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Regraded Uc lassified
MEMORANDUM OF CONFERENCE IN
MR. FOLEY'S OFFICE.

PRESENT:
Mr. Foley
Wm. Donovan
H. H. Bond
Mr. O'Connell

SUBJECT:
Additional branches for the Bank of America.

Colonel Donovan opened the conference by stating that he had been asked to accept a retainer by the Bank of America in connection with applications for additional branches by that bank, but had not yet accepted. Mr. Bond's exact status was not made clear. Their stated purpose was to ascertain what the Treasury Department's policy is as regards additional branches for the Bank of America, and particularly whether the Comptroller has determined not to grant any more branches to it.

Colonel Donovan was apparently very anxious to have a statement of general policy made to him, together with an explanation of the considerations that had led to it, and indicated that definite answers to his questions would be very helpful to him in determining whether or not he could with propriety, or with any hope of success, accept the proffered retainer.
Mr. Foley pointed out that the law vested wide discretion in the Comptroller and that he would be glad to discuss any legal aspects to the situation, but that he was clearly not in a position to discuss the questions raised by Colonel Donovan. He also pointed out that there are no applications for additional branches from the Bank of America now pending before the Comptroller, and that it would be impossible for him to give an answer (as it would be for the Comptroller himself) as to what the Comptroller would do based upon a set of hypothetical facts.

Colonel Donovan insisted for a time that he felt Mr. Foley should tell him what the policy of the Department was and would be in the future with regard to applications for additional branches by the Bank of America. Mr. Foley was equally firm in pointing out that it was impossible, either for him or for the Comptroller, to say what the Comptroller's action would be in a case, as to which he has an affirmative statutory duty, when no such case is before him. Mr. Foley further stated that any additional applica-
tions submitted would be considered by the Comptroller in the light of all circumstances as they might then exist.

After a little more general discussion, Colonel Donovan indicated that he was satisfied that no "asbestos wall" had been arbitrarily raised against his potential client, and that he felt the proper thing for the bank to do would be to submit an application for a permit, supported by such facts as are relevant to such an application, and obtain the Comptroller's decision on it. He did not indicate what action, if any, might follow a refusal to grant such a permit.
April 18, 1941
10:13 a.m.

Sam Rayburn: Yes, Henry.

H.M.Jr: How are you, Sam?
R: Fine.

H.M.Jr: Did you talk to my Boss?
R: Yeah.

H.M.Jr: Did I report fairly accurately?
R: Yes. He said that - well, I told him what first started it. I said that Secretary Morgenthau and Secretary Wickard were up here. He said, "Well, what were they up there about?" I said, "Well, they're up there about $450 million that the Senate put over your budget on the Agricultural Bill," and then I made the suggestion to him — and I heard that he told John McCormack day before yesterday that he had tried to get hold of him but sending me word that he would get hold of him. And I told Cannon yesterday - he sent the bill to conference, which is all right, and we sent it without any instructions don't you see, so we didn't get tied up on that. And I talked to Cannon yesterday and told him that the President wanted to talk to him and everybody was very much interested in this one bill going $450 million over the budget and he kind of laughed and said, "Well, I'm pretty amenable to reason," and he's. He's one of the best Administration men we've got up here. Of course, he's from the heavy farming district and he's got to take care of himself. But the President told John that he wanted to talk to this group before they went into conference and I told Clarence that yesterday and I judge - is the President going to Hyde Park over the weekend?

H.M.Jr: Three o'clock.
Today?

Yeah.

When is he coming back?

Monday morning.

Monday morning. Well, we probably won't have a conference then Monday.

Now the President said yesterday that he was waiting on the group for Cannon to get back to town and he was ready to see them any time they were here.

Well, Cannon is in town - was yesterday. I expect we'd better try to get him to see them Monday, hadn't we?

Yes, and he said he'll drop everything just as soon as he gets word from you and Watson told me the same thing.

All right. And he is leaving at 3:00 o'clock?

So I understood.

Well, don't you think that's a little short notice? Don't you think we'd better try to put it over until Monday?

If nothing will be lost by doing it on the Hill.

Well, there won't be anything because I'm sure of this thing. The Senate hasn't sent it to conference yet, I think, because we didn't send it until late - along in the middle of the afternoon yesterday.

But you found he was all right on this, didn't you?

Well, he just said this, "I'm always amenable to reason."

