial sacrifices. You will understand that this attitude is not that of our Government but represents a lack of understanding on the part of the general public. Is it possible for you to arrange in some appropriate manner for a statement to be made in England at an early date indicating the great increase in your tax levies and any other financial sacrifices which the British people are making because of the war.

HOPKINS
February 17, 1941.

MEMORANDUM

TO: Secretary Morgenthau  
FROM: Mr. Gaston

Wendell Willkie made a very fine talk before a National Press Club luncheon today. Answers to questions occupied more than half the time and he was very able and frank in dealing with them. He made an excellent impression. Kurt Sell of the German News Agency was present in the gallery where I sat.

Willkie said that before he made the trip some business men who talked to him said they had seen reports that the British system after the war would be completely socialistic and they questioned whether we wanted to support England to achieve such a result. He made a particular point of seeking the answer to that question. He said he was convinced after talking to all the leaders, particularly the labor and radical leaders, in and out of the Government that the system of free enterprise would endure in England after the war but that the fight to enlarge the opportunities of the common man would go on after the war and that many inequalities would be corrected.

He said the most essential thing was to keep the shipping "lung" open so that England could continue to breathe. For that purpose they needed most (1) destroyers, (2) bomber planes, (3) ships. He said the "highest authority" in this country had confirmed his belief that we could furnish additional destroyers. He added: "If that isn't plain enough, ask me some more questions."

[Signature]

Regraded Unclassified
February 17, 1941

Paul

Mr. Cochran

Mr. Jones of the Far Eastern Division of the Department of State telephoned me at 3:15 this afternoon to inquire as to the present status of our negotiations with the Chinese in regard to our stabilization arrangement. When I told Mr. Jones that no progress had been made the past few days, he indicated that the State Department was very eager to have this matter cleared. I told him that we hoped to get at it this week.

BMC

EIC: 2-18-41

Regraded Unclassified
Hello, Dean.

I wanted to call you and thank you for letting those lads come over here this morning and talk with us.

Good. I haven't seen them yet, Dean. I just came back from the White House, so I don't know what happened. I'm at a disadvantage.

Well, not a great deal happened and it wasn't because anything happened that I wanted to call you up, but simply to say that I think that it's the way to go about it to have a talk and talk quite a lot.

I think so.

We talked this morning. After a little while I think - you know there are some clashes of personality and they begin to wear a little thin after a couple of hours and people get fairly sharp with one another.

Yes.

I think we talked as long this morning as it was good to do at one clip. What I should like to do is to renew it again after everybody has cooled off a good bit, not with the idea that our discussions will affect this particular decision; I suppose that will be worked out by you and Mr. Hull and the President, but I think whatever happens it is very desirable that our people over here and your people - your fellows - should just work along without too much - we all tend to get a little pride of position, you know.

Well, the only regret I have is that these meetings didn't take place before Mr. Hull put it down in black and white in the form of a memorandum to the President.

Well, I think it is too bad perhaps that that has happened.
H.M.Jr: Because I doubt whether he'll want to recede from that position.

A: Oh, well, I think if we can find out what it's all about we'll understand one another a lot better and I don't know - I don't understand the situation well enough .......

H.M.Jr: Even after two hours?

A: (Laughs). No, I don't.

H.M.Jr: Well, anyway I'm glad to have talked to you and I'm going to see my boys later on and get a report.

A: Well, I thought that maybe I could get one or another of our fellows, either Pasvolsky or Fels, and perhaps come over tomorrow.

H.M.Jr: And see our people.

A: Yeah, and start from where we left off.

H.M.Jr: Good.

A: What we were working on this morning is just what we want to accomplish and how we accomplish it, to try to put a balance sheet on this thing, and I'd like to go on with that.

H.M.Jr: Fine. I'm sure you'll find they do too.

A: Uh-huh.

H.M.Jr: Thank you, Dean.

A: All right.
February 17, 1941
4:32 p.m.

H.M. Jr: Hello.

Robert Jackson: Henry?

H.M. Jr: Yes, Bob.

J: There is an item on the ticker which the State Department has just called to my attention that the first of 26 long-range bombers built for Britain by Consolidated Aircraft is expected to take off later this week non-stop flight to England. The plane will be commanded by Wing Commander David John Waghorn of the R.A.F. when it leaves. Waghorn will be accompanied by four other crew members and possibly one or two passengers, it was said. Now they've been rather careful to observe the Neutrality Act by taking those things into Canada and I wondered what had happened, if you knew, that changes this. They are pretty plainly in conflict with the Neutrality Act.

H.M. Jr: Oh, really. Well, Bob, I don't know. I was surprised at all the publicity. It seemed to me most unfortunate but I'll - are you watching this yourself?

J: Yes, I just don't see how - in the first place I think it's dangerous from the viewpoint of public sentiment and this debate. I think it's a rather plain violation and in the second place I don't see how we can clear it.

H.M. Jr: Well, would it be all right if they stopped at Jamaica.

J: Well, I don't think that would help them any.....

H.M. Jr: Bermuda?

J: ..... because it's a belligerent ship the minute that they take it over and it's sailing over our territory without any permit from the Secretary of State.

H.M. Jr: Well, they've been permitting machines to go every day to Canada.
J: Well, they go to Canada under our crews, as I understand it.

H.M.Jr: Oh, that's the thing.

J: Our crew makes delivery in Canada, then the Royal Air Force take off from Canada. It isn't a belligerent ship until the R.A.F. take it over.

H.M.Jr: Oh, you'd be satisfied if our crew would deliver it either to Canada or to Jamaica?

J: Well, I don't know any reason why Jamaica would be different than Canada.

H.M.Jr: The reason I say Jamaica is that it's the Southern route and I know they've got a fine airport there, but it's been cleared that they can take them to Canada.

J: Yes, but this is a departure from the method they've been pursuing. We sent the destroyers to Canada, if you recall, and made delivery there.

H.M.Jr: I see.

J: What I was wondering was if somebody has given them some approval of this method. Of course, maybe they are just simply announcing this to throw the other people off the track.

H.M.Jr: I don't know but I'll find out damn quick. I've just sent for Ed Foley and Phil Young and I'll put them on it. How long will you be at your office?

J: Well, I'll be here a little bit yet.

H.M.Jr: Will you be there for ten minutes?

J: Yes, yes.

H.M.Jr: I'll have an answer for you within ten minutes. I'll call them up myself and I'll have an answer for you in ten minutes. I'll call you back.
J: Well, you can tell them that we don't see any way that we can stand by and see that done in the present state of affairs.

H.M. Jr: O. K.

J: O. K. Thank you.
February 17, 1941
4:39 p.m.

H.M.Jr: Hello.
Operator: Mr. Purvis.
Arthur Purvis: Hello.
H.M.Jr: Hello, Arthur. As usual, you've got me into awful hot water.
P: Oh, my. As usual?
H.M.Jr: Well, yes.
P: How?

H.M.Jr: Well, the Attorney General is terribly excited and so is the State Department about this announcement on the ticker that a Consolidated Aircraft bomber is flying with an English crew directly to England and of course they call me up and think I know all about it and that I've given permission.
P: Yes. I don't even know if it's one of ours; I haven't seen the ticker. Let me find .......

H.M.Jr: Well, there has been all this stupid publicity about the 26 bombers leaving San Diego - it's been in every paper.
P: Yes. I wonder where that comes from?
H.M.Jr: I don't know.
P: Let me ring up Morris and find out straight away.

H.M.Jr: And then would you please call up Philip Young? The Attorney General is sitting in his office.
P: Really worried about this.
H.M.Jr: Yes, and they want to get out a denial tonight.
P: Quite right.
Now an American crew can take this bomber either to Canada or I suggested Jamaica if you want to go the Southern route.

Yes.

The way they have right along.

But did it claim that there is an English crew aboard her?

That's what the ticker said - an English crew, it mentions them by name.

Really. Would the difficulty be that they had also flown it over - I mean, did an English crew fly it across the continent?

God, I don't know, but he says it is absolutely un-neutral for an English crew to fly a fighting ship from the United States directly to England.

Correct. I mean, that doesn't require a lot of imagination, does it? Let me find out immediately what has gone wrong, if anything.

And the whole thing - I mean, all of this publicity at this time with the bill up this week. To me it is just unbelievably stupid.

I can't believe that we have anything to do with the publicity, but I'll find out.

And would you mind telling Philip Young?

Immediately, Henry. I'll go right at it now.

Thank you.
February 17, 1941

Memorandum

I would like to know from Chick Schwarz as to where Gregory of the New York Tribune got all of his information from for the article which he wrote on the financial page of the Sunday paper. Please let me know Monday.

H. Morgenthau, Jr.

See 9:30 on 1/17 when Mr. Schwarz reported to the Sec.

Copy to Mr. Schwarz.
WASHINGTON, Feb. 18.—When Congress approves H. R. 6599, the bill that will enable the government to sell $60,000,000,000 in new ten-year bonds, the secret of the Treasury will be turned over to Henry Morgenthau Jr., Secretary of the Treasury, who will launch the second great financing effort which has undertaken in one year's time a quarter of a century.

The organization for the distribution of defense securities is virtually a new one. The Treasury Department has ambitious plans to make every citizen conscious of his duties to save the country. Although the defense bond division will not be as elaborate as that employed by the late William Gibbs McAdoo, Secretary of the Treasury in the first World War, it will be designed to be efficient.

Mr. Morgenthau and his aids are anxious to avoid high pressure tactics in selling the bonds and savings stamps, but a drive will be put on which will miss no trots. From a financial standpoint conditions are different now from what they were in 1917, when the government found that one of the most vigorous and successful hand-selling campaigns in the history of the country.

In 1917 and 1918 the average American was asked to make sacrifices. He had to be educated, and the campaign undertaken by Mr. McAdoo was a speculative wave which select the country later. This was true in the sense that Americans finally became conscious of what securities were: markets, discounts, etc. True, some 60,000,000 people bought savings stamps, and others from their bonds and threw them away, which created an ebb and flow of the market. The problem of what to do with their rights when opportunity came was difficult. Outlining “blocks” and expanding their capitalizations.

The difference is that in the last war savings were not as great as they are at present. Now deposits in banks are at record figures. Typical of the arguments offered by the Treasury in 1977-1987 is to reduce patriotic Americans to invest in the first Liberty Loan floated on May 16, 1917, was the following: “The men and women of large and moderate means owe a greater duty to the nation, for they have a larger margin of income, to cut off self-indulgences, to deny themselves useless and needless luxuries, to make sacrifices of comforts, pleasures, and conveniences that will effect a larger part, and so enoble their country and nation to the nation. Every dollar saved represents actual supplies saved and made available for domestic defense and suffering civilians in Europe, and America.”

The first Liberty Loan issue consisted of a $2,000,000,000 3% per annum installment. It was distributed as follows: The twelve Federal Reserve Banks were used as the central agents in each of the twelve Federal Reserve districts for receiving subscriptions, for taking care of the handling of allotments, subscriptions, the handling of payments after allotment and the delivery of the bonds. Subscriptions totaled 4,000,000, and of these 2,000,000, or 50 per cent, subscriptions ranging from 50 to $100,000, while the number of individual subscribers is 25,000,000 and over, their subscriptions aggregating $587,898,000. Mr. McAdoo was gratified by the reception. The issue drew subscriptions of $3,035,000,000, or 75 per cent more than the amount offered.

At present the Treasury will utilize some of the ideas developed under the late Secretary of the Treasury, Mr. Morgenthau's plans are not final, as they are as follows: A bond expert will be employed to head the division distributing the defense bonds. He will be responsible to Daniel W. Bell, Under Secretary of the Treasury.

Regional organizations will be set up with a special official for each group. How many of these organizations will be created has not been decided, but it is expected there will be more than thirty.

Mr. Morgenthau will seek an appreciation from the Bureau of the Budget to put on an advertising campaign.

It was decided that the citizens' groups which participated with the distribution of the Liberty Bonds were sometimes overwhelming in filling their quotas and creating enthusiasm. For example, if citizens of any of the central powers did not buy enough bonds (the public was usually determined by pointing the finger of scorn either as unpatriotic, a fool or a criminal, this created a racial feeling among the various peoples.

The Treasury believes that the quota system might be dispensed with in that it may never be used as a police function as in city, municipality, or town, and should subscribe to the defense securities. Each regional director will attempt to take advantage of community spirit through newspapers, radio, speeches and use of the radio.

The bonds and the savings stamps will be sold at post offices, state and departmental offices, but only in every effort, high pressure tactics will be avoided. Advertisers will be asked to contribute some of their space to bring attention to the savings bonds and stamps.

Preliminary plans of the Treasury call for the issuance of savings stamps in the denominations of 10 cents, 25 cents, 50 cents and $1. It may issue a 50 cent stamp for those who save faster. These stamps will be convertible into bonds and a 10% denomination. The bonds will be issued at 95% in ten years at $50. A survey of the public will indicate whether they desire to contribute some of their space to bring attention to the savings bonds and stamps.

Financial Washington

Continued from page 11

As the last war, the Treasury will make every effort to distribute defense bonds as widely as possible. This policy stems from a desire by Mr. Morgenthau to make every citizen conscious of his contribution to the national defense program. One of the major differences between the two periods under review is that in the last war the Liberty Bonds were not fully liquid as in Federal Reserve, etc., while under H. R. 6599 they will be taxable.

In the last war, the government issued certificates of indebtedness as a going to long-term financing. At present it is doubtful that the government will resort to this medium of obtaining necessary funds.

Life Insurance

Gerhard Cressel, of the Securities and Exchange Commission, will make a strong statement for some form of Federal regulation of life insurance when he appears before the temporary national economic committee. Mr. Cressel, representative of some of the most prominent life insurance companies, will provide for some plan of taxation designed to get more out of the life insurance companies. During the S. E. C. hearings it was pointed out that in 1925 the life companies paid only an insignificant part of their income in taxes, compared with other industries.
February 17, 1941

TO: MR. YOUNG
FROM: THE SECRETARY

Dear Phil:

Please keep out of this mess on the Greek planes. The President of the United States gave a signed order to the Secretary of the Navy and I want it to rest as between the Secretary of the Navy and the President of the United States and I don't want to get in on it in any form or manner and please advise anybody who calls you up that that is my attitude, including Admiral Towers.

H. M., Jr.
To: The Secretary  
From: Mr. Young  

Re: Planes for Greece

In accordance with your request at the staff meeting this morning, I got a complete story on the latest Greek plane developments from Admiral Towers. The story may be summarized as follows:

Late Friday afternoon, Secretary Knox called Admiral Towers and showed him the draft directing that Greece should receive fifteen old and fifteen new Grumman planes now and another fifteen new Grumman's by the middle of March. Admiral Towers pointed out to Secretary Knox that this would require a certificate from Admiral Stark stating that these planes were not essential to the National defense.

Admiral Towers went to see Admiral Stark and the latter said that he could not give such a certificate as the Navy has a top priority on 1221 planes in order to fulfill its defense requirements and the Grumman's represent item No. 1 on this priority list. Admiral Stark authorized Admiral Towers to tell Secretary Knox that a certificate could not be issued.

Admiral Towers saw Secretary Knox on Saturday morning just prior to a meeting with the Greek Minister and laid the whole case before him. Admiral Towers was present at the meeting between Secretary Knox and the Greek Minister and at that time went over the case again showing how badly the Navy needed them.