No, I mean the President.
R: Oh, yes. Oh, sure, just like you said.
H.M.Jr: Good.
R: And I'll get hold of Cannon and before the President leaves I'll try to get hold of the General and try to get this engagement for him Monday.
H.M.Jr: How did you like what I said on the taxes?
R: I didn't see it? Must have been carried in the afternoon paper and I didn't see one.
H.M.Jr: I see.
R: Oh, somebody was telling me that you made a pretty positive statement that was very good. Somebody was telling me yesterday afternoon or last night, but I didn't get to see it.
H.M.Jr: I see.
R: Henry, have you got a copy of that? Did you have it autographed or anything?
H.M.Jr: On what?
R: On your statement.
H.M.Jr: No, only the stenographic record of what I said to the press.
R: Oh, I see. Well, I'll look it up in the paper today.
H.M.Jr: Most of the papers have it on the front page.
R: I think that you made a good impression on those folks down there.
H.M.Jr: Good.
R: That was Bob Doughton's reaction. All right, Henry.
H.M.Jr: Thank you.
CONFERENCE WITH THE PRESIDENT ON THE
AGRICULTURAL APPROPRIATION BILL
PENDING IN CONGRESS

Those present besides the President were: the Secretary of the Treasury, the Secretary of Agriculture, Director of the Budget Smith, Congressman Cannon, Congressman Tarver, Congressman Terry, Congressman Collins (all of the Congressmen were from the Appropriation Committee), and Mr. Bell.

The President started the conference by saying that he wanted to talk about the pending Agricultural Appropriation bill, that the Treasury was worried about the amount of money by which this bill exceeds the President's Budget, and there are others who are also worried about the situation. He said that when he made up the Budget last winter, he and the Director went over the non-defense expenditures very carefully and cut them as much as they thought they could. This was done because of the large contemplated military expenditure program. He thought that it was desirable to keep within the expenditure limitation fixed by his Budget Message. He said that he would like to ask the Secretary of the Treasury to say a few words on his program.

The Secretary then said that all he wanted to emphasise was the fact that on May 1 he would have to go to the American people to sell them United States Savings Bonds on the basis that it was the best investment in the world, that the credit of the United States Government is sound, and ask them, in order to be helpful in the defense program, to invest their savings in these securities. He thought that it would be helpful if the people could feel that their representatives in Washington were making every attempt to economise in the non-defense expenditures and put some sanity in the fiscal picture. If appropriations were going to be made in sums of $400,000,000 in excess of the President's Budget program, he thought it would be difficult for him to convince investors of the soundness of his Savings Bond program.

The President then discussed at some length his views on public works. He said that every one in charge of public works wanted a program this year, but he felt it was important that we have on the shelf a large public works program so that when the defense program is over we can pick out any part of the public works program that we want to and put it into effect. He said he did not mind if Congress authorized these public works programs but he would not want any appropriations at this time.
He said further that he realized it was important that we try to get the prices of farmers' crops on a basis of parity but he did not feel that we could do that at this time. He was quite certain that if we did attempt it, there would be others who would demand that something be done on their behalf. He discussed at length the World War prices and he did not feel that we ought to permit the situation to get out of hand where we would pay 32 cents for cotton and two dollars for wheat, as we did during World War No. 1.

Congressman Tarver said that he would like to have somebody explain to him the differential between prices of textile cotton goods and cotton prices which the farmer receives. The President went into a great discussion of the reason for this, going back to the Supreme Court decision of 1935. It seemed to me that Mr. Tarver had overlooked the substantial increase in cotton prices during the past few months, but the President went on to explain that in 1936 we were gradually getting our annual carry-over of agricultural commodities down to a reasonable figure but when the Supreme Court decision came along production increased materially and our carry-over likewise increased before we could get legislation through to control the surplus.

Congressman tarver said that what we should do is take the necessary steps to re-enact that legislation now, that we have a court that would approve it, but we do not appear to be doing anything about the matter.

Congressman Cannon discussed at some length the agricultural program and the Fulmer Bill pending in Congress. He said that in passing legislation in the past for various groups such as labor, we had been following the sentiment of the country and had followed the practice of consulting labor leaders, etc. He assumed that if we wanted to enact an agricultural program, we should also follow sentiment and also consult farm leaders. Then he began to discuss the parity prices of hogs and the parity prices of poultry. Apparently he misunderstood the recent agricultural pronouncement on this, for Secretary Wickard said that these were prices to the farmer and not prices at the market.

The President then said that last year non-agricultural income was on a basis of 106, whereas agricultural income was on a basis of 105. He did not think this was entirely out of line.

Mr. Cannon said that the farmer was not getting his proportionate share of the National income and the proportion which he has been getting has been going steadily down in the past four years. He failed to state, however, that this was not a fair comparison as the people employed in industry other than agriculture have materially increased during this four-year period and naturally the proportion of the National income paid to farmers would go down in percentage.
Mr. Tarver said that he had traveled a great deal lately in his
district and his people were not insistent upon parity this year but
they did call attention to the wage increases and they were insistent
that Congress try to work out an agricultural program. He made the
suggestion that the Agricultural Appropriation bill be held until the
legislative program on agriculture clarifies in the Congress. Most
every one thought this was a good suggestion.