In response to a direct question by the Greek Minister, Secretary Knox said that the planes would be made available to the Greeks by this Government. Evidently, the Greek Minister immediately cabled Athens and advised the State Department. In response to a call from Wallace Murray, Admiral Towers asked Murray to go easy and to keep it quiet for the time being because Towers
felt very strongly that the transfer of these planes at this
time would do great damage to the lend-lease bill.

Admiral Towers emphasized this point again and again inasmuch
as Admiral Stark would have to make a certificate to Congress if
the planes were transferred. Towers said he had also discussed
the situation with Forrestal and Stark and that both agreed and
thought the transfer of the planes would have very serious effect
on the lend-lease bill if transferred at this time. It is the
contention of Admiral Towers that inasmuch as some of these planes
won't be ready until March 25th, that the deal should be delayed
until the passage of the lend-lease bill.

As a result of Admiral Towers' conversations with Admiral
Stark and Mr. Forrestal, a conference was held this morning at
the Navy Department at which Knox, Stark, and Forrestal were present.
As yet there are no reports on the result of this meeting. Admiral
Towers asked me to present to you his point of view as outlined
above.
OFFICE OF THE SECRETARY OF THE NAVY

Greatly short of money to pay for projectiles (16.00)
Paid for 2000
100 released 10,000

York Safe Lock Co

Handed me by
Frank Kenne / Feb. 10 00 o'clock Sunday, 17

Regarded Unclassified
February 17, 1941

Lt. Stephens

Secretary Morgenthau

I want to make an appointment with Robert Lovett, Assistant to Secretary Stimson, either Monday or Tuesday. He called me Saturday and I would like to see him.

Also put down Wednesday noon for lunch Mrs. Morgenthau and Mrs. Herrick.
February 17, 1941

Ferdinand Kuhn

Secretary Morgenthau

I wonder if the English couldn't find some way of getting out more publicity about the financial and economic sacrifices which they are making. I think it would be very helpful if they could. I wish you would think about this and discuss it with me.
February 17, 1941

D. W. Bell

Secretary Morgenthau

Please put Chairman Frank of the SEC on notice that we are confidentially thinking of doing a big run on refunding between February 25th, 26th and 27th, and I would prefer not to have any large private financing on those dates.
February 17, 1941

D. W. Bell
Secretary Morgenthau

I wish you would talk to me about putting a magnifying glass on expenditures for the Department of Agriculture, CCC, NYA, and all public works. I also want you to consider sending some men into the field to see actually what they are doing. Please talk to me about this at the earliest opportunity.
Monday I wish to call up Senator Barkley and Senator Harrison and Senator Brown of Michigan, and thank them for having passed the $65,000,000,000 debt limit bill.

Letters sent to these two men on 2/18/41.
TO     Mr. Morgenthau
FROM    W. H. Hadley

TREASURY BILL OFFERING

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1-day bills</td>
<td>0.008</td>
<td>0.0008</td>
<td>100.</td>
<td>$198,006,000</td>
</tr>
</tbody>
</table>

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

February 17, 1941

To: Mr. George C. Haas, Director,
Research and Statistics,
Treasury Department.

From: Mr. J. E. Hiram

The following, I think, will interest you
in the light of our recent conversations. It
is from the United States News for February 21,
page 31:

"OPM is considering request for
new legislation authorizing ratio-
ing of materials to nondefense in-
dustries and to defense subcontractors.
Planned is central control of all
prior ratings and establishment of
'master schedules' in Washington."
February 17, 1941.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

Perhaps the question of the transfer of the Coast Guard is not entirely foreclosed. Maybe you will get another chance to be heard.

I am still convinced that it would be a serious mistake to transfer the Coast Guard to the Navy unless and until we are actually at war or know that we are about to get into war.

The Navy's insistence will not be met simply by offering a certain number of cutters to them. What I think we could offer in the last extremity is to make any ships, any number of men and any other facilities of the Coast Guard available to the Navy at any time on demand if the purpose is defense preparation. This would mean that if they wished to use a dozen cutters for maneuvers for a limited time, they could have them, or if they wished to make a test in any given area of mobilizing small craft, shore stations, and even light houses, in a defense game, they could be turned over to them temporarily for that purpose. Subject to these interruptions the Coast Guard could continue to carry out its civil functions in a normal way. Coast Guard units and equipment can always be made available to the Navy on orders of the President and in fact we have been giving them everything they have asked. I think that for them to take over the routine administration of the Coast Guard under peace-time conditions would merely embarrass and handicap them in licking their organization into shape. They can have the benefit of the men and equipment, so far as they would be useful to them for the purpose of defense preparation, without the embarrassment of being responsible for the civilian functions.

It seems to me pretty plain that the formal transfer of the Coast Guard (to no good purpose as I see it) would create a very bad public impression.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE February 17, 1941

to Secretary Morgenthau
FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Official sales of British-owned dollar securities under the vesting order effective February 19, 1940:

<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>February 10</td>
<td>50,822</td>
<td>1,437,420</td>
<td>455,500</td>
</tr>
<tr>
<td>11</td>
<td>14,948</td>
<td>360,323</td>
<td>186,000</td>
</tr>
<tr>
<td>12</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>16,846-1/2</td>
<td>311,753</td>
<td>394,000</td>
</tr>
<tr>
<td>14</td>
<td>3,765</td>
<td>192,609</td>
<td>137,000</td>
</tr>
<tr>
<td>15</td>
<td>1,903</td>
<td>100,890</td>
<td>29,000</td>
</tr>
<tr>
<td>Sales from February 22, 1940 to February 8, 1941</td>
<td>5,211,751</td>
<td>158,975,861</td>
<td>15,753,800</td>
</tr>
<tr>
<td>TOTAL FEBRUARY 22, 1940</td>
<td>5,300,035-1/2</td>
<td>161,378,856</td>
<td>16,955,300</td>
</tr>
</tbody>
</table>

Miss Poate reported sales of non-vested securities for the week ending February 8 totaled $500,000.
## EXPORTS OF PETROLEUM PRODUCTS, SCRAP IRON AND SCRAP STEEL
FROM THE UNITED STATES TO JAPAN, RUSSIA, SPAIN, AND GREAT BRITAIN
AS SHOWN BY DEPARTURE PERMITS GRANTED

Week ended February 15, 1941

<table>
<thead>
<tr>
<th></th>
<th>JAPAN</th>
<th>RUSSIA</th>
<th>SPAIN</th>
<th>GREAT BRITAIN</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PETROLEUM PRODUCTS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuel and Gas Oil (including Diesel Oil)</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>168,986 Bbls.</td>
</tr>
<tr>
<td>Crude -</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blended or California High Octane Crude*</td>
<td>85,000 Bbls.</td>
<td>--</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>All Other Crude</td>
<td>62,044 Bbls.</td>
<td>--</td>
<td>--</td>
<td>60,000 Bbls.</td>
</tr>
<tr>
<td>Gasoline -</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gasoline A**</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Gasoline B*</td>
<td>84,019 Bbls.</td>
<td>--</td>
<td>--</td>
<td>112,408 Bbls.</td>
</tr>
<tr>
<td>All Other Gasoline</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td><strong>Lubricating Oil</strong> -</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aviation Lubricating Oil**</td>
<td>7,863 Bbls.</td>
<td>--</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td>All Other Lubricating Oil</td>
<td>129,794 Bbls.</td>
<td>--</td>
<td>--</td>
<td></td>
</tr>
<tr>
<td><strong>Ethyl Lead</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boosters*, such as Iso-Octane, Iso-Hexane, or Iso-Pentane</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>61,687 Bbls.</td>
</tr>
</tbody>
</table>

**SCRAP IRON AND SCRAP STEEL**

|                |       |        |       |               |
| Number 1 Heavy Melting Scrap | -- | -- | -- | 2,120 Tons |
| All Other Scrap | -- | -- | -- | 11,759 Tons |

Office of the Secretary of the Treasury, Division of Research and Statistics.

Office: Office of Merchant Ship Control, Treasury Department.

Any material from which by commercial distillation there can be separated more than 3 percent of aviation motor fuel, hydrocarbon or hydrocarbon mixture - President's regulations of July 26, 1940. Aviation Gasoline.

As defined in the President's regulations of July 26, 1940.
February 17, 1941

Dear Jim:

Thank you for your memorandum of February 14th, listing blocks of stock recently offered for sale, including those for British account.

I was interested in having this information.

Yours sincerely,

[Signature]

Mr. James V. Forrestal,
Under Secretary of the Navy.
February 17, 1941

Dear Jim:

Thank you for your memorandum of February 14th, listing blocks of stock recently offered for sale, including those for British account.

I was interested in having this information.

Yours sincerely,

Henry

Mr. James V. Forrestal,
Under Secretary of the Navy.
February 17, 1941

Dear Jim,

Thank you for your memorandum of February 14th, listing blocks of stock recently offered for sale, including those for British account.

I was interested in having this information.

Yours sincerely,

Henry

Mr. James V. Forrestal,
Under Secretary of the Navy.

Regarded Unclassified
Dear Mr. Forrestal:

The following blocks of stock have been recently offered for sale. Those for "British
n/o" have been marked "F".

Some of the recent offerings, such as "Molybdenum Corp., Pacific Gas & Electric and
S. H. Kress Co., have not been very successful, particularly the "Kress Co." which was offered at 28,
with the account now closed is selling at 22 5/4, the unsold balance at the termination of the account
is not known, although it is rumored that approximately 75,000 shares were unsold.

<table>
<thead>
<tr>
<th>Approx.</th>
<th>Stock</th>
<th>Offered By</th>
<th>Offering Price</th>
<th>Approx. Total Spread</th>
<th>Dealer Concession</th>
</tr>
</thead>
<tbody>
<tr>
<td>25,461</td>
<td>United Fruit Co.</td>
<td>Lee-Higginson Corp.</td>
<td>68</td>
<td>2</td>
<td>1 1/4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(1/8 Management)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>F</td>
<td></td>
<td></td>
<td>(5/8 Underwriting)</td>
<td></td>
</tr>
<tr>
<td>15,000</td>
<td>Plymouth Oil Co.</td>
<td>Allen &amp; Co.</td>
<td>16 3/8</td>
<td>(not available)</td>
<td>.40 cents</td>
</tr>
<tr>
<td>21,857</td>
<td>Lone Star Cement Corp.</td>
<td>&quot;Company bought direct</td>
<td>33 3/8</td>
<td>(purchase price)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>from British&quot;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>92,700</td>
<td>S.O. of Kentucky</td>
<td>Harriman Ripley &amp; Co., Inc.</td>
<td>19 3/8</td>
<td>Management Fee</td>
<td>.75 cents</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(.40 cents</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Underwriting)</td>
<td></td>
</tr>
<tr>
<td>6,000</td>
<td>General American Transportation</td>
<td>Elyth &amp; Co., Inc.</td>
<td>55</td>
<td>1 1/4</td>
<td>2.1/2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20,000</td>
<td>Molybdenum Corp.</td>
<td>Eastman Dillon &amp; Co.</td>
<td>7 3/4</td>
<td>*</td>
<td>.40 cents</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(5,000 bought at 7.55)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(5,000 &quot; at 7.10)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(5,000 &quot; at 7.15)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20,000</td>
<td>E. I. DuPont de Nemours</td>
<td>Smith, Barney &amp; Co.</td>
<td>143</td>
<td>4</td>
<td>2 1/2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(1/2 Management)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(1 Underwriting)</td>
<td></td>
</tr>
<tr>
<td>5,000</td>
<td>Western Auto Supply Co.</td>
<td>Merrill Lynch, E.A.</td>
<td>25</td>
<td>1 1/2</td>
<td>(sold at retail)</td>
</tr>
<tr>
<td></td>
<td>Pierce &amp; Cassett</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>40,000</td>
<td>Arkansas Natural Gas Co.</td>
<td>Allen &amp; Co.</td>
<td>8</td>
<td>(not available)</td>
<td>.40 cents</td>
</tr>
<tr>
<td></td>
<td>Co. - 8% Preferred</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>100,000</td>
<td>Pacific Gas &amp; Electric</td>
<td>Bonbright &amp; Co., Inc.</td>
<td>23 1/4</td>
<td>1 3/8</td>
<td>.35 cents</td>
</tr>
<tr>
<td></td>
<td>Lazard Frazes &amp; Co., Inc.</td>
<td></td>
<td></td>
<td>(.12 1/2 Management)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(.40 Underwriting)</td>
<td></td>
</tr>
<tr>
<td>250,000</td>
<td>S. H. Kress Co.</td>
<td>Lehman Brothers Goldman</td>
<td>23</td>
<td>1 3/4</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sachs &amp; Co.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
DEPARTMENT OF STATE
WASHINGTON

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and has the honor to transmit the enclosed strictly confidential communication for his information.
PARAPHRASE OF TELEGRAM FROM LONDON, No. 365, DATED FEBRUARY 17, 1941

STRICTLY CONFIDENTIAL

Secretary of State,
Washington,

In the discussions between the Agricultural Attaché and Food Ministry officials advantage has been taken of Dr. Parvan's visit to carry these discussions further. Dr. Parvan has been encouraged by Mr. Hopkins to look into the food situation, particularly whether the present and prospective diet is adequate to maintain civilian morale and industrial production.

No material change has taken place in the position outlined in the Embassy's telegram dated January 21, no. 367, though air and submarine attacks against shipping have been intensified according to latest reports, except that the Agricultural Attaché and Dr. Parvan concurred in the opinion that the necessity for a major reorientation in British policy regarding sources and character of foodstuffs imports, i.e., toward greater reliance upon short hauls and more concentrated and nutritionally necessary foodstuffs is beginning to be envisaged by both British food and shipping officials.

For purposes of a thorough discussion of the British food position and the possibilities of American help as well
well as questions of machinery and procedure the Food
Ministry is considering, it has been indicated, the
sending of a small delegation to the United States. With
respect to questions of machinery and procedure Food
Ministry officials at present are inclined to believe that
Ministry representation in Washington could best handle
longer term arrangements, and that current day-to-day
developments might perhaps best be handled in London.
An across-the-table discussion of the many intricate
aspects of the problem is considered necessary, however,
before any definite decisions on machinery are made.

The food and nutrition situations have been dis-
cussed with the Ministers of Food and Shipping, experts
in the Ministry of Food, the Australian High Commissioneer,
persons dealing with such problems in local areas, and
informed doctors, by Dr. Fawcett, who found the greatest
shortages to be in fats, milk products, and meats. The
supply of dried fruits is about twenty percent below
normal and the supply of citrus fruits and apples much
reduced and expensive. It is estimated that this year
the milk supply will be reduced by twenty percent, cheese
supply by fifty percent. Egg production, it is anticipated,
will be sharply reduced and by the end of the year imports
of eggs are expected to almost vanish. Margarine largely
represents
replaces butter which is scarce and subject to a ten-cent ration. The total weekly ration of fat is eight ounces. Only diabetics are allowed special rations.

Children and nursing mothers may now receive one extra quart of milk but its general rationing is anticipated. There is no shortage of cabbages, carrots or potatoes, but no imported vegetables are available.

Parran is convinced that the most important defence need this year will be food. He was told by Lord Woolton that "Our people will stand up to bombing but not empty bellies". The Chief Medical Inspector of Factories stated that the lack of meat and cheese has caused much grumbling among the workers in the heavy industries and that the great problem was the proper feeding of workers. Further data with respect to specific nutritional deficiencies in the present rationed diet are being assembled by Dr. Parran.

Cross expressed to Dr. Parran the Foreigner's anxiety that representatives of the United States Maritime Commission be sent to London to discuss supply routes without delay.
PARAPHERASE of telegram from LONDON, no. 866, dated February 17, 1941

SECRETLY CONFIDENTIAL

Secretary of State,
Washington.

In the discussions between the Agricultural Attaché and Food Ministry officials advantage has been taken of Dr. Parran's visit to carry those discussions further. Dr. Parran has been encouraged by Mr. Hopkins to look into the food situation, particularly whether the present and prospective diet is adequate to maintain civilian morale and industrial production.

No material change has taken place in the position outlined in the Embassy's telegram dated January 21, no. 367, though air and submarine attacks against shipping have been intensified according to latest reports, except that the Agricultural Attaché and Dr. Parran sense in the opinion that the necessity for a major realignment in British policy regarding sources and character of foodstuffs imports, i.e. toward greater reliance upon short hauls and more concentrated and nutritionally necessary foodstuffs is beginning to be envisaged by both British food and shipping officials.

For purposes of a thorough discussion of the British food position and the possibility of American help as well
well as questions of machinery and procedure the Food Ministry is considering, it has been indicated, the sending of a small delegation to the United States. With respect to questions of machinery and procedure Food Ministry officials at present are inclined to believe that Ministry representation in Washington could best handle longer term arrangements, and that current day-to-day developments might perhaps best be handled in London. An across-the-table discussion of the many intricate aspects of the problem is considered necessary, however, before any definite decisions on machinery are made.

The food and nutrition situations have been discussed with the Ministers of Food and Shipping, experts in the Ministry of Food, the Australian High Commissioner, persons dealing with such problems in local areas, and informed doctors, by Dr. Fawcett, who found the greatest shortages to be in fats, milk products, and meats. The supply of dried fruits is about twenty percent below normal and the supply of citrus fruits and apples much reduced and expensive. It is estimated that this year the milk supply will be reduced by twenty percent, cheese supply by fifty percent. Egg production, it is anticipated, will be sharply reduced and by the end of the year imports of eggs are expected to almost vanish. Margarine largely replaces
replaces butter which is scarce and subject to a twoounce ration. The total weekly ration of fat is eight ounces. Only diabetics are allowed special rations. Children and nursing mothers may have some extra milk but its general rationing is anticipated. There is no shortage of cabbages, carrots or potatoes, but no imported vegetables are available.

Parran is convinced that the most important defense need this year will be food. He was told by Lord Woolton that "Our people will stand up to bombing but not empty bellies". The Chief Medical Inspector of Factories stated that the lack of meat and cheese has caused much grumbling among the workers in the heavy industries and that the great problem was the proper feeding of workers. Further data with respect to specific nutritional deficiencies in the present rationed diet are being assembled by Dr. Parran.

Cox expressed to Dr. Parran the cutter's anxiety that representatives of the United States Maritime Commission be sent to London to discuss supply routes without delay.
TO

Mr. White

FROM

Mr. Southard

Subject: Report on the current experience of American companies with properties in Axis territory, made on instructions from Under Secretary Bell.

1. General Conclusion: In the preparation of this report I interviewed senior executives in 21 corporations in New York City which currently have majority or important minority interests in factories, refineries, public utilities and stores in Germany, Italy, Occupied Europe, Japan and Occupied China. These executives generally agreed that in Germany, Italy, and Japan, their access to and control over properties has not materially changed since the beginning of the war, but that their situation in Occupied Europe has become difficult and that Japanese policy in Occupied China is freezing them out. As to foreign exchange treatment, remittances from Germany for interest, dividends, and sale of properties are in general freer than before the war, but virtually no funds can be brought out of Italy and remittances either cannot be made or are very small from Occupied Europe. There is evidence that hitherto fairly regular remittances from Japan are coming to an end.

2. Experience in the individual areas:

(a) Germany: As to access to properties and control over production and sales. There has been no material change since the war began. There was already close governmental supervision over all American-owned factories and refineries whose production could contribute to the war. This supervision has continued and has been facilitated by the fact that the staffs were already entirely, or almost entirely, German Nationals. The few remaining Americans have in most instances been withdrawn but the original staffs are otherwise in charge. American ownership of the properties has been respected but the head offices have not been receiving adequate information from their subsidiaries.

As to interest and dividends. American companies are currently getting interest and dividends out of Germany more freely than before the war. These remittances are being made by means of the complicated, pre-war mechanism of the dividend mark and mark-funding bonds at 10 - 12% per mark. This is an improvement over the
3-4¢ rate of last July but is only about half of the 23¢ rate at which most of the investments were originally made in Germany. It is generally agreed that the Germans are using their dollars freely. Some American companies are receiving payment from the Germans on commercial account in the form of South American currencies.

As to sale of properties, Germany has recently bought back American interests in several large German corporations and is negotiating for further such purchases. In addition, many companies have had tentative German offers for the purchase of their German factories. Some of these purchases have been made at surprisingly high prices. The motives behind this policy, which is a further indication of Germany's relatively free use of dollar exchange, can only be guessed. It may reflect a fear of freezing of German funds, a desire to eliminate ties with American corporations, or mere optimism concerning the outcome of the war and future lack of need for dollar exchange.

(b) Italy: So far as access to properties and control over production and sales are concerned, the experience of American companies has been identical with that in Germany. American ownership has been respected and the original staffs -- already almost entirely Italian Nationals -- are in charge. But the operations of the factories are under strict government control and the American head offices are receiving very inadequate information from their Italian subsidiaries. As to foreign exchange treatment, it was almost unanimously agreed that neither interest nor dividends can be remitted from Italy and that the Italian Government will not even permit the conversion of blocked marks into lire for the purpose of financing the operations of American-owned Italian subsidiaries. In contrast with the German situation, there is no evidence that the Italians are buying back American-owned properties.

(c) In Occupied Europe: Commonly, but not invariably, a German commissar has been placed in American plants in this area. German interference has been greatest in Belgium and France and least in Denmark and Norway. In some cases -- for example, petroleum refineries -- the commissar actually operates the plant, although American ownership is at least nominally respected and there has been no open confiscation. In other cases the commissar is inactive or does nothing more than to act as liaison with the German authorities, in some instances preventing the plant from being stripped of equipment. American head offices are getting exceedingly inadequate information concerning their properties in Occupied Europe. Some of them know
that the output is being taken by the Germans in return for local currencies or occupation marks. As to foreign exchange treatment, only small amounts of money are currently coming out of this area in dollars. Many American companies foresaw the likelihood of exchange difficulties and had their subsidiaries incur bank loans prior to the occupation in order to remit in dollars. These companies have little or nothing blocked at present, but others have considerable amounts tied up in the occupied area.

(d) Japan and Occupied China: American companies in this area are being gradually frozen out by the Japanese policy of monopoly and exclusion. But the head offices are receiving adequate information and have normal access to their properties. Until recently remittances into dollars from this area were apparently sufficient to avoid large blocked funds. Information is inadequate, however, and there is some evidence that the exchange situation is growing worse. For example, companies reported that within the last few months previously regular remittances had not been made.

3. The executives interviewed were not in agreement, and many were uncertain, as to the effects on their companies of extending the freezing policy to include other countries in Europe and Asia.

(a) The financial enterprises were in general opposed to an extension of freezing, fearing that it might be extended to South America and that it may injure the position of the United States as a financial center. One big bank, however, would welcome the freezing of Swiss and Swedish accounts on the ground that they are being actively used by the Germans.

Of 11 non-financial corporations expressing an opinion, only 1 was clearly opposed to an extension of freezing and the others were uncertain as to the effects on their companies, but were somewhat fearful that Germany might retaliate by confiscating their properties. They were not much concerned over the probability that Germany would immediately stop all interest and dividend payments.

Most of the executives wondered whether Axis assets in the United States are large enough to provide an adequate security for American assets in Axis territory.

The response of the executives during interviews was almost invariably cordial and it appeared to me that a further explanation to them of the scope and intent of any extension of the freezing policy could easily win their interest.
February 10, 1941.

Mr. White
Mr. Southard

Subject: Current Experience of American Companies with Subsidiaries or Affiliates in Axis Territory.

1. Access to properties; control over production and sales.

(a) In Germany and Italy: In general, it appears that American ownership in properties in these two countries has been respected, although one company (Standard Oil of New Jersey) reported to the State Department that its small Italian oil-producing company (but not its refinery) had been expropriated. Most of the American-owned companies were staffed entirely or almost entirely with Germans and Italians, and while in many instances the two or three American executives have been withdrawn the pre-war staff is otherwise still managing the properties. Wherever the production is keyed into the military effort, there is close Government supervision which extends to control of the production program. Information in the form of financial and operations reports from either Germany or Italy—but particularly from Germany—are inadequate and in many instances virtually non-existent. Some American companies have had only word-of-mouth information concerning their properties in the two countries.

(b) In Occupied Europe: Generally speaking, the degree of German interference with American plants in the occupied countries appears to be greatest in Belgium and France and least in Denmark and Norway. No instances were found in which American properties had been actually occupied by the Germans except that they are using part of the National City Bank building in Paris. It has been the common, but not universal, experience that a German commissar or "conservator" is placed in the plants. In some cases—for example, the Texaco refinery in France—a German is in effective charge of production. In others the operations are in the hands of the original staff with only a minimum of German supervision. Several companies report that the German commissar has apparently prevented equipment from being taken out of the factories and in one case (the Belgian and French factories of International General Electric) an associated, but not controlled, German company has allocated enough non-military orders to keep the plants going, and consequently to justify their retention of their machinery.
Few American companies are getting adequate information concerning the condition, operations, and financial results of their subsidiaries in Occupied Europe, although reports from Denmark and Norway are fairly regular. In the case of Holland, some companies are getting reasonably full reports whereas others find that only the most guarded information is being sent out. One company (Socony-Vacuum) can communicate with its Belgian subsidiary only via its German company. Among the companies consulted, the only instance of expropriation was that of the Standard Oil of New Jersey pipeline taken over by the Roumanian Government. This was reported to the State Department.

The American branch banks in France and Belgium have moved most of their cash, securities, and custody accounts into unoccupied France;and are gradually liquidating; but the safe deposit boxes of their customers are still in occupied territory and can be opened only under German supervision. The balance sheet of the National City Bank in France, for example, totals $7.5 million (in dollars, sterling, and francs), of which $5.4 million are in dollars in New York and are consequently blocked in the United States. This bank's accounts receivable in French francs are being liquidated. The custody accounts in vaults in unoccupied territory have thus far not been requisitioned by either Berlin or Vichy. But the Chase National Bank reports that the custody accounts of its customers in the occupied zone can be settled only under the supervision of a German official, in the course of which all gold and foreign securities are placed in a separate account, which is then left in the Bank. The National City Bank's safe deposit boxes in Paris cannot be opened by the users except in the presence of a German official.

(c) In Japan and Occupied China: American companies are receiving full information from their Japanese subsidiaries and affiliates. In no instance has there been interference with their free access to their properties or records but the expansion of Japanese activity and the tendency toward Japanese monopoly has so restricted the sphere of activity for any foreign company as to counsel retrenchment and gradual withdrawal. Companies such as International General Electric which have only minority interests in long-established Japanese companies naturally do not face the same problem; but have apparently been sufficiently uneasy over Japanese developments to have stopped advancing money to the affiliates and to have begun reducing their investments.
2. Remittance of interest and dividends.

(a) From Germany: While some American companies are not getting anything out of Germany, the majority of those interviewed are converting as much, and in many cases more, into dollars than they were before the war began.

(1) In a few cases, interest in dollars has been paid on dollar loans made to German subsidiaries. For example, the Woolworth Company has regularly received dollars through Dillon Read on such a loan and at least one company has received interest at the 40¢ mark rate.

(2) In most instances, however, the remittances of both interest and dividends have been made through the customary pre-war channels of the dividend mark and the mark funding bond via the Konversionskasse. Prior to last July, the rate on the dividend mark had been from 3 to 4¢ and at that rate most companies preferred not to convert their blocked funds. For example, the Socony-Vacuum Corporation had its German subsidiary loan the July, 1940, dividend to its Austrian Company for expansion purposes. But by November, the dividend mark had appreciated to 11¢ or better and since then many companies have been actively withdrawing interest and dividends from Germany (for instance, Socony-Vacuum reversed the above-mentioned loan and sold the funds in the form of dividend marks at 11¢). There is still a market for the mark funding bonds but with the proviso that the bonds must be delivered to the Konversionskasse or the Golddiskontbank in Germany. Some companies (for example, Woolworth) are reluctant to entrust the marked funding bonds which they have in this country to the existing mail service to Berlin.

(3) One company which, prior to the war, was getting commercial accounts out of Germany in the form of Colombian pesos and Venezuelan bolivars, was recently made a similar offer by the Germans but with the proviso that half of the amount involved should be placed to German account in dollars in New York. This proposal was refused by the company which is still hopeful that it might be able to withdraw $300,000 worth of its blocked commercial credits in Germany in the form of Colombian pesos without assisting Germany to convert its pesos into dollars.
It appears then that the movement of funds out of Germany is occurring on a fairly large scale through customary channels. But it is also evident that many companies still have considerable sums blocked in Germany and that some of them are actually not aware of the fact that conversion into dollars is possible at a rate as good as 11½ or 12½ per mark.

(b) From Italy: It is the almost unanimous report of the companies interviewed that the Italian foreign exchange situation is very tight and that virtually no funds - either interest or dividends - are being converted into dollars.

(c) From Occupied Europe: The foreign exchange situation with reference to remittances on interest and dividend account in the countries occupied by Germany is clearly chaotic and in consequence the experience of American companies is not uniform. A number of companies, foreseeing the danger of invasion, or at least of freezing, directed their subsidiaries to anticipate earnings by borrowing from banks and remitting dollars. In consequence, a considerable number of the companies interviewed do not have any funds blocked. Others, however, do. Dollars in small amounts are being received from Denmark and from Norway; but from Belgium, occupied France, and Holland, little or nothing is being received. One company (Union Carbide and Carbon) has large and increasing amounts of blocked Norwegian kroner representing German payments for its output of ferro alloys. It anticipates using these kroner to conserve the properties and support the workers during the anticipated shutdown.

(d) From Japan and Occupied China: Of seven companies consulted which are operating in this area, all have been able to convert into dollars, amounts due on commercial, interest, and dividend account. However, International General Electric reported that November interest and dividends were not received from its Japanese affiliate and believes the exchange permits were not granted. Moreover, indirect reports were received that other American companies have considerable sums blocked in yen. Further information is needed in order to determine more accurately the exchange treatment being accorded American companies in this area.
3. Sale of properties:

There is considerable evidence that Germany is currently repatriating the securities owned in German enterprises by American corporations. Of ten American companies on which data were obtained, eight have had German offers in some form for the purchase of their interest in German enterprises. Two of these corporations — International General Electric and E. I. du Pont de Nemours — have made one or more sales and have received dollars in settlement.