The President thought that we should get together and try to com-
promise the present situation with respect to the Agricultural Approp-
riation bill. Mr. Cannon again went into a great dissertation on why
there was so much objection whenever we wanted to get the farmer some-
thing but very little was said when you wanted to give labor all it
wanted. He said there was quite a lot of criticism in his district of
the cost of the cantonments recently constructed by the War Department.
The basis of these costs is the high wages paid labor, which come out
of the Treasury, and he could not see why it was necessary that whenever
a farm program was wanted, there was always objection to making payment
to the farmers out of the Treasury when there was no objection to the
other expenditures.

Director Smith made the point that apparently we were overlooking
a rather large purchasing program for agriculture during the next year
under the Lend-Lease Bill for Great Britain and other countries.
Mr. Cannon said he had not overlooked it, but these purchases would be
made at sub-parity prices.

The conference broke up with the general understanding that they
would look into the question of whether the Agricultural bill could not
be delayed until the agricultural legislative program is worked out.

It should be noted that the President called this an off-the-
record conference and apparently he had given instructions to the group
that they should come to the White House through the East Entrance and
go to the Cabinet Room rather than go through the front of the White
House in the regular manner and to the regular reception room. The
Secretary commented that this did not look very favorable for our cause.
April 18, 1941
10:25 a.m.

H.M.Jr: Hello.
Operator: McCormack.
John McCormack: John McCormack.
H.M.Jr: How are you? Henry speaking.
McC: Yes. How are you?
H.M.Jr: I'm pretty well. Did you get some encourage-
ment when you saw the President?
McC: I think so, yes.
H.M.Jr: I mean, I didn't exaggerate?
McC: You mean on what?
H.M.Jr: On this keeping the Agricultural Bill
within the budget.
McC: Oh, yes, yes. Oh, sure.
H.M.Jr: Well, that's what I mean.
McC: Yeah, he told me he tried to get the five
Democratic members but three were out of
town and he told me to tell Sam that he
left word that he wanted to see them before
any action was taken on it.
H.M.Jr: Yeah. But I mean I didn't overstate the
case.
McC: Oh, no. Oh, well, Henry, nobody would
think you would anyway.
H.M.Jr: Well. I just wanted to make sure I had
some backing.
McC: No, no. You see nobody would for the
slightest moment entertain any such thought,
but the whole thought was that - and it
wouldn't suggest it - that if that would be
done, it would be an extra push and of course I know it would.

H.M.Jr: Yeah. Well, I believe he is going to send for them or already has.

McC: Well, he tried to get them but there are three of them - Cannon is out of town and two others .......

H.M.Jr: Well, Cannon is in town.

McC: Now?

H.M.Jr: Yeah.

McC: Well, he was out of town when the President tried to get him anyway.

H.M.Jr: I see.

McC: And the President told me he left word he wanted to see them before any action was taken.

H.M.Jr: But it is working.

McC: Oh, yes. Henry, I'd like to see you some time for a few minutes. I've a couple of matters I want to take up with you - that I have to take up with you.

H.M.Jr: Sure. Well, I'm leaving town right after lunch and I'll be back Monday.

McC: Monday. All right, fine.

H.M.Jr: Give me a ring any time.

McC: All right, fine.

H.M.Jr: Be always glad to see you.

McC: Thanks, Mr. Secretary.

H.M.Jr: Good-bye.
April 18, 1941
10:30 a.m.

RE CANADA

Present: Mr. Clark
          Mr. White
          Mr. Cochran
          Mr. Bell
          Mr. Coyne

H.M.Jr: Mr. Clark, I don't expect any figures today, but let me tell you about the Prime Minister's conversation. I take it you have seen it.

Clark: Yes, I saw him for a very short time yesterday.

H.M.Jr: Well, of course, I will report on my end. I told him that I hadn't - going back, I didn't know a month or two - we had agreed a month or two ago that Canada would be all right until December 31, but that since then due to the fact that the English for the last number of months have not paid you in gold, that that upset the apple cart. I think that, that, in a very broad way, is true, isn't it?

Clark: Yes, and then on top of that, our estimates of their purchases in Canada have gone up, and our own military program has gone up so that the deficit is larger than we anticipated.

H.M.Jr: You see, I told him that I wasn't familiar with these most recent figures, but he didn't want to get down to brass tacks, because I wasn't
prepared, and he wasn't.

Clark: No.

H.M.Jr: Now, this was the suggestion I made. I had time to tell the President about it, and he liked it very much. We will first get on a straight dollar position. I don't know just how far you have gone on lend-lease, how much you are going to do.

Clark: Well, we haven't gone any distance there yet. I think Mr. Howe is perhaps seeing Mr. Hopkins this morning about that.

H.M.Jr: Well, the thing that the Prime Minister and I talked about was this, you see. When I was up there in September I made the suggestion that Canada have a factory to at least manufacture one kind of each instrument of war, and Mr. Howe and the Prime Minister liked it, and they said they went ahead. Now, if Canada has any surplus capacity to produce anything that we need, I think there would be very little difficulty in giving you some very sizable orders, particularly on ships, and if you could have a quick survey made of the shipyard capacity of the Great Lakes, I know that we could get you some business over night.

Clark: Yes. Well, I was talking to Mr. Howe about that this morning, and Mr. MacDonald, and they tell me that they could very easily do Corvettes and mine sweepers for you on the Great Lakes, probably get about fifty during the present year.

H.M.Jr: Well, what they will have to do is to have the technical information, you see. You and I can't talk it, but if they say fifty Corvettes - I mean, they will have to say what kind of ship
they are and what size and then the question they will ask immediately, Secretary of the Navy, Frank Knox, "Have they got the steel, or will we have to let them have the steel?"

Clark: Yes.

H.M.Jr: Do you see?

Clark: Yes.

H.M.Jr: But - do we have to take your type of Corvettes, or will we build Corvettes there and lend-lease them to England, you see.

Clark: Yes, quite.

H.M.Jr: That, of course, would be something else, Dan. I mean, supposing they had fifty Corvettes under the Lend-Lease. Would we pay Canada dollars and then they get the dollars, and then we would lend-lease them? What I am interested in is to work out something that will give them additional dollars, which they in turn can use to pay us for stuff they have already got here. The President said he was under the impression that you people could build some of those big Great Lakes ore ships.

Clark: Ore ships and grain boats.

H.M.Jr: Yes.

Clark: The best thing I think we can do on the Great Lakes now is these Corvettes and these mine sweepers. We built ninety of them in the first year of the war. We are still building them there, and they felt this morning, a rough survey in their own minds, that they could turn out another fifty this year over and above the present orders.
H.M.Jr: If you could get down to that, and the Secretary of the Navy knows about this, there would be no reason why these fellows shouldn't talk to him direct.

Clark: I was going to ask, how should that be taken up, by Mr. Howe, for instance, with Mr. Knox?

H.M.Jr: Yes. He knows about it. And tell him that, in view of this - it is the outcome of this conversation between the Prime Minister and myself.

Clark: Yes, quite.

H.M.Jr: And that here is this, and how many of these can he take, and you and I will work out the financial details afterward.

Clark: Yes.

H.M.Jr: And what about aluminum?

Clark: Well, I understand that there has been a proposal discussed down here in the last few days whereby we go ahead up there and build - increase our power development there, which we would do.

H.M.Jr: That is all future stuff, but - I mean, I am interested in what you are going to do --

Clark: We could begin to supply aluminum, I believe, quickly, almost immediately.

H.M.Jr: Ingots or castings?

Clark: Ingots. I think our casting capacity is pretty limited.

H.M.Jr: The casting capacity, these extrusions, is what we are so short of.
Clark: We have got one plant there, and it is working to capacity, I think.

H.M.Jr: Do we need ingots here?

Clark: I understand you do, very badly, Mr. Secretary.

H.M.Jr: Your people must know the ropes down here by now. If they could get the thing lined up.

Clark: I understand there have been discussions in the last few days, perhaps the last ten days, with OPM, I take it, for the increase for a very substantial development up there which would involve a considerable increase in power which we would undertake to do, and then an increase in ingot capacity, and I think the general nature of the proposition that they were discussing with your people was this, that if you would enter into a three-year contract to take their output, and I think to pay fifty percent - pay fifty percent of the contract price down, it would enable the financing to be done, you see. They would go right ahead and carry this thing out over a year or a year and a half, but beginning to make ingots available to you almost immediately, you see.

H.M.Jr: Well, you see, with your Prime Minister in the United States and the President taking an interest and I taking one, you could save three months.

Clark: Yes.

H.M.Jr: Say, "Well, we have got to do this," you see.

Clark: I believe there was some little controversy between the two groups over our people asking for a three-year contract and your people wanting a duration-of-the-war contract.
H.M.Jr: Well --

Clark: I think that is about all there is between them, as I understand it.

H.M.Jr: I am simply saying, I wouldn't lose this opportunity to rush the thing through.

Clark: Yes. Then they tell me, Mr. Secretary, that we could supply radio direction-finding equipment and devices, these secret sound-detecting devices which I believe you need very, very badly. We have substantial surplus capacity there which we could use immediately. In certain kinds of guns, explosives, ammunition --

H.M.Jr: How about magnesium? We are terribly short on magnesium. We are giving England three hundred tons a month and robbing our airplanes to give them magnesium. Do you have any?
Clark: We haven't any of our own at all. I believe there is a problem in zinc. We might be able to do something in zinc ore, not in the refined zinc.

H.M.Jr: Is C. D. Howe in town?

Clark: Yes. He just arrived this morning.

H.M.Jr: Well, God, he ought to get this thing lined up, oughtn't he?

Clark: Yes, I spoke to him before coming down here, and I thought it would develop to a point where he could follow on with the technical people --

H.M.Jr: Couldn't this development give maybe two or three hundred million dollars worth of business?

Clark: I was asking that question this morning, and they thought easily a hundred and probably considerably more than that, a hundred or a hundred and fifty million or more.

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

Clark: That would help a great deal.

White: Would that be net foreign exchange, or would you have to use a substantial portion of that on imports?