The International General Electric sales and current negotiations are worth special mention. Late in 1940 the corporation's $10 million holding in Siemens and Halske bonds were sold to a New York dealer for $11 million and were destroyed by him on instructions from the Goldiskontbank. In December, the corporation sold its minority interest in Siemens and Halske shares for $693,000, or about 65 percent of the price paid for them in 1929. This sale was based on the Berlin quotation for the shares, with the reichsmarks converted to dollars at 9.2 cents. At the present time (January-February, 1941) the same brokers, operating for German account, want to buy the International General Electric holdings in A.E.G. (German General Electric) and in Geram (the great German lamp factory). Neither of these offers are yet good enough to be accepted; the offer for the A.E.G. shares would return only 24 percent of the original investment.

It appears, therefore, that Germany has sufficient dollar exchange available to continue during the war its pre-war policy of repatriating American-owned German securities. Moreover, in contrast with the exceedingly low prices received by the Americans in the pre-war period, the Germans have recently paid as much as 110 percent of par for the desired securities.

The motives behind this current purchase of American interests in German corporations are not known and can only be guessed at.

(a) The Germans may anticipate the freezing of their dollar funds and hence may prefer to use their dollars to buy back properties, thus reducing American claims on Germany in any post-war settlement. This fear of freezing may explain why the American and Foreign Power Corporation was recently asked by the Germans to pay an unmatured debt ahead of time. Certainly Germany is not interested in selling its own direct investments abroad: the International General Electric Company was not able to buy certain German interests in Mexico and Argentina.
(b) The Germans may simply be optimistic about winning the war, do not need dollar exchange for more pressing purposes, and believe they may be able to buy properties now at good prices.

(c) Possibly the Golddanskentbank, party to all known purchases of American interests in German enterprises, is able to make a reichsmark profit by reselling the shares to German corporations.

(d) The policy may reflect a German desire to eliminate the influence of powerful American corporations in great German enterprises. This view may be confirmed by the fact that the only completed transactions known are those involving International General Electric and Du Pont.

There is no unanimity of opinion among the corporation executives interviewed as to the effects -- immediate and remote -- on their companies of an extension of the freezing policy to include other countries in Europe or Asia.

Of five financial enterprises, the executives of three were clearly opposed to an extension of freezing. The Guaranty Trust Company fears freezing might be extended to South America, believes the position of the United States as a financial center would be adversely affected, and sees no other useful purpose served by freezing than to prevent the use of funds for subversive activities. The Chemical Bank thinks some of its customers would be harmed by further freezing, but concedes that Germany could not retaliate beyond stopping the remaining interest and dividend payments. The American Express Company is afraid that Germany might retaliate by refusing to allow any more refugees to leave. On the other hand, the National City Bank is hopeful that United States control over foreign assets in this country might ultimately make it possible to swap its Paris building for some property here; and the Chase National Bank, while fearful of the effect of general freezing on its depositors and clients in South America and China, would welcome the freezing of Swiss and Swedish assets because it is at present impossible to determine which transactions are German.

Of eleven non-financial corporations with properties in Axis territory, only one was clearly opposed to an extension of freezing. This company -- Standard Vacuum -- is of the opinion that if Japanese dollar assets are frozen Japan may use that action to justify insistence on guilder payments for East Indian oil. Three of the eleven companies favor an extension of freezing to cover at least German and Italian dollar assets, believing that our bargaining position would be improved and that the treatment would be no more severe than that accorded us by Germany and Italy for some years.
One of these companies urges that there be compulsory registration of all foreign assets in the United States to prevent evasion of freezing orders.

The majority of corporation executives interviewed were clearly uncertain as to the effects of an extension of freezing to cover Axis assets. The reasons for their uncertainty may be summarized thus:

(a) They are not sure that Axis assets in the United States are large enough to provide an adequate "security" for American assets in Axis territory.

(b) They believe a general freezing of, e.g., all European assets in the United States would be desirable, but they are somewhat fearful of the consequences of picking out certain non-invaded countries for freezing.

(c) They generally do not believe Germany would retaliate by confiscating their properties, but they are not sure and are consequently somewhat fearful. Most of them do not seem much concerned over the probability that Germany would immediately stop all interest and dividend payments.

FAS:ion
2/10/41
= 8 2/13/41

Regraded Unclassified
List of Company Officials Interviewed in New York City in Preparation of Memorandum on the Experience of American Companies in Axis Territory

Frank K. Houston, President,
Joseph A. Bauer, in charge of Foreign Department,
Chemical Bank & Trust Company.

Mr. Archie Lochhead, President,
Universal Trading Corporation.

Mr. R. F. Loree, Vice President,
Mr. Herman Brock,
Guaranty Trust Company.

Mr. O. S. Rentschler, President,
National City Bank of New York.

Mr. H. Donald Campbell, President,
Mr. Stearn, Head, Foreign Department,
Chase National Bank of the City of New York.

Mr. S. R. Inch, President,
Electric Bond and Share Co.

Mr. Calder, President,
American and Foreign Power Company.

Mr. Jay Crane, Treasurer,
Standard Oil Company (New Jersey).

Mr. K. E. Stockton, Vice President,
International Telephone and Telegraph Corporation.

Mr. E. P. Small, President,
American Express Company.

Mr. W. S. S. Rodgers, President,
Mr. W. H. Boris, Foreign Sales,
Mr. S. H. Kuhn, Assistant Manager of French Company,
The Texas Corporation.

Mr. Robert C. Stanley, Chairman and President,
International Nickel Co. of Canada.

Mr. J. A. Brown, President,
Mr. H. F. Sheets, Vice President in Charge of Foreign Operations,
Mr. John F. Seal, Assistant Treasurer,
Socony-Vacuum Oil Company, Inc.
Mr. E. T. Singer, Treasurer,
Mr. A. B. May, in Charge of Chinese Operations,
Mr. K. F. Coe, in Charge of Japanese Operations,
Standard-Vacuum Corporation.

Mr. R. W. White, Treasurer,
Union Carbide and Carbon Corporation.

Mr. Graham K. Howard, Head of Export Division,
Mr. Jenkins,
General Motors Export Corporation.

Mr. Clark H. Minor, President,
International General Electric.

Mr. W. Gibson Carey, Jr., President,
Yale and Towne Manufacturing Company.

Mr. Cosgrove, in Charge of European Operations,
American Radiator & Standard Sanitary Corporation.

Mr. Deyoe, President,
Mr. Paul Hofer, Treasurer,
F. W. Woolworth Company.

Mr. J. G. Phillips,
International Business Machines Corporation.
TO        Mr. White

FROM    Mr. Ullmann

Subject: Petroleum Situation in Japan

1. In the last six months we estimate Japan has increased its stocks of petroleum products by about one month's supply, and now, according to our estimate, has on hand about eleven or twelve months' supply.

2. Its sources of supply in the past six months have been:

   From the United States:  13.3 million bbls.
   From the Netherland East Indies (estimated)  5.0 "  "
   From Japanese production (estimated)  2.0 "  "

   Total new supply  20.3 million bbls.

   Estimated Japanese consumption (6 mos.)  17.5 "  "

   Total - 6 mos. increase in stocks  2.8 "  "

3. Japanese stocks at the time of the President's Proclamation (July 26, 1940) placing petroleum under export control, were estimated to be between 30-32 million barrels.

   Present stocks would, therefore, approximate 33 to 35 million barrels.

4. Light refined products have comprised an increasing proportion of Japan's imports.

   In 1939 her imports of gasoline from the United States amounted to 1.2 million barrels, or 4 percent of all petroleum imports from this country. In contrast, her imports of gasoline from the U. S. in the last six months were 3.4 million barrels, or almost 26 percent of our shipments of all petroleum products to Japan. In quantity, our recent shipments of gasoline represent a six-times increase over 1939.

   Similarly, our shipments of lubricating oil (which is supposed to be relatively difficult to produce) also increased. In 1939,
lubricating oil amounted to less than 2 percent of our petroleum exports to Japan; in the last six months, the product accounted for over 5 percent of our shipments.

It is understood that about 40 percent of the new Japanese-Netherland East Indies contract is to be filled with refined products.

5. Our shipments of crude oil, gas oil, and fuel oil have declined from 1939 levels. However, Japan is getting increased quantities of these products from the Netherland East Indies, whose exports to Japan rose from 2.3 million barrels of petroleum products in 1939 to an annual rate of 10 million barrels currently.
Treasury Department
Division of Monetary Research

Date: February 18, 1941

Mr. White

Mr. Ullmann

Export Control - Shipment to Japan

Week ending Feb. 15, 1941

Lubricating Oil: 138,000 barrels (including 8000 bbls. of aviation lube) - almost one-third of total 1939 shipments.

Gasoline: 84,000 barrels - all high octane and licensed.

Crude: 147,000 barrels - about 60% high octane and licensed.

Fuel and gas oil: none

Scrap: none.

MR. WHITE
Branch 2058 - Room 208
<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Actual</th>
<th>Estimated Shipments on Existing Orders</th>
</tr>
</thead>
<tbody>
<tr>
<td>1940</td>
<td>January</td>
<td>10</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>May 24 - June 22</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td></td>
<td>June 23 - July 20</td>
<td>43</td>
<td></td>
</tr>
<tr>
<td></td>
<td>July 21 - Aug. 17</td>
<td>47</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Aug. 18 - Sept. 14</td>
<td>140</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sept. 15 - Oct. 12</td>
<td>263</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Oct. 13 - Nov. 9</td>
<td>233</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nov. 10 - Dec. 7</td>
<td>154</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dec. 8 - Jan. 4</td>
<td>228</td>
<td></td>
</tr>
<tr>
<td>1941</td>
<td>January 5 - 11</td>
<td>85</td>
<td></td>
</tr>
<tr>
<td></td>
<td>January 12 - 18</td>
<td>43</td>
<td></td>
</tr>
<tr>
<td></td>
<td>January 19 - 25</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td></td>
<td>January 26 - February 1</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td></td>
<td>February 2 - 8</td>
<td>86</td>
<td></td>
</tr>
<tr>
<td></td>
<td>February 9 - 15</td>
<td>66</td>
<td></td>
</tr>
<tr>
<td></td>
<td>February 16 - 28</td>
<td>248</td>
<td>400</td>
</tr>
<tr>
<td></td>
<td>March</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>April</td>
<td>473</td>
<td></td>
</tr>
<tr>
<td></td>
<td>May</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td></td>
<td>June</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td></td>
<td>July</td>
<td>475</td>
<td></td>
</tr>
<tr>
<td></td>
<td>August</td>
<td>550</td>
<td></td>
</tr>
<tr>
<td></td>
<td>September</td>
<td>625</td>
<td></td>
</tr>
<tr>
<td></td>
<td>October</td>
<td>750</td>
<td></td>
</tr>
<tr>
<td></td>
<td>November</td>
<td>800</td>
<td></td>
</tr>
<tr>
<td></td>
<td>December</td>
<td>800</td>
<td></td>
</tr>
<tr>
<td>1942</td>
<td>January</td>
<td>455.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>February</td>
<td>277</td>
<td></td>
</tr>
<tr>
<td></td>
<td>March</td>
<td>225</td>
<td></td>
</tr>
<tr>
<td></td>
<td>April</td>
<td>225</td>
<td></td>
</tr>
<tr>
<td></td>
<td>May</td>
<td>207</td>
<td></td>
</tr>
<tr>
<td></td>
<td>June</td>
<td>66</td>
<td></td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury, Division of Research and Statistics. February 17, 1941.
# Allison Shipments

<table>
<thead>
<tr>
<th>Date</th>
<th>British</th>
<th>Army</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec. 29</td>
<td>8</td>
<td>4</td>
<td>12</td>
</tr>
<tr>
<td>Jan. :</td>
<td>83</td>
<td>2</td>
<td>85</td>
</tr>
<tr>
<td>Jan. :</td>
<td>41</td>
<td>-</td>
<td>41</td>
</tr>
<tr>
<td>Jan. :</td>
<td>33</td>
<td>2</td>
<td>35</td>
</tr>
<tr>
<td>Jan. :</td>
<td>31</td>
<td>1</td>
<td>32</td>
</tr>
<tr>
<td>Feb. :</td>
<td>60</td>
<td>26</td>
<td>86</td>
</tr>
<tr>
<td>Feb. :</td>
<td>31</td>
<td>35</td>
<td>66✓</td>
</tr>
<tr>
<td>Total</td>
<td>287</td>
<td>70</td>
<td>357</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury,  
Division of Research and Statistics.  
February 17, 1941.
### Allison Shipments to the U. S. Army

**June 9, 1940 to February 15, 1941**

<table>
<thead>
<tr>
<th>Engine</th>
<th>June 9-</th>
<th>Jan. 4</th>
<th>Jan. 19</th>
<th>Feb. 1</th>
<th>2-15</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>269</td>
<td>57</td>
<td>326</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E</td>
<td>20</td>
<td>4</td>
<td>1</td>
<td>3</td>
<td>12</td>
<td>28</td>
</tr>
<tr>
<td>F</td>
<td>11</td>
<td>1</td>
<td>12</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Big engine (2,000 h.p.)</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>307</td>
<td>4</td>
<td>61</td>
<td></td>
<td>373</td>
<td></td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury,  
Division of Research and Statistics.  

February 17, 1941
February 17, 1941

My dear Mr. Presidents,

Before Leon Henderson left on his vacation, he asked that I see his two principal assistants, Mr. Haas, who is an economist, and Mr. Ginsberg, who is his attorney, in case they needed guidance.

Last week, these two gentlemen had lunch with me and brought to my attention the question of the rationing of civilian demand for various strategic commodities. I asked them to work out the case of zinc, which they did with the assistance of Mr. George Haas, of my office. I had not realized until they brought this matter to my attention how important the rationing of the civilian demand for strategic materials is.

I am enclosing a chart which clearly outlines the problem. I am also enclosing a draft of proposed legislation prepared by Mr. Henderson's office. After reading these documents, I would appreciate suggestions from you as to how to guide these two gentlemen during Mr. Henderson's absence.

I am sending a complete copy of this correspondence to the Attorney General.

Yours sincerely,

(Signed) E. Hanuskin, Jr.

The President,
The White House.

Copy of ltr. and enclosures to Atty. Gen. Jackson
Copy of ltr. to Leon Henderson with photostatic copy of enclosures.
February 17, 1941

My dear Mr. President:

Before Leon Henderson left on his vacation, he asked that I see his two principal assistants, Mr. Haas, who is an economist, and Mr. Ginsberg, who is his attorney, in case they needed guidance.

Last week, these two gentlemen had lunch with me and brought to my attention the question of the rationing of civilian demand for various strategic commodities. I asked them to work out the case of zinc, which they did with the assistance of Mr. George Haas, of my office. I had not realized until they brought this matter to my attention how important the rationing of the civilian demand for strategic materials is.

I am enclosing a chart which clearly outlines the problem. I am also enclosing a draft of proposed legislation prepared by Mr. Henderson's office. After reading these documents, I would appreciate suggestions from you as to how to guide these two gentlemen during Mr. Henderson's absence.

I am sending a complete copy of this correspondence to the Attorney General.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The President,
The White House.

Copy of ltr. and enclosures to Atty. Gen. Jackson
Copy of ltr. to Leon Henderson with photostatic copy of enclosures.