Clark: Well, most of that would be net foreign exchange. There might be a little bit.

Now, if we have to increase capacity slightly, we can take existing capacity and increase it substantially without very much new investment or much new expenditure for machine tools and so on,
they would tell me. It would be pretty largely net, Mr. White. I asked that question myself this morning. They said very largely net, a net increase in dollars.

H.M. Jr: Well, you see I gave birth to this idea yesterday when I saw the Prime Minister, and if you fellows will work - whenever you get something lined up - the thought was that the Prime Minister, you and I would sit down and talk it over, and if it looked all right, we would go over and see the President and put it up to him. You could get this thing - what would normally take three to six months in this town, you could do it in three days with the Prime Minister here.

Clark: That is grand.

H.M. Jr: That is, if you fellows would get busy and back him up.

Clark: Well now, you would say that the first step is for Mr. Howe to get in touch with Mr. Knox and Mr. Stimson or the OPM.

Bell: Nelson, wouldn't they?

H.M. Jr: Well, I think that on the shipping thing --

Bell: Admiral Land?

H.M. Jr: No, I think that Secretary Knox would be the best one. I don't know how they do this thing, but Arthur Purvis would know.

Clark: Yes.

H.M. Jr: I would get Arthur Purvis in on this thing. I don't know just how they - the thing is so damn big I don't know how they do it.
Clark: Yes.

H.M.Jr: But Purvis would know, as Chairman of your North American Council. But the point is, don't wait on me. I don't know who would do the buying of the aluminum, who signs the contract.

Clark: It is somebody in OPM, I think. Presumably metals controller.

H.M.Jr: They don't sign the contracts, they just make recommendations.

Clark: I see.

H.M.Jr: But Arthur Purvis knows by now. He has been around here long enough.

Clark: Yes. Well, would the general principle, Mr. Morgenthau, be that you would be willing to use our surplus capacity up there, surplus production capacity, where we are already geared up --

H.M.Jr: Sure.

Clark: ....and have surplus capacity, you would be willing to use that to the limit?

H.M.Jr: I am sure we will buy every dollar's worth of your surplus capacity that you have. It is just the height of stupidity if we don't.

Clark: Yes. Now, would that apply only - this is, I think, the question we referred to a moment ago - Would that apply only to things that you need for your own use, or would it apply to things that the British need?

H.M.Jr: I think it would be both.
Clark: Be both?

H.M. Jr: Sure.

Clark: And to that extent - in the second case, it would come under the Lease-Lend?

H.M. Jr: Yes.

White: How do you happen to have surplus capacity in those things?

Clark: Well, I don't know just how it arises. I suppose the initial plan is not always perfect.

For instance, I know that in Beaufort's gun plant, we happened to find a surplus of barrels. That looks as if at the start they weren't very sure of what they should have done, and they got more barrel capacity than they needed for the gun capacity. It is a case of a plant getting out of balance.

H.M. Jr: Well, you and I have got the idea, you see. These gentlemen are available to be of any help and just as soon as you have got something, let me know Monday or Tuesday, and we will get together again.

Clark: I see. All right. I will go - I will get right after Mr. Howe, then.

H.M. Jr: But if we don't take every - I don't know what the unit is, square inch or foot power or human --

White: Man power.

H.M. Jr: Man power or whatever it is, and use it, and pay for it, either for ourselves or for
Lend-Lease, we are dumber than I think we are. I hope we are not that dumb.

White: Has somebody in Canada already initiated a survey to get an itemized account of your excess capacity?

Clark: Well, I don't know that they made a formal survey, but the people in our munitions and supply department, I think, would know that.

White: Are they waiting to hear from you before they give you that? I should imagine that that information would be highly desirable to get started at once.

Clark: Yes. Well, I think they will now, you see. This is new to them, as Mr. Morgen-thau says. It arose out of a discussion yesterday.

H.M.Jr: Well, I don't know what this Common Defense Council has been doing, but evidently - now, one thing you should tell Mr. Howe. We have a secret ship, a secret cargo ship, which we believe would be ideal to be done in Canada, and when he gets to see - don't mention this to anybody but Secretary Knox, but when he gets to him, simply say, "I understand that there is a secret cargo ship, and could we have an opportunity to build that in the Great Lakes?"

Clark: That would be small enough to go through the canals?

H.M.Jr: Just mention it as a secret cargo ship. It is an entirely new conception of ships. I mentioned it at Cabinet, and the President said, "Absolutely, that would be an ideal
thing to build in Canada, get it out through the St. Lawrence."

White: There may also be excess capacity that you could use not directly for war effort, but to take over some of the things that the United States is building that we could use for war efforts.

Clark: I see.

White: Particularly with regard to types of shipping.

H.M.Jr: How are you coming along on your tanks?

Clark: I think we are a little slow. I think that is the worst end of our program, but apparently new progress is now being made.

H.M.Jr: What are you doing with those tanks, keeping them or shipping them?

Clark: Well, both. I think it is about two thirds for our own needs and thirty-five or forty per cent for the British needs.

H.M.Jr: Don't you think this is a good idea, Dan?

Bell: Very good.

Clark: I think it is a grand idea.

Bell: I didn't imagine they had any excess capacity.

Clark: Do we need to give any consideration to the dollar problem, Mr. Morgenthau, whether the British would be allowed to send any dollars to us to make up any deficit that there might be.

H.M.Jr: I haven't got the time today. Get this thing,
see how much this can amount to. I just haven't got - I don't want to - they tell me you have given us some excellent figures and next week I will have to sit down with you and Sir Frederick, but I haven't got the time to do it today; and after all, you haven't got a gun to your head either. I mean, a couple of days isn't going to make --

Clark: No, that is right.

H.M.Jr: You are not that close, are you?

Clark: Not a bit.

H.M.Jr: All right. Then if you are not, it is an act of charity to give me a little more time.

Clark: Thanks very much.

H.M.Jr: And get Arthur Purvis in on this thing, you see.
Dear Dr. White:

April 18, 1941.

As arranged, I enclose copies of a note of our Cash Position starting from the lines discussed at our meeting the other day. I shall be at your disposal to discuss this note whenever it is convenient to you.

Yours sincerely,

F. Phillips

Dr. Harry White,
U.S. Treasury,
Washington, D.C.

ENGS.
BRITISH CASH POSITION
April 1st and September 1st, 1941

Tables I to IV attached to this note give estimates of British payments and receipts in the five months April to August, 1941, inclusive. The estimates in these tables exclude (a) any gold or dollar payments to Canada and (b) gold borrowed from the Belgians, since this is a temporary device carrying with it a corresponding gold liability.

On the basis of these estimates, our position on September 1st, 1941, would be as follows:

| Available gold and dollars on April 1st | $161 |
| Net deficit (on capital and current account), April 1st – August 31st | $34 |
| Hence, available gold and dollars on Sept. 1st | $127 |

We consider it necessary to accumulate a working gold or dollar balance at the rate of $50 millions a month until September 1941 when it would reach $250 and thereafter to raise it to $600 in another twelve months. We should fall short of this requirement by $123 millions as at September 1st, 1941, and, we estimate, by from $225 to $275 millions as at January 1st, 1942. Allowance has been made in the figures for the effect of taking over $73 millions of old contracts; if this figure were raised to $300 millions the position might be covered.

No account is taken in this table of any payments of gold or dollars to Canada in respect of British purchases in that country. If, for example, payments were made by the U.K. to Canada of one-half of the current adverse balance of Canada with the U.S., this would represent about $220 millions a year.

Washington, D.C.
April 18th, 1941
<table>
<thead>
<tr>
<th>Table 1: B.P.W. Commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Contracts signed before Jan. 1st</td>
</tr>
<tr>
<td>Contracts signed and options exercised, Jan. 1st to Mar. 31st</td>
</tr>
<tr>
<td>Payments to French</td>
</tr>
<tr>
<td>Total actual commitments, April 1st</td>
</tr>
<tr>
<td>Contracts and amendments as planned at April 1st</td>
</tr>
<tr>
<td>Further amendments, etc. probably to be made **</td>
</tr>
<tr>
<td>Total actual and prospective commitments, April 1st</td>
</tr>
<tr>
<td>Less commitments on Machine Gun contracts to be taken over</td>
</tr>
<tr>
<td>Estimated net commitments</td>
</tr>
</tbody>
</table>

Including all amendments to such contracts, Jan. 1st to March 31st

Rough estimate, mainly for prospective amendments to air contracts

Regraded Uclassified
## Table II

**Estimated expenditures and receipts of dollars on current account**

**April 1st – August 31st**

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>$ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>B.P.W. commitments, April 1st</td>
<td>667</td>
</tr>
<tr>
<td>further contracts and amendments *</td>
<td>19</td>
</tr>
<tr>
<td>running production costs</td>
<td>15</td>
</tr>
<tr>
<td>administration expenses</td>
<td>7</td>
</tr>
<tr>
<td>Other U.K. payments to U.S. **</td>
<td>42</td>
</tr>
<tr>
<td>Payments to third countries</td>
<td>67</td>
</tr>
<tr>
<td></td>
<td>817</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Receipts</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>B.P.W. miscellaneous receipts</td>
<td>17</td>
</tr>
<tr>
<td>U.K. receipts from exports (visible and invisible) to U.S. ***</td>
<td>75</td>
</tr>
<tr>
<td>Sterling area, net receipts from U.S.</td>
<td>75</td>
</tr>
<tr>
<td></td>
<td>167</td>
</tr>
</tbody>
</table>

Excess of expenditures over receipts

<table>
<thead>
<tr>
<th>Excess of expenditures over receipts</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>650</td>
</tr>
</tbody>
</table>

* Deducting payments on commitments on Machine Gun contracts to be taken over.