By W______
February 17, 1941

Dear Bob:

I am enclosing herewith a copy of my correspondence with the President. Any suggestions that you have to make would be appreciated by me.

Yours sincerely,

Henry

Honorable Robert H. Jackson,
The Attorney General.

Encs.
Copy of ltr. to President
Photostatic copy of attachments to ltr. to President.
February 17, 1941

Dear Bob:

I am enclosing herewith a copy of my correspondence with the President.

Any suggestions that you have to make would be appreciated by me.

Yours sincerely,

Henry

Honorable Robert H. Jackson,
The Attorney General.

Encs.
Copy of ltr. to President
Photostatic copy of attachments to ltr. to President.
February 17, 1941

Dear Bob:

I am enclosing herewith a copy of my correspondence with the President.

Any suggestions that you have to make would be appreciated by me.

Yours sincerely,

Henry

Honorable Robert H. Jackson,

The Attorney General.

Encls.

Copy of ltr. to President
Photostatic copy of attachments to ltr. to President.
THE NEED FOR POWER TO RATION CIVILIAN DEMAND IN ORDER TO MAINTAIN PRICE STABILITY

A Specific Example
ZINC, SUPPLY AND DEMAND IN THE FIRST HALF OF 1941
(Figures in thousands of short tons)

The total picture appears as follows:

But this breaks down into two parts:

1. RATIONED MARKET - VIRGIN METAL
   (Price 7.25 Cents)
   - Supply: 430
   - Demand: 372
   - Shortage: 40

2. COMPETITIVE MARKET - SCRAP METAL
   (Price 10 Cents and up)
   - Supply: 19
   - Demand: 37
   - Remainder of Civilian Demand

1. The essential problem is to restore a balance either by increasing supply - this cannot be done during the next six months - or by reducing or otherwise controlling demand.
   2. 40,000 tons of demand can be eliminated in any of three ways:
      (a) Let price go up until 40,000 tons of demand turns to substitutes.
      (b) Fix the price (we think we can do it) but leave the crucial power of deciding who gets zinc and who does not to the secondary producers.
      Query: are they in a position to decide how zinc can best be used in the national public interest? (Are the primary producers, who are now rationing all zinc, not taken for military purposes, in any better position?)
      (c) Fix the price and grant the rationing power to a Government agency.
      This is obviously the only desirable course. Rationing is a governmental power which must be exercised in the public, not the private interest.

3. This means, in the first place, that legislation is necessary authorizing the President to ration supplies in the event of shortage. Priority for Army and Navy orders may be required under Section 2(a) of Public No. 671, but there is no similar legal authority to control and ration the residual supply for civilian purposes.

4. This power to determine the growth and survival of American industry is tremendous. It is unquestionably the most far-reaching authority which the Government will require during the defense program.

5. Where should this power be lodged? English experience indicates that military priorities and civilian rationing should be administered by a single agency. This would suggest that the rationing power should be delegated to OPM and SEATON housing. English experience also indicates very definitely that these controls should not be lodged with business groups — their function is to advise, not to control. It is questionable whether OPM and the military-business group who at present control military priorities have the breadth of economic and social vision necessary to a proper administration of a separate and equally important program of civilian rationing which will so intimately touch the morale and economic welfare of every person in this country.
February 13, 1941

MEMORANDUM TO SECRETARY MORGENTHAU.

From:    David Ginsburg

Subject: Emergency Priorities and Rationing Act of 1941

Herewith annexed is a draft bill and an accompanying explanatory memorandum. The bill does two things:

(a) It enlarges and clarifies the existing power over military priorities -- the existing power has been delegated to OPM;

(b) It confers a new power -- the power to ration the residual supply among competing civilian interests.

This is done by way of delegation of authority to the President. Where the new power should be lodged is his decision.

The bill is in draft form. Before any action is taken I should appreciate the opportunity to revise and clarify certain provisions which we have included for purposes of discussion. Legal memoranda in support of the constitutional validity of the bill are also enclosed.
A BILL

To Expedite Production and Delivery of Material Necessary for National Defense and for Other Purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That

(a) by reason of the existing national emergency in the interest of national defense of insuring the free flow of commerce, of removing burdens and obstructions thereto, it is essential to control and adjust the activities of persons engaged in the production and distribution of materials in such a manner as to give the requirements of national defense primary consideration and to provide for an equitable distribution of materials, in which shortages exist, to the civilian population.

(b) It is hereby declared to be the policy of the United States, in accordance with which policy all of the provisions of this Act shall be interpreted, to provide means for the prompt, orderly and coordinated mobilization of the resources of the nation in order to insure that primary consideration will be given the requirements of national defense and in order to provide for the equitable distribution of materials among the civilian population where shortages are caused by action taken in the interest of national defense.
Section 2. Whenever, during the existence of the national emergency declared by the President on September 8, 1939, the President finds it to be in the interest of national defense, he is authorized:

(a) To require that delivery of materials by any person, pursuant to any public contract, shall take precedence over any other delivery by such person, to such extent and under such terms and conditions as the President may prescribe, and to place a compulsory order with any person for any materials, at a price determined by the President to be reasonable, and under such terms and conditions as the President may prescribe, which materials are of the nature and kind capable of being produced by such person or which such person owns or has in stock, and to require that delivery of such materials by such person pursuant to such order shall take precedence over any other delivery by such person;

(b) to require that delivery of materials by any person, pursuant to any foreign contract, shall take precedence over any other delivery by such person, to such extent and under such terms and conditions as the President may prescribe;

(c) to require that delivery of materials by any person pursuant to any subcontract which is related to a public contract, a foreign contract or a compulsory order, shall take precedence over any other delivery by such person, to such extent and upon such terms and conditions as the President may prescribe;
(d) to establish a rule of priority prescribing the
sequence in which contracts, private and otherwise, for materials
shall be filled by any person;

(e) to fix maximum and/or minimum production quotas of
materials for any person, requiring such person not to exceed
such maximum quotas in the production of materials and/or requiring
such person to fill such minimum quotas in the production of
materials if such person owns, has in stock, or is capable of
producing such materials.

Section 3. The President is hereby authorized to sell,
under such terms and conditions as he may prescribe, any materials
acquired pursuant to a compulsory order issued in accordance with
this Act, Section 9 of the Selective Training and Service Act of
1940 or Section 120 of The National Defense Act (U.S.C., 1934
edition, title 50, sec. 80) to any person, or to any local or for-
ign government, if such sale is deemed by the President to be in
the interest of national defense. Any moneys received by the Pres-
ident as the proceeds of any such sale shall be deposited to the
credit of that appropriation out of which was paid the cost of such
materials, and the same shall be available during the fiscal year
in which funds are received and the ensuing fiscal year, for the
purpose for which such expended funds were appropriated.
Section 4. In the event that any person shall fail to comply in whole or in part with a compulsory order placed, a rule of priority established, or a quota fixed, pursuant to this Act, or with a preference or priority requirement directed pursuant to this Act or Section 2(a) of the Act of June 28, 1940, which failures to comply are hereinafter referred to as "violations", the President is hereby authorized to take immediate possession of the plant of such person and to operate the same, or to take possession for use by the United States of any materials covered by such compulsory order.

Provided. That nothing herein shall be deemed to render inapplicable existing state or federal laws concerning the health, safety, security and employment standards of the employees in such plant. Any person who shall commit any violation shall be guilty of a felony and upon conviction thereof shall be punished by a fine not exceeding $50,000 or by imprisonment of not more than three years or by both such fine and imprisonment.

Compensation to be paid by the United States to any person or as rental for the use of the plant of such person for any materials so taken shall be fair and just.

Section 5 (a). The President may investigate any facts, conditions, practices, or matters, the investigation of which he deems necessary or appropriate to determine whether any person has
engaged in or is about to engage in any violation of this Act, or
to aid in the administration of this Act, or in obtaining informa-
tion to serve as the basis for recommending further legislation
concerning the matters to which this Act relates.

(b) The provisions of section 18, (c), (d), and (e), of
the Act of August 26, 1935 (U.S.C., 1934 edition, supplement V,
title 15, sec. 79r, (c), (d), and (e) relating to attendance of
witnesses and the production of books, papers and documents) shall
be applicable to such investigations in the same manner and to the
same extent as in the case of investigations by the Securities and
Exchange Commission under said provisions.

Section 6. Whenever it shall appear to the President that
any person is engaged in or is about to engage in any acts or prac-
tices which constitute or will constitute a violation of this Act,
he may bring an action in the name of the United States in the
proper district court of the United States, in the proper
Philippine court of first instance or in the proper United States
court of any Territory or other place subject to the jurisdiction
of the United States, to enjoin or restrain such acts or practices,
and upon a proper showing a permanent or temporary injunction or
decree or restraining order shall be granted without bond.

*Section 7 (a). Except as provided for in subsections
(c), (d) and (e) of this section, the district courts of the

*The provisions for judicial review contained in this section are
tentative and should be examined carefully in the light of per-
tinent authorities.
United States, the courts of first instance of the Philippine Islands, and the United States courts of any Territory or other place subject to the jurisdiction of the United States, shall have exclusive jurisdiction of violations of this Act and shall have jurisdiction, for cause shown, and subject to the provisions of section 17 (relating to notice to opposite party) of the Act entitled "An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes", approved October 15, 1914, as amended (U.S.C. 1934, title 28, sec. 381) to restrain such violations.

(b) Any prosecution or suit under this Act may be brought by the United States in the district wherein the defendant is found or is an inhabitant or transacts business, and process in such cases may be served in any other district of which the defendant is an inhabitant or wherever the defendant may be found. Judgments and decrees so rendered shall be subject to review as provided in sections 128 and 240 of the Judicial Code, as amended (U.S.C. 1934 edition, title 28, secs. 225 and 347), and in section 7 of the Act of February 13, 1925, as amended, (U.S.C. 1934 edition, title 28, sec. 349).

(c) Whenever an order for preference or priority or a compulsory order under section 2(a), (b), (c), and (d) or an order fixing maximum or minimum production quotas under section 2(e)
is issued, the person to whom such order is directed, and no other person, may obtain review thereof by filing a petition to set aside or enjoin such order in the District Court of the United States for the District of Columbia. A copy of such petition shall forthwith be served upon the President or upon the person or agency duly authorized to administer the statutory provision upon which the order in question was based, or upon the person or agency duly designated to receive such service. No such petition may be filed unless the person filing such petition shall have, within ten days after such order was issued, requested in writing the agency or person issuing such order to reconsider said order, and unless such petition is filed within thirty days after a ruling has been made on said request. The filing or pendency of such a petition shall not operate as a stay of such order. No order, injunction, or stay, restraining, suspending, or postponing the enforcement, operation or execution of such an order shall be entered by the District Court of the United States for the District of Columbia or by any other court, unless the Attorney General of the United States, or the person or agency administering the statutory provision under which the order was issued, requests such order, injunction or stay.

(d) Any party aggrieved by any final order, judgment, or decree of the District Court of the United States for the District
of Columbia may obtain a review of such order, judgment or decree in the United States Court of Appeals for the District of Columbia by filing in such court within sixty days after the entry of such order, judgment or decree a petition, praying that such order, judgment or decree be modified or set aside in whole or in part. A copy of such petition shall be forthwith served upon the President or upon the person or agency duly authorized to administer the statutory provision pursuant to which the order in question was issued or the person duly designated to receive said service. Provided, That where the party aggrieved by any final order, judgment, or decree of the United States District Court for the District of Columbia, is the United States, or any officer or agency thereof, such order, judgment, or decree may be reviewed by the Supreme Court of the United States upon application for certiorari made within 60 days after the entry of such order, judgment or decree of the Judicial Code. The judgment and decree of the said Court of Appeals affixing, modifying, or setting aside in whole or in part any such order of the District Court of the United States for the District of Columbia shall be final, subject to review by the Supreme Court of the United States upon application for certiorari by the party aggrieved by such judgment or decree made within 60 days after the entry thereof.
(c) After an order, judgment or decree to the effect that
an order under section 2(a), (b), (c), (d) or (e) hereof, is invalid,
becomes final and non-appealable, the party against whom such an order
was issued may, in accordance with sections 41 (20) and 250, Title 28
of the United States Code, bring a suit against the United States for
damages which have resulted directly from compliance with such
invalid order up to the time that said decree became final and non-
appealable. Where a compulsory order is held invalid, such damages
shall include the fair and just compensation for the material
delivered or taken by the Government and for the use of the plant,
possession of which has been taken by the Government; Provided,
that if a person who is entitled to bring suit under this subsection
is also entitled to sue under subsection (f) of this section, he
must elect to sue under one or other of the subsections, and the
institution of suit under one such subsection shall constitute a
bar to suit under the other subsection. A final order, judgment or
decree entered by the United States District Court for the District
of Columbia or the United States Court of Appeals for the District
of Columbia shall become, for the purpose of this section, a final
non-appealable order, judgment or decree when no petition for
reversal has been filed within the period prescribed by Subsection (c)
of this section, or when certiorari has not been applied for within
the period prescribed by Subsection (c) of this section, or when a
petition for certiorari has been denied, or when a petition for
section (vi) has been granted, and a final order, judgment, or decree
has been entered by the Supreme Court.

(r) Whenever the President shall place a compulsory order
with any person for any materials or whenever the President shall,
for use of the United States, take possession of any materials or
of the plant of any person in accordance with section 4 hereof,
the owner of such materials or such plant shall be paid as compensa-
tion for such materials or for the use of such plant, such sum as
the President shall determine to be fair and just. If any such
owner is unwilling to accept as full and complete compensation for
such materials or for use of such plant, the sum so determined by
the President, such owner shall be paid 50 percent of said sum and
shall be entitled to sue the United States for such additional sum as,
when added to the sum already received by such owner, such owner may
consider fair and just compensation for such materials or such use of
his plant, in the manner provided by sections 41 (20) and 250, Title 28,
of the Code of Laws of the United States of America: Provided, That
no person shall be entitled to bring such suit unless he shall, within
ten days after he has been notified of the price fixed for materials
or for the use of a plant, notify in writing the person or agency
fixing such price that he deems such price unjust and request recon-
sideration thereof. Provided further, That in determining, for the
purpose of this Act, fair and just compensation for any materials,
market price or export price need not be followed when such
prices are not fair and just because of conditions resulting from governmental activities related to national defense.

Section 8. The President shall have authority from time to time to make, amend, and rescind such rules and regulations as may be necessary or appropriate to carry out the provisions of this Act; to utilize such Federal officers and employees and, with consent of the appropriate local government, such officers and employees of any local government, as he may find necessary to assist in the administration of this Act; to delegate to such agency or agencies as he may designate or create, or to such officer, officers, employee or employees, as he may designate, any powers conferred upon him by this Act, by section 2(a) of the Act of June 28, 1940, or by section 9 of the Selective Training and Service Act of 1940; to appoint, without regard to the provisions of the civil service laws but subject to the Classification Act of 1923 as amended, such attorneys and experts and to appoint such other employees with regard to existing laws applicable to the employment and compensation of officers and employees of the United States, as he may from time to time find necessary for the administration of this Act.

Section 9. For the purpose of administering this Act, it is hereby authorized to be appropriated for the fiscal year ending June 30, 1941, the sum of dollars, and it is hereby authorized to be appropriated for each subsequent year thereafter
a sum sufficient to carry out the purposes of this Act.