** Interest and dividends, film royalties, shipping disbursements (not covered by Lend-Lease), etc.

*** Increasing difficulties of the export trade may seriously affect this figure.
### TABLE III

Estimated expenditures and receipts of gold and dollars on capital and current account

April 1st - August 31st

<table>
<thead>
<tr>
<th><strong>$ millions</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenditures:</strong></td>
</tr>
<tr>
<td>Net expenditure of dollars on current account (see Table II)</td>
</tr>
<tr>
<td><strong>Receipts:</strong></td>
</tr>
<tr>
<td>Sales of securities and direct investments</td>
</tr>
<tr>
<td>Acquisition of newly-mined gold</td>
</tr>
<tr>
<td>Sale of Tennessee Powder Plant</td>
</tr>
<tr>
<td>Refund of capital and advances, Machine Gun contracts *</td>
</tr>
<tr>
<td><strong>Net deficit</strong></td>
</tr>
</tbody>
</table>

* Capital and advances outstanding at April 1st $35 millions, of which the War Department estimates $29 millions will be refunded.
### TABLE IV

Gold and dollar assets

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Estimated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>April 1st</td>
<td>Sept. 1st</td>
</tr>
<tr>
<td>Official dollar balance</td>
<td>69</td>
<td>127</td>
</tr>
<tr>
<td>Gold (excluding scattered)</td>
<td>92</td>
<td></td>
</tr>
<tr>
<td>Marketable securities</td>
<td>526</td>
<td>326</td>
</tr>
<tr>
<td>Direct investments</td>
<td>900</td>
<td>700</td>
</tr>
<tr>
<td>Total</td>
<td>1587</td>
<td>1153</td>
</tr>
</tbody>
</table>

* Belgian gold excluded

** Deducting estimated sales, no allowance for depreciation (or appreciation) of values.

*** This residual value takes no account of the amounts by which actual realisations may fall short of the original estimated values of the properties sold.
Dear Mr. Connell:  

I enclose for your information copy of a letter which I have today addressed to Messrs. Joseph J. O'Connell, Jr., George C. Haas and Harry D. White, officials of the Treasury Department.

Mr. O'Connell, you will note, has been designated as my alternate on the Price Administration Committee, established under the provisions of section 4 of Executive Order No. 6736 of April 11, 1911. Messrs. Haas and White are to assist Mr. O'Connell in this work and may represent him in meetings of the Committee.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Dr. Leon Henderson,  
Administrator,  
Office of Price Administration  
and Civilian Supply,  
Office for Emergency Management,  
Washington, D. C.

Witness

By Message
Mr. Joseph J. O'Connell, Jr.,
Special Assistant to the General Counsel.

Mr. George O. Haas,
Director of Research and Statistics.

Mr. Harry D. White,
Director of Monetary Research.

Gentlemen:

By Executive Order No. 6734 of April 11, 1941, the President established in the Office for Emergency Management an Office of Price Administration and Civilian Supply, at the head of which Mr. Leon Henderson was appointed by the President as Administrator. The duties of the Administrator are set forth in the Order, a copy of which is attached hereto.

Under section 4 of Executive Order No. 6734, a Price Administration Committee is established, with duties set forth, consisting of the Administrator as Chairman, the Secretary of the Treasury, and others named, or such alternate as each may designate.

Mr. O'Connell is hereby designated as my alternate on the Price Administration Committee, and will be assisted in this work by Messrs. Haas and White. You will perform your duties in this respect as a committee of three with Mr. O'Connell acting as Chairman, and in meetings of the Price Administration Committee, Mr. O'Connell as my alternate may be represented by Mr. Haas or Mr. White.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.
The President

EXECUTIVE ORDER

ESTABLISHING THE OFFICE OF PRICE ADMINISTRATION AND CIVILIAN SUPPLY IN THE EXECUTIVE OFFICE OF THE PRESIDENT AND DESIGNING ITS FUNCTIONS AND DUTIES

By virtue of the authority vested in me by the Constitution and the statutes, and in order to define further the functions and duties of the Office for Emergency Management with respect to the national emergency as declared by the President on September 8, 1939, for the purpose of avoiding profiteering and unwarranted price rises, and of facilitating an adequate supply and the equitable distribution of materials and commodities for civilian use, and finding that the stabilization of prices is in the interest of national defense and that this Order is necessary to increase the efficiency of the defense program, it is hereby ordered:

1. There shall be in the Office for Emergency Management of the Executive Office of the President an Office of Price Administration and Civilian Supply, at the head of which shall be an Administrator appointed by the President. The Administrator shall receive compensation at such rate as the President shall determine and, in addition, shall be entitled to actual and necessary transportation, subsistence, and other expenses incidental to the performance of his duties.