Section 10 (a). As used in this Act:

(1) The term "person" includes one or more individuals, partnerships, associations, corporations, business trusts, and any business organization, and any trustee, and any receiver or trustee in bankruptcy.

(2) The term "public contract" includes any contract entered into by any executive department, independent establishment, or other agency or instrumentality of the United States, the District of Columbia, or any corporation all of the stock of which is owned by or on behalf of the United States, and any contract entered into by any local government.

(3) The term "local government" includes the government of any state, county, town, township, or municipality, and any agency or political subdivision thereof.

(4) The term "foreign government" includes any agency, commission, or representative of any foreign government.

(5) The term "foreign contract" includes any contract entered into by any foreign government.

(6) The term "production" and the term "produces" each includes manufacturing, processing, fabricating, mining, furnishing, packing, assembling, and handling or working on in any other manner.
(7) The term "subcontracts" includes (a) contracts for materials between persons who have obligations under public contracts, foreign contracts, or compulsory orders and any other person; (b) contracts for related materials between such other persons and any suppliers; (c) contracts for related materials at any stage of production which directly or indirectly enter into or contribute to the production of materials ultimately to be delivered pursuant to a public contract, foreign contract, or compulsory order.

(8) The terms "sale" or "sell" each includes exchange, lease, rent, bail and lend.

(9) The term "materials" includes materials, articles, supplies, and equipment, floating and otherwise, and ships, plant facilities, tools, equipment, or any part thereof, and services of any kind, except personal or professional services.

(10) The term "plant" includes a factory or establishment that produces materials, or any part thereof, and all patent rights, licensing rights, contract rights, purchase rights, and similar rights necessary or appropriate, or helpful to the operation of any plant.

(b) As used in subsection (a) of this section, the terms "include" and "includes" shall not be deemed to exclude other things otherwise within the meaning of the term or terms defined.
(c) This Act shall be applicable in the several States and Territories, and the insular possessions of the United States, including the Philippine Islands, the Canal Zone, and the District of Columbia.

Section 11. If any provision of this Act or the application thereof to any person or circumstances is held invalid, the remainder of the Act and the application of such provision to other persons or circumstances shall not be affected thereby.

Section 12. This Act may be cited as the "Emergency Priorities and Rationing Act of 1941".
Section 7(c), (d), and (e) of the proposed bill set forth a draft of provisions for judicial review of priority, quota, and compulsory orders, issued pursuant to the authority granted by section 2(a), (b), (c), (d), and (e) of the proposed bill. These provisions, which have been drafted without an adequate examination of the applicable legal authorities, are designed merely to serve as a basis for discussion.

It may facilitate that discussion briefly to summarize the draft provisions and to indicate the problems which they raise.

1. **Who may obtain judicial review.** - Only the person to whom the order has been directed.

2. **Procedural prerequisites for judicial review.**
   
   (a) No petition for review may be filed unless any or person issuing the order in question shall, within after the issuance of the order, have been requested to alter the order.

   (b) A petition for review must be filed within after a ruling has been made on the request to reconsider
3. Venue and jurisdiction. — Such petition shall be filed within the District Court of the United States for the District of Columbia.

4. Stay of orders.

(a) The filing or pendency of a petition shall not operate as a stay of the challenged order.

(b) No order, injunction, or stay, restraining the enforcement or operation of an order shall be entered by any court at any stage of the proceedings unless the Attorney General of the United States, or the agency charged with responsibility for administering a statutory provision upon which such order was based, requests such restraining action.

5. Appellate review of decisions of the District Court

(a) The person to whom the order in question was issued or the government may appeal from a final order or judgment of the District Court by filing a petition for review in the United States Court of Appeals for the District of Columbia within sixty days after the entry of the order by the District Court of the United States.

(b) However, where the United States is aggrieved by any final decree or order of the District Court it may seek review by application for certiorari made within sixty days after the entry of the order of the District Court.
(c) The final decision of the Court of Appeals is subject to review by the Supreme Court upon application for certiorari by the party aggrieved by such judgment or decree, made within sixty days after the entry thereof.

6. Provision for compensation for damages resulting from compliance with an invalid order pending adjudication of its invalidity. After a decision that a priority, a quota or a compulsory order is invalid becomes final and non-appealable (as defined in the bill), the person to whom the order was directed may sue in the Court of Claims or the federal district courts, for damages resulting from compliance with the order up to the time it was held to be invalid.

With respect to review of compulsory orders issued under section 2(a) of the proposed bill, the following additional provisions for review of compensation are made.

If any owner is unwilling to accept as full and complete compensation for materials and the plants commandeered the compensation which the government has fixed, such owner shall, within ten days after the fixing of the price, request the person or the agency administering section 2(a) to reconsider the price fixed. If after the disposition of that request, the price fixed is still unsatisfactory, the owner shall be paid 50% thereof and shall be entitled to sue the United States in the Court of Claims for such additional sum which, when added to the sum he has received, the
owner considers will be fair and just compensation for the materials, or for the plant commandeered. It is provided that, in determining fair and just compensation, the domestic market price or the export price need not be followed if such prices are found not fair and just because of conditions resulting from governmental activities relating to the national defense.

It is also provided with respect to compulsory orders, that an election must be made between the remedy for damages incurred by complying with an order subsequently held to be invalid and the remedy for fair compensation which may be invoked by a person who, although admitting the validity of the compulsory order, challenges the fairness of the price it fixes.

Passing for the moment, the question whether persons other than those to whom priority and cognate orders are directed should be entitled to judicial review of such orders, the foregoing provisions present the following questions:

1. Whether a requirement should be imposed by statute that any or all of the administrative orders should be preceded by an administrative hearing. This question is particularly acute in connection with orders fixing maximum quotes since such orders may result in great hardship. No requirement of administrative hearings has been imposed. Thus the President, by virtue of the rule making power, could require or dispense with hearings depending upon the
dictates of the interest of national defense.

2. Whether the provision that review may be had only in the District of Columbia would impose undue hardship on persons distant from the District. On the assumption that appeals will be infrequent and that any necessity for the Priorities Division to fight appeals all over the country might unduly hamper effective administration, the District Court has been made the exclusive forum for review.

3. Whether the provision for compensation for damages resulting from compliance with an invalid order pending adjudication of its invalidity, is necessary or desirable. The statute operates to require compliance with priority quota and compulsory orders, at the risk of heavy penalties, until and unless there is a final and non-appealable adjudication of invalidity of such orders. The desirability of immediate compliance with such orders is self-evident. Because of persons to whom orders are directed, must immediately comply, or risk extremely severe penalties, it was thought desirable as a matter of policy, and necessary as a matter of constitutionality, to make some provision for compensation for damages resulting from compliance with orders subsequently held to be invalid. It is recognized that it will be extremely difficult to compute such compensation. Nevertheless, it was felt that such a provision would be sufficient to meet the objections stemming from the doctrine of
ex parte Young, since it permits the argument that a person may subject the orders to a judicial test without running the risk of either severe penalties or irreparable monetary loss. Moreover, such a provision may enable the courts in a proper case to prevent onerous burdens which should be spread over the entire community from falling upon a single individual or enterprise.

A basic question raised by the draft of provisions for judicial review is whether contractors whose contracts are subordinated by priority, quota, or compulsory orders should be given an opportunity to challenge the validity of such orders. Provision for such an opportunity might perhaps be justified on the following grounds:

1. Such a contractor has a practical interest in the validity of such orders as great as the interest of the person to whom such orders are directed.

2. A requirement for prompt judicial review might be coupled with a provision that such review should be the only means of attacking such orders and that such orders could not be attacked collaterally in breach of contract suits brought by private individuals. Such a provision might be desirable as a means of assuring industry that damage suits would not be the penalty of cooperation with government policies. However, there is no compelling need to give industry such assurance in this way. The doctrine of impossibility would, in many cases, constitute an adequate defense.
Moreover, the cooperation of industry has apparently been forth-
coming. Finally, contractors may themselves secure such assur-
ance by obtaining waivers from their customers.

3. Contractors whose rights are subordinated by priority,
quota, and mandatory orders, may have a constitutional right to be
heard with respect to the validity of such orders. This question
has not been examined by this office.

Opposed to a provision for judicial review at the instance
of the deferred contractor are the following considerations:

1. It would considerably enlarge the class entitled to
review and might constitute an invitation to judicial tests and
their accompanying drain of administrative resources.

2. Since the penalties of the statute are applicable
only to those to whom orders are issued, the implications of
ex parte Young would not require judicial review for subordinated
contractors.

3. It is difficult to conceive precisely what the scope
of the judicial inquiry would be. It would seem that the courts would
be foreclosed from considering whether the particular order was con-
sistent with national defense, or whether there was alternative action
more conducive to national defense. It would seem therefore, that
judicial inquiry would be confined to the question of whether the
order in question was constitutional and authorized by statute.
Once the constitutionality of the statute was established, there would seem to be slight possibility that an order might be successfully challenged on the grounds that it was beyond the statutory authority. This is true because of the extremely comprehensive powers conferred by the proposed statute.

It should also be observed that any provision for judicial review would require provisions for adequate notice of administrative or executive action. In view of the many contractors who might be affected by a single preference order and of the decentralized character of the present priority assignments by local contracting officers, it is doubtful whether a practicable method of giving the necessary notice could be adopted. The Federal Register is, of course, a possibility. Moreover, it may be that priority orders would be confidential in character and that a public and widespread disclosure of such orders and the identity of the contractors affected thereby might be unwise. In this connection, however, it should be observed that at present those to whom priority orders are assigned generally make copies of such orders and use such copies to justify the deferment of other contracts in accordance with those orders.

Some of the problems raised in connection with judicial review of the orders authorized by the proposed bill are similar to problems raised in connection with eminent domain proceedings. Accordingly, it is suggested that the Lands Division of the Department

1/ Possibilities of such challenge would, of course, be increased by any Congressional modification limiting the scope of the statute.
of Justice be consulted. Moreover, in view of the fact that the Claims Division of the Department of Justice would probably be called upon to defend suits, it too should be consulted.
MEMORANDUM

RE: Explanation of Draft Legislation

Section 1

Section 1 contains a Congressional finding that industrial adjustments are necessary to insure that the requirements of the defense program will be satisfied and a declaration that it is the policy of Congress to adjust the activities of producers so that the needs of national defense will be given primary consideration.

This section, while not essential, is designed to assist in support of the bill's constitutionality should litigation be instituted.

Section 2

The powers conferred by Section 2 are limited to the emergency declared by the President on September 8, 1939, and none of these powers can be exercised unless the President finds such action to be in the interest of national defense.

Section 2(a).

This provision authorizes the President, to require priority for deliveries pursuant to any public contract 1/ at

1/ Public contracts are defined to include contracts of any federal agency and any state or local agency.
the expense of other deliveries and to place compulsory orders and
require priority for deliveries thereunder. But compulsory
orders may be placed with a person only for materials which such
person is capable of producing or has in stock. Reasonable prices
are to be fixed by the President for materials covered by a
compulsory order.

Remarks

Authority to require priority for all government con-
tracts is necessary as is also authority to place compulsory
orders. Section 2(a) of the Act of June 28, 1940 empowers the
President to demand priority only for Army and Navy contracts.
Section 9 of the Selective Training and Service Act of 1940
authorizes the President to issue compulsory orders but such
power may be exercised only through the War and Navy Departments.
Under this section of the draft bill, the President, or any agency
to whom he might delegate his power could require priority for any
federal or local contract and issue a compulsory order for any
materials. 2/ The power to issue compulsory orders is not unlimited.
Such an order can cover only materials which the person is capable
of producing or has in stock. This language follows Section 9
except that this provision would clearly apply to dealers. Under
Section 9 it is not clear whether dealers are covered.

2/ Materials are defined to include services other than personal
or professional services.
Section 2(b)

This provision authorizes the President to require priority for deliveries pursuant to foreign contracts, i.e., contracts executed by any foreign government or foreign commission.

Remarks

Authority to require priorities for contracts of the British, Chinese, South American Republics and other approved foreign governments does not exist under existing legislation. The need for such powers is self-evident.

Section 2(c)

This provision authorizes the President to require priority for deliveries pursuant to any subcontract (including all subcontracts and supply contracts) related to a public contract, a foreign contract or a compulsory order.

Remarks

With respect to subcontracts related to Army and Navy prime contracts, this power exists by virtue of Section 2(a) of the Act of June 26, 1940 and/or Section 9 of the Selective Training and Service Act of 1940. This conclusion, however, is not free from serious doubt and Section 2(c) of the bill clarifies this point and extends this authority to subcontracts related to other public contracts and foreign contracts. To exercise priorities effectively for government departments other than the Army and Navy and for foreign governments, this power is vital.
Section 2(d)

This provision authorizes the President to prescribe the order in which civilian contracts shall be filled. It is applicable to all private contracts.

Remarks:

During the World War control over the order of deliveries pursuant to private contracts was effected indirectly — through control of the transportation system. Not only would such indirection be cumbersome today but it is wholly possible that it would not be effective. For no authority exists to exercise priorities over the trucking system or merchant marine. In addition, shortages in transportation by rail may not be so acute during the present emergency.

Section 2(e)

This provision authorizes the President to fix maximum and minimum production quotas.

Remarks:

This subsection is designed to permit the direction of production into channels required by national defense, the imposition of a requirement that a producer increase production if he is capable of so doing, or that he decrease production. Control over productive capacity was essential and was exercised during the World War. But this control was again exerted by indirection. For the reasons given above, such control is not desirable. Hence a specific provision is contained in the draft bill.
In connection with the powers contained in Section 2 of the bill it should be observed that an effective priorities system requires:

(a) Control over the sequence in which contracts are filled.

(b) Power to determine and allocate output regardless of the contractual relationship between the producer and the user.

This section authorizes the President to establish directly the order in which all contracts shall be filled, and to determine what material, to the extent of existing potential capacity, should be produced. The bill does not authorize the President to require the diversion of material from one potential user to another in the absence of contractual relationships between the producer and the desired user. In such a situation, the President may achieve this objective indirectly by placing a compulsory order on behalf of the government and then reselling to the desired user, if such action is in the interests of national defense. It was deemed inexpedient to authorize such diversions directly in view of the desirability of having the government establish fair and just prices in such cases.
In this connection it should be observed that the definition of the word "materials" is broad enough to permit the diversion of equipment, e.g., a machine tool, from one person who is using such equipment for the production of a non-essential product, e.g., pianos, to another person who will use the equipment in the production of an essential product, e.g., aircraft.

The price to be paid for such equipment, however, must be reasonable as determined by the President. Moreover, the diversion would have to be in the interest of national defense. Thus, safeguards have been inserted for the protection of private persons.

Section 3

This section authorizes the President to sell, lease, rent or bail any materials acquired in accordance with a compulsory order placed pursuant to this bill, the commandeering section of the Selective Service Act of 1940 or Section 120 of the National Defense Act. Such sales may be made to any person or any local or foreign government and the proceeds shall be deposited to the appropriation charged with the purchase.

Remarks

Inasmuch as the power to dispose of government property is vested by the constitution in the Congress, and as no general authority to dispose of property has been granted to the executive
branch, this provision is necessary. By means of the threat of
being compulsory orders, coupled with the power to dispose of
any materials so acquired, it is felt that the President would
be able indirectly to direct and to allocate the productive
capacity of any manufacturer to designated users regardless
of the contractual relationship between such manufacturer and
the user. But if this power to dispose of materials is not
granted to the President, the right to compel compliance with
allocation orders would be incomplete.

Section 4

This section authorizes the President to commandeer, on
a rental basis, the plant, factory or productive establishment
of any person who refuses to comply with a priority requirement,
quote or compulsory order. Similarly, where a compulsory order
covering materials on hand is not complied with, the President may
take possession of such materials. Additional sanctions are pro-
vided for in that a person who is guilty of noncompliance may be
fined up to $50,000 and/or imprisoned for not more than three years.

In case the commandeerinig sanction is invoked, the owner of
the plant or materials shall be paid a fair and just rental or price and
the Government in operating the plant shall comply with all local
and federal health, safety, security and employment standards.

Remarks

Section 9 of the Draft Act and Section 120 of the Defense
Act contain almost identical provisions and may be relied on as
precedents to support the inclusion of such a provision in
the bill. The need for stringent penalties is self-evident.

Section 5

This section confers investigatory powers on the President. He is authorized to investigate any facts, conditions, practices or matters which he deems necessary or appropriate to determine whether the bill has been violated or to obtain information to serve as the basis for recommending further legislation.

Remarks

Power to investigate the books and records of any person subject to the bill is necessary primarily as a club to secure complete data with respect to productive capacity and other matters and to determine whether the bill is being complied with. Almost identical power has been conferred on the executive branch by Congress in the past. This provision would create no new precedents.

Section 6

This section authorizes the President to obtain injunctive relief whenever he finds that any person is engaging in activities which constitute or will constitute a violation of this bill.

Remarks

This form of relief will probably be more expeditious than would the invocation of the commandeering and criminal sanctions. Furthermore, it is less drastic and provides a more
democratic method for dealing with recalcitrant producers. Injunctive relief is available for the enforcement of priority orders issued pursuant to Section 2(a) of the Act of June 28, 1940 and has long been recognized as a proper method of enforcing statutory commands.

Section 7

A separate memorandum concerning the question of judicial review with which this section deals has been prepared and is attached hereto.

Section 8

This section authorizes the President to promulgate necessary rules and regulations, to delegate his powers to any federal agency, state, or other local agency. In addition he is empowered to appoint, subject to the civil service laws, employees and officers and, without regard to such laws, lawyers and experts.

Remarks

Similar provisions are found in other statutes.

Section 9

This section authorizes annual appropriations for the administration of the bill.
Remarks:

This provision has been inserted in order to comply with a parliamentary rule of the House and thus assure expeditious consideration of a proposed appropriation should the bill be enacted into law.

Section 10

This section defines certain terms used in the bill.

Section 11

This section provides that if any part of the bill is declared to be unconstitutional, the other provisions will still remain.

Remarks:

This is the usual separability clause found in many recent acts of Congress.

Section 12

This section contains the short title of the Bill: "Emergency Priorities and Rationing Act of 1941".
January 22, 1941

MEMORANDUM

Re: Constitutionality of the Proposed Statutory Provisions Delegating Priority and Related Powers to the President

The memorandum which follows is designed to serve as the basis for a brief (if one becomes necessary) in support of the constitutionality of the provisions delegating authority to the President which are contained in a proposed priority statute.

The Delegation in Question and the Requirement of an Effective Priorities System

It is a commonplace that modern war is a war of factories in which effective organization of the national economy is a prerequisite for victory. The present defense emergency, no less imperatively than war itself, demands such organization. To achieve it, a coordinated priority and procurement system is indispensable. A priorities system resolves conflicting demands for materials, equipment and services in accordance with the paramount needs of national security. Thus, the Industrial Mobilization Plan, revision of 1939, states (at p. 3):

(1) "The Expedite Production and Delivery of Materials Necessary for National Defense and for Other Purposes" - Prepared by the Legal Staff, Price Stabilization Division.
"A priority may be defined as the means whereby precedence is established in the procurement program after considering all urgent and essential needs of the Nation. The right of government to institute drastic priority action has long been recognized, but it underwent rapid development during the World War. Priority soon became the most direct, powerful, and therefore the most important means of directing the flow of resources into desired channels of production. It assured equitable distribution of materials and services according to national requirements." (Italics added)

An effective priority system requires not merely power to control the sequence in which contracts are filled but also the power to prescribe the uses to which productive facilities should be put and the power to allocate output without regard to the existence of contractual relationships between the supplier and the user. It requires also a mechanism by which needed materials and equipment can promptly and directly diverted from less essential to more essential uses. The proposed bill (hereinafter sometimes called "the bill") is designed to afford the legal basis for the establishment of an effective priorities system.

The experience of the United States during the last war demonstrates that such a system requires prompt adjustment to swiftly changing facts, the application of expert techniques to a variety of situations, and the handling of complex details. Priority and procurement regulation, in short, must be sufficiently flexible to permit a synchronized, coordinated marshaling of industrial resources. The bill delegates broad authority to the President because only such delegation will insure this necessary flexibility and coordination of priority and procurement policies.
The bill authorizes the President, during the existence of the national emergency declared by the President on September 8, 1939, to take the following action when he finds it to be in the interest of national defense:

(a) To require priority for delivery of materials under any public contract at the expense of other deliveries (Section 2(a));

(b) To place a compulsory order with any person for materials and to require priority for deliveries under such order. The price for such materials is to be fixed by the President (id) and to be subject to judicial review;

(c) To require priority for deliveries under foreign contracts, i.e., contracts executed by any foreign government or foreign purchasing commission. (Section 2(b));

(d) To require priority for deliveries pursuant to any subcontract (including all subcontracts and supply contracts at any stage of production) which is related to a public contract, a foreign contract, or a compulsory order. (Section 2(c));

(e) To prescribe the sequence in which contracts, private and otherwise, shall be filled. (Section 2(d));

(f) To prescribe the kind or kinds of materials which are to be produced and to fix maximum and/or minimum production quotas to the extent of the existing potential capacity. (Section 2(c));

2/ "Public contracts" are defined in Section 11(a) 2 to include contracts of any federal agency, and any state or local governmental agency.
(k) To sell, lend, or rent any materials acquired in accordance with a compulsory order placed pursuant to the bill, Section 9 of the Selective Service Act of 1940, or Section 120 of the National Defense Act, to any person or to any local or foreign government, if such action is deemed to be in the interest of national defense. (Section 3).

Provision is made for adequate judicial review of the exercise of the President's power to issue compulsory orders, priority orders, or quota orders. See Section 7, (c), (d) and (e).

I.

The statute meets the requirements for valid delegation generally applicable to legislation.

A long line of cases has sustained the delegation of authority to be exercised by administrative or executive agencies in accordance with broad standards established by Congress. See cases cited infra pp. 6-7. And standards controlling executive or administrative action no more, and often less, definite or restrictive than those involved here have been upheld. The recent decisions of the Supreme Court (United States v. Rock Royal Cooperative, 59 Sup. Ct. 993; H. P. Hood & Sons v. United States, 59 Sup. Ct. 1019) which sustained the validity of the Agricultural Marketing Act of 1937 are particularly pertinent. The declared policy of that Act, which was applicable to eight enumerated commodities, was:

"(1) Through the exercise of the powers conferred upon the Secretary of Agriculture under this chapter, to establish and maintain such orderly marketing conditions for agricultural commodities in interstate commerce as will establish prices to farmers at a level that will give agricultural commodities a purchasing power with respect to articles that
farmers buy, equivalent to the purchasing power of agricultural commodities in the base period. The base period in the case of all agricultural commodities except tobacco and potatoes shall be the prewar period, August 1909–July 1914. In the case of tobacco and potatoes, the base period shall be the postwar period, August 1919–July 1929; and, in the case of all commodities for which the base period is the prewar period, August 1909 to July 1914, will also reflect current interest payments per acre on farm indebtedness secured by real estate and tax payments per acre on farm real estate, as contrasted with such interest payments and tax payments during the base period.

"(2) To protect the interest of the consumer by (a) approaching the level of prices which it is declared to be the policy of Congress to establish in subsection (1) of this section by gradual correction of the current level at as rapid a rate as the Secretary of Agriculture deems to be in the public interest and feasible in view of the current consumptive demand in domestic and foreign markets, and (b) authorizing no action under this title which has for its purpose the maintenance of prices to farmers above the level which it is declared to be the policy of Congress to establish in subsection (1) of this section."

7 U. S. C. Sec. 601 (Supp. V)

The Secretary of Agriculture, in order to accomplish the declared policy, was authorized to determine which of the commodities named were to be regulated; to issue, after notice and hearing, one or more of a variety of orders, specifying the geographical area to which the order would be applicable and the period during which it would be operative.

He was also, as is disclosed by the declaration of policy quoted above, authorized to balance, according to his view of public interest, the desirability of a price raising policy against a consumer protection policy. The delegation there involved, as the dissent of Mr. Justice Roberts makes presently clear (H. P. Hood & Sons v. United States, supra, at pp. 1027–1028), is sweeping in character.
The Court, nevertheless, rejected the contention that the standards controlling the exercise of the delegated powers were so ill-defined as to render the statute invalid and presented the following summary of the pertinent cases (United States v. Rock Royal Corp., supra, at p. 1013):

"From the earliest days the Congress has been compelled to leave to the administrative officers of the Government authority to determine facts which were to put legislation into effect and the details of regulations which would implement the more general enactments. It is well settled, therefore, that it is no argument against the constitutionality of an act to say that it delegates broad powers to executives to determine the details of any legislative scheme. This necessary authority has never been denied. In dealing with legislation involving questions of economic adjustment, each enactment must be considered to determine whether it states the purpose which the Congress seeks to accomplish and the standards by which that purpose is to be worked out with sufficient exactness to enable those affected to understand those limits. Within these tests the Congress needs specify only so far as is reasonably practicable. The present Act, we believe, satisfies these tests."

The proposed statute meets all of the requirements for valid delegation affirmed in the Rock Royal case. It "states (with sufficient exactness) the purpose which the Congress (would seek) to accomplish," viz, "the prompt, orderly, coordinated mobilization of the resources of the nation in order to insure that the requirements of national defense will be met and to provide for the equitable distribution of materials among the civilian population." Moreover, it states clearly the standard according to which this purpose should be achieved, viz, "national defense."

Finally, in view of the fact that an effective priority system, as has been indicated, requires the application of expert techniques to swiftly changing facts and complex detail, the proposed statute has been as specific as is "reasonably practicable."
The principles of the Rock Royal case are, of course, not new. Broad standards have been upheld in an array of cases which afford impressive support for the constitutionality of broad delegation such as that involved in the Agricultural Marketing Act and that in the proposed priority statute. Mahler v. Eby, 264 U. S. 32, 40-41 (undesirable residents); New York Central Securities Co. v. United States, 287 U. S. 12, 24-25 (public interest); Federal Radio Commission v. Nelson Bond & Mortgage Co., 280 U. S. 266, 285 (public convenience, interest or necessity); Frischer & Co. v. Elting, 60 F. (2d) 711 (C. C. A. 2d, 1932) cert. den., 287 U. S. 649 (unfair methods of competition and unfair acts, the effect or tendency of which to destroy or substantially injure an industry); Federal Trade Commission v. Kleaner, 280 U. S. 19, (public interest). Electric Bond and Share Co. v. Securities and Exchange Commission, 303 U. S. 419, (necessary or appropriate public interest or for the protection of investors or consumer); McMann v. Engel, 16 Fed. Sup. 446 (S. D. N. Y. aff'd, 87 F. (2d) 377, C. C. A. 2d, cert. den.), 301 U. S. 384 (public interest); see also Sunshine Coal Co. v. Adkins, 310 U. S. 381, 397-399.

In view of the foregoing authorities, there is no room for the contention that the proposed delegation is invalid.

Panama Refining Co. v. Ryan, 293 U. S. 388; Shechter Poultry Corporation v. U. S., 295 U. S., are not applicable here. The delegation involved in those cases was invalidated because no declaration of policy or standard of action was laid down for the guidance of the President. See Panama Refining Co. v. Ryan, supra, at pp 414 et seq; United States v. Goldsmith, 31 Fed. 983, 985 (C. C. A. 2d, 1937). Such a standard is, as has been clearly demonstrated above, defined by the proposed statute with sufficient definiteness to be well within constitutional limitations applicable to congressional delegation of power.
where legislation directly affects foreign relations or national defense, the standards governing the exercise of the delegated authority may be broader than is generally the case.

Even if the proposed statute did not meet the requirements for valid delegation generally applicable to legislation, it would not be unconstitutional. It is submitted that standards governing the exercise of delegated authority by the President may, when foreign relations or a national defense emergency is involved, be broader than is generally the case and that the proposed statute clearly meets the requirements for valid delegation in the context of a defense emergency.

In United States v. Curtiss-Wright Corp., 299 U.S. 304, the Supreme Court sustained a joint resolution conferring upon the President the authority to prohibit the sale of munitions to the countries engaged in the Chaco conflict or to impose conditions upon such sale, if the President found that such action would promote the reestablishment of peace. In the course of its opinion, the Court announced the doctrine that delegation even though it might be invalid because too broad if it dealt with purely internal affairs, could be valid where "its exclusive aim was to afford a remedy for a hurtful condition within foreign territory." The Court predicated this doctrine on the following considerations:

(1) The federal power over international relations did not depend upon affirmative grants in the Constitution but was the necessary concomitant of sovereignty. (See p. 318). (2) In the realm of international affairs, "with its important, complicated, delicate and manifold problems, the President has a very delicate, plenary and exclusive power... as the sole organ of the federal government... (See p. 320)." (3) Narrow restrictions on the President's action in that field are unwise because "the form of the President's action - or, indeed, whether he shall act...
at all - may well depend, ... upon the nature of the confidential information which he has or may thereafter receive, or upon the effect which his action may have upon our foreign relations." (pp. 320-321).

Delegation in connection with internal regulation designed to effectuate the defense program falls within the doctrine of the *Curtis-Wright* case. Such regulation is so enmeshed with, and affected by, international relations that it must be considered a part thereof. Such regulation, moreover, is prompted by the same purpose which has generated much of the regulation in the field of international affairs, viz., the desire to prevent this country's involvement in war. In this connection, it is significant that the historic practice, going as far back as 1794, of conferring wide authority upon the President to impose and revoke embargoes has been designed to avoid involvement in war. And it was this practice that the Court emphasized (at pp. 322-328) in announcing the doctrine of the *Curtis-Wright* case. Surely, there can be no serious question that defense regulation, which is so intimately connected with international relations and which springs from the same basic purpose, falls within the doctrine of that case.

But even if an unreal division be made between international affairs and internal defense regulation, it is clear that every reason for sustaining broader standards in the field of international affairs applies to defense regulation. Thus, as the Supreme Court expressly recognized in the *Curtis-Wright* case (at p. 318) (1) the power to declare and wage war, like the power over international relations, is a "necessary concomitant of nationality" and would exist even if it had not affirmatively been conferred
by the Constitution; (2) The President, as Commander-in-Chief, is the representative of the nation in the exercise of the war power. The power to wage war includes the power to prepare for war; and when war is being waged in every part of the world, except the Western Hemisphere and threatens to involve this country, no distinction in the President's status can be made when preceding preparation rather than wartime action is involved. There is the same inherent and compelling necessity to delegate broad authority to the President so as to permit both prompt adjustment to swiftly changing, and often confidential, facts and effective coordination of complex detail.

Mr. Charles Evans Hughes, now Chief Justice, in a speech before the American Bar Association 1917, gave classic expression to the special need for executive and administrative flexibility in wartime:

"Congress cannot be permitted to abandon to others its proper legislative functions; but in time of war, when legislation must be adapted to many situations of the utmost complexity, which must be dealt with effectively and promptly, there is special need for flexibility and for every resource of practicality; and, of course, whether the limits of permissible delegation are in any case overstepped always remains a judicial question. We thus not only find these great war powers conferred upon the Congress and the President, respectively, but also a vast increase of administrative authority through legislative action springing from the necessities of war."

These observations are not less pertinent when industrial mobilization for a defense emergency rather than war is involved. (4) A long line of legislative precedent affords overwhelming support to delegation pursuant to the war power which confers broad authority to the President. See e.g.,

\[1/\]

It is clear that the grant of priority must be geared to military plans, which are often confidential, and foreign developments, which also are often confidential.

Moreover, the Supreme Court itself has already indicated that broad standards may be established when authority delegated to the President impinges on his activities as Commander-in-Chief. Thus United States v. Chemical Foundation, 272 U. S. 1, involved the Trading With the Enemy Act which required the public sale of seized alien patents unless the President, stating the reasons therefore, should "in the public interest determine otherwise." The United States brought suit to set aside certain patent sales made to it by the Chemical Foundation on the ground, among others, that the statutory provision for determining whether there should be a private sale involved an unconstitutional delegation of legislative power. The Court rejected that contention and stated (at p. 12):

"It was not necessary for Congress to ascertain the facts of or to deal with each case. The Act went as far as was reasonably practicable under the circumstances existing. It was peculiarly within the province of the Commander-in-Chief to know the facts and to determine what disposition should be made of enemy properties in order effectively to carry on the war." (Italics added)

See also Selective Draft Law cases, 245 U. S. 366; McKinley v. United States, 249 U. S. 397.

In view of the foregoing, it is clear that the proposed delegation falls within the doctrine of the Curtiss-Wright case, and would, accordingly, be valid even though it did not meet the requirements applicable to legislation not directly related to foreign affairs and the war power. Moreover, even assuming the inapplicability of that doctrine and that the delegation in question

\[1\] It should be observed that it is doubtful that the ill-defined doctrine of the Curtiss-Wright case has any historical basis. Accordingly, no reliance should not be placed on that doctrine.
must be tested by all of the constitutional requirements generally applicable to legislation, there is, as we have demonstrated above, no question that the proposed delegation is constitutional.
Regraded Unclassified
We also purchased 150,000 ounces of silver from the Bank of Canada under our regular monthly agreement. During February we have purchased a total of 200,000 ounces as compared with the agreed monthly limit of 1,200,000 ounces.
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE: FEB 17 1941

TO: Secretary Morgenthau

FROM: Mr. Foley

In accordance with the request contained in Mr. Thompson's memorandum of December 26, 1939, there is attached a summary report of studies or projects carried on in the Office of the General Counsel for the month of January, 1941.

Attachment

S. H. 76
The following matters received attention in the Office of the Chief Counsel for the Bureau of Internal Revenue:

1. **Bill (S. 4269, 76th Cong., 3rd Sess.) to extend old age and survivors insurance.** Consideration was given to a bill introduced by Senator Wagner to extend old age and survivors insurance protection to approximately ten million additional persons and unemployment compensation protection to about five million additional persons.

2. **Filing of Philippine tax returns in Honolulu instead of Baltimore.** Consideration was given to recommending legislation whereby persons who have their principal place of business in the Philippines shall file their income tax returns in Honolulu rather than in Baltimore.

3. **Question whether living quarters, etc., furnished by Hawaiian sugar plantations constitute wages.** Consideration was given to an interesting question arising in the case of Hawaiian sugar plantations which involves the question of whether living quarters, fuel, water, etc., furnished by the plantations to their employees constitute wages, and their value.

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

The following was the subject of special study conducted under the supervision of Assistant General Counsel Cairns:

4. **Cases and interpretations of statute forbidding land holdings**

---

Regraded Unclassified
of more than 500 acres in Puerto Rico. The study, prepared by Mr. Du Bois, was a discussion of the history, effectiveness, enforcement, and judicial interpretation of the so-called "500-Acre Law", section 3 of Joint Resolution No. 23 of May 1, 1900, 31 Stat. 716 (U.S.C. title 48, sec. 752), which restricts the number of acres of land that may be held by a corporation in Puerto Rico. Consideration was given to the efforts of the Puerto Rican legislature since 1935 to enforce the law and to the economic advisability of the law.

The following matters received attention in the Legislative Section under the direction of Assistant General Counsel Bernard:

CONTINUATION OF PROJECTS

5. Bill to relieve the hospitals from double taxation under Harrison Narcotic Act (for description see original report, item 9). This bill, prepared by Miss McDuff, together with subsequent material submitted in support of particular phases of the bill, is still receiving consideration by the Bureau of the Budget.

6. Fidelity bond bill (formerly identified as "Bond Survey") (for description see original report, item 10). Due to the interest of about ten other agencies in this bill, which was prepared by Mr. Spingarn, the Bureau of the Budget has not yet been able to give it the usual clearance.

7. Federal depository system (for description see original report, item 6). Mr. Reeves has completed his work on a draft of this bill,
and it is now in the Under Secretary's office awaiting the determination of several policy questions raised by the Office of the Controller of the Currency.

8. **Acting administrators bill** (for description see June report, item 33). Miss McDuff is continuing her study of the necessity and feasibility of general legislation to provide for acting bureau or division chiefs in the absence of a chief.

9. **Law Committee of Defense Communications Board** (for description see November report, item 23). Mr. Spingarn is continuing his work with the Law Committee, as the Treasury representative, on drafts of legislation to authorize complete control by the Government of radio and wire communication facilities in time of war or impending war.

10. **Codification of Public Debt laws** (for description see December report, item 14). Mr. Koken is continuing his work on this project.

   The following matters were worked on under the direction of Assistant General Counsel Bernstein:

11. **Foreign Funds Control**. Further work was done on the matter of drafting licenses and other documents incident to the various extension proposals of the freezing control. Numerous conferences were held and Messrs. Tiebout and Davis from the New York Federal spent a number of days working with this office in the development of a number of measures that may be necessary. Messrs. Bernstein, Luxford, DuBois and Sutton worked on this matter.
12. Proposed Executive Order. A number of further drafts of the proposed Executive Order consolidating the various economic defense measures have been prepared, including a revision of the membership of the Economic Defense Board, which has been restyled the Civilian Economic Defense Committee. The inclusion of a new title relative to the functions of the Attorney General on defense production, restrictions arising out of foreign and domestic control; vesting in the Secretary of State veto power with respect to those portions of the order administered by the Secretary of the Treasury; limiting the scope of the foreign control to continental Europe, except Russia, Greece, Turkey and the Vatican. We have participated in a considerable number of conferences at the Department of Justice and at the State Department attended by representatives of the Department of Justice, the State Department, and Leon Henderson and David Ginsberg of the SEC, discussing the various drafts of the Executive Order relating to economic defense. Messrs. Bernstein, Luxford and DuBois worked on this matter.

13. Argentine Agreement. We have worked with the State Department and the Federal Reserve Bank of New York on the question of the evidence to be furnished by the Argentines relative to the authority of Argentina and the Central Bank to enter into the agreement. We drafted suggested forms of the decree to be issued by the Argentine Government and the statute to be passed by the legislature. This matter is still being taken up by the State Department with the
Argentine representatives. Mr. Bernstein and Mr. Sutton worked on this matter.

14. **Chinese Agreement.** We prepared a redraft of the stabilization agreement which has been submitted to the Chinese. We are still waiting to hear from the British and Chinese on the arrangement. Mr. Bernstein worked on this matter.

15. **Belgian Decree.** We received a letter from the State Department enclosing a note from the Belgian Ambassador relating to various Belgian decrees affecting rights of Belgian banks and other officials to deal with property in this country. The letters and note were sent to the various Federal Reserve Banks, and a pamphlet containing such information has been printed by the Federal Reserve Bank of New York for general distribution to interested parties. Mr. Bernstein worked on this matter.

16. **Federal Reserve Board legislation.** This office discussed with Messrs. Hyatt and Williams of the Federal Reserve Board the proposed changes to be made in the bill relating to government and foreign central bank deposits in banks in this country. We advised the Federal Reserve Board of our approval of the new draft of the bill and have written a report to the Senate Banking and Currency Committee to the same effect. Mr. Bernstein worked on this matter.

17. **Gold from South Africa.** This office worked with Mr. Cochran on the agreement and other arrangements relative to the shipment of gold
from South Africa on the American battleship. Mr. Bernstein
worked on this matter.

18. Inter-American Bank. Mr. Bernstein attended meetings at the
State Department of the various agencies that worked on the Inter-
American bank and discussed the attitude of the private banks and
some of the suggestions made by them.

January 6, 1941, the Supreme Court decided that the petitioners
could not contest the payment by the Secretary of the Treasury of
the sabotage awards. This office participated in conferences with
the Department of Justice relating to the payment of such awards.
Considerable work was done in connection with the awards paid since
January 10, and in regard to certain small awards to members of five
underwriters groups. Miss Hodel worked on these matters.
TREASURY DEPARTMENT
INTER-OFFICE COMMUNICATION

DATE February 17, 1941

TO Secretary Morgenthau
FROM Mr. Haas

Employment under the Work Projects Administration declined further to 1,892,000 persons during the week ended February 5, 1941, a decrease of 3,000 from the preceding week.

Attachments
### WORK PROJECTS ADMINISTRATION

**Number of Workers Employed - Weekly**

**United States**

<table>
<thead>
<tr>
<th>Week ending</th>
<th>Number of Workers (In thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1940-41</td>
<td></td>
</tr>
<tr>
<td>July 3</td>
<td>1,608</td>
</tr>
<tr>
<td>July 10</td>
<td>1,620</td>
</tr>
<tr>
<td>July 17</td>
<td>1,659</td>
</tr>
<tr>
<td>July 24</td>
<td>1,690</td>
</tr>
<tr>
<td>July 31</td>
<td>1,701</td>
</tr>
<tr>
<td>August 7</td>
<td>1,709</td>
</tr>
<tr>
<td>August 14</td>
<td>1,708</td>
</tr>
<tr>
<td>August 21</td>
<td>1,698</td>
</tr>
<tr>
<td>August 28</td>
<td>1,691</td>
</tr>
<tr>
<td>September 4</td>
<td>1,690</td>
</tr>
<tr>
<td>September 11</td>
<td>1,687</td>
</tr>
<tr>
<td>September 18</td>
<td>1,689</td>
</tr>
<tr>
<td>September 25</td>
<td>1,704</td>
</tr>
<tr>
<td>October 2</td>
<td>1,747</td>
</tr>
<tr>
<td>October 9</td>
<td>1,762</td>
</tr>
<tr>
<td>October 16</td>
<td>1,768</td>
</tr>
<tr>
<td>October 23</td>
<td>1,776</td>
</tr>
<tr>
<td>October 30</td>
<td>1,779</td>
</tr>
<tr>
<td>November 6</td>
<td>1,783</td>
</tr>
<tr>
<td>November 13</td>
<td>1,785</td>
</tr>
<tr>
<td>November 20</td>
<td>1,806</td>
</tr>
<tr>
<td>November 27</td>
<td>1,820</td>
</tr>
<tr>
<td>December 4</td>
<td>1,832</td>
</tr>
<tr>
<td>December 11</td>
<td>1,855</td>
</tr>
<tr>
<td>December 18</td>
<td>1,872</td>
</tr>
<tr>
<td>December 25</td>
<td>1,878</td>
</tr>
<tr>
<td>January 1</td>
<td>1,880</td>
</tr>
<tr>
<td>January 8</td>
<td>1,887</td>
</tr>
<tr>
<td>January 15</td>
<td>1,893</td>
</tr>
<tr>
<td>January 22</td>
<td>1,896</td>
</tr>
<tr>
<td>January 29</td>
<td>1,895</td>
</tr>
<tr>
<td>February 5</td>
<td>1,892</td>
</tr>
</tbody>
</table>

*Source: Work Projects Administration*
<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Number of Workers (In thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1938</td>
<td>July</td>
<td>3,053</td>
</tr>
<tr>
<td></td>
<td>August</td>
<td>3,171</td>
</tr>
<tr>
<td></td>
<td>September</td>
<td>3,228</td>
</tr>
<tr>
<td></td>
<td>October</td>
<td>3,346</td>
</tr>
<tr>
<td></td>
<td>November</td>
<td>3,287</td>
</tr>
<tr>
<td></td>
<td>December</td>
<td>3,094</td>
</tr>
<tr>
<td>1939</td>
<td>January</td>
<td>2,986</td>
</tr>
<tr>
<td></td>
<td>February</td>
<td>3,043</td>
</tr>
<tr>
<td></td>
<td>March</td>
<td>2,980</td>
</tr>
<tr>
<td></td>
<td>April</td>
<td>2,751</td>
</tr>
<tr>
<td></td>
<td>May</td>
<td>2,600</td>
</tr>
<tr>
<td></td>
<td>June</td>
<td>2,551</td>
</tr>
<tr>
<td></td>
<td>July</td>
<td>2,200</td>
</tr>
<tr>
<td></td>
<td>August</td>
<td>1,842</td>
</tr>
<tr>
<td></td>
<td>September</td>
<td>1,790</td>
</tr>
<tr>
<td></td>
<td>October</td>
<td>1,902</td>
</tr>
<tr>
<td></td>
<td>November</td>
<td>2,024</td>
</tr>
<tr>
<td></td>
<td>December</td>
<td>2,152</td>
</tr>
<tr>
<td>1940</td>
<td>January</td>
<td>2,266</td>
</tr>
<tr>
<td></td>
<td>February</td>
<td>2,324</td>
</tr>
<tr>
<td></td>
<td>March</td>
<td>2,286</td>
</tr>
<tr>
<td></td>
<td>April</td>
<td>2,092</td>
</tr>
<tr>
<td></td>
<td>May</td>
<td>1,926</td>
</tr>
<tr>
<td></td>
<td>June</td>
<td>1,665</td>
</tr>
<tr>
<td></td>
<td>July</td>
<td>1,701</td>
</tr>
<tr>
<td></td>
<td>August</td>
<td>1,591</td>
</tr>
<tr>
<td></td>
<td>September</td>
<td>1,704</td>
</tr>
<tr>
<td></td>
<td>October</td>
<td>1,779</td>
</tr>
<tr>
<td></td>
<td>November</td>
<td>1,820</td>
</tr>
<tr>
<td></td>
<td>December</td>
<td>1,878</td>
</tr>
<tr>
<td>1941</td>
<td>January</td>
<td>1,895</td>
</tr>
</tbody>
</table>

Source: Work Projects Administration

Monthly figures are weekly figures for the latest week of the month.

They include certified and noncertified workers.