2. Subject to such policies, regulations, and directions as the President may from time to time prescribe, and with such advice and assistance as may be necessary from the other departments and agencies of the Federal Government, and utilizing the services and facilities of such other departments and agencies to the fullest extent compatible with efficiency, the Administrator shall:

a. Take all lawful steps necessary or appropriate in order (1) to prevent price spiraling, rising costs of living, profiteering, and inflation resulting from market conditions caused by the diversion of large segments of the Nation's resources to the defense program, by interruptions to normal sources of supply, or by other influences growing out of the emergency; (2) to prevent speculative accumulation, withholding, and hoarding of materials and commodities; (3) to stimulate provision of the necessary supply of materials and commodities required for civilian use, in such manner as not to conflict with the requirements of the War, Navy, and other departments and agencies of the Government, and of foreign governments, for materials, articles, and equipment needed for defense (such requirements are hereinafter referred to as "military defense needs"); and (4) after the satisfaction of military defense needs, to provide, through the determination of policies and the formulation of plans and programs, for the equitable distribution of the residual supply of such materials and commodities among competing civilian demands.

b. Make studies of the Nation's civilian requirements for materials and commodities, the supply of goods and services, the status and trend of prices and factors thereof, and the impact of the defense program upon civilian living standards; exercise the powers of the President in requesting such studies pursuant to Section 336 (a) of Title III of the Tariff Act of 1930 (Title 19, U.S.C., Sec. 1336 (a)); and conduct such investigations, hold such hearings, and obtain such reports as may be necessary or desirable to carry out this Order.

c. Determine and publish, after proper investigation, such maximum prices, commissions, margins, fees, charges, or other elements of cost or price of materials or commodities, as the Administrator may from time to time deem fair and reasonable; and take all lawful and appropriate steps to facilitate their observance.

d. Advise and make recommendations to other departments and agencies, whenever the Administrator deems it appropriate, in respect to the purchase or acquisition of materials and commodities by the Government, the prices to be
paid thereon, and to the extent to such of their other activities as may affect the price of materials and commodities.

e. Inform the Office of Production Management of the amount, character, and relative importance of materials and commodities needed for civilian use; and advise and consult with the Office of Production Management with reference to its procurement, production planning, priority, and other actions the effect of which may be to diminish the supply of materials and commodities available for civilian use.

f. Establish and maintain liaison with such departments and agencies of the Government and with such other public or private agencies and persons as the Administrator may deem necessary or desirable to carry out the provisions of this Order.

g. Formulate programs designed to assure adequate standards for, and the most effective use of, consumer goods; stimulate the utilization of substitutes by civilians for consumer goods and commodities of limited supply; develop programs with the object of stabilizing rents; and promote civilian activities which will contribute to the purposes of this Order.

h. Recommend to the President the exercise of the authority vested in him by the following named Acts, whenever, in the opinion of the Administrator, such action by the President will enable the Administrator to carry out and secure compliance with the provisions of Section 2a and 2c of this Order:

1. Section 9 of the Selective Training and Service Act of 1940 (Public No. 763, 76th Congress).

2. Section 130 of the National Defense Act (Title 50, U.S.C., Sec. 80).

3. Section 7 (12) of Title 49, U.S.C.


l. Perform the functions and exercise the authority vested in the President by the following named Acts, in so far as and only to the extent that the authority conferred by such Acts will, in the opinion of the Administrator, enable him to carry out and secure compliance with the provisions of Section 2a and 2c of this Order: Section 713 (e-1) of Title 18, U.S.C., Supp. V, Sec. 5713; and Section 4 of the Act approved June 7, 1939 (Title 50, U.S.C., Supp. V, Sec. 808); and Section 8 of the Reconstruction Finance Corporation Act, as amended by the Act approved June 28, 1940 (Public No. 604, 76th Congress); subject to the disapproval by the Secretary of War or the Secretary of the Navy of such proposed action thereunder.

2. Advise upon proposed or existing legislation, and recommend such additional legislation as may be necessary or desirable, relating to prices, rents, or the increase in supply and the equitable distribution of materials and commodities for civilian use.

3. Keep the President informed in respect to progress made in carrying out this Order; and perform such other related duties as the President may from time to time assign or delegate to him.

4. The Administrator may provide for the internal organization and management of the Office of Price Administration and Civilian Supply, and may appoint such advisory committees as he deems necessary to the performance of his duties and responsibilities. The Administrator shall obtain the President's approval for the establishment of the principal subdivisions of the Office and the appointment of the heads thereof.

5. There shall be in the Office of Price Administration and Civilian Supply a Price Administration Committee consisting of the Administrator as Chairman, the Secretary of the Treasury, the Secretary of Agriculture, the Federal Loan Administrator, the Chairman of the Tariff Commission, the Chairman of the Federal Trade Commission, the Director General and Associate Director General of the Office of Production Management, or such alternates as each may designate, and such other members as the President may subsequently appoint. The Committee shall from time to time, upon request by the Administrator, make findings and submit recommendations to the Administrator in respect to the establishment of maximum prices, commissions, margins, fees, charges, and other elements of cost or price of materials or commodities as provided under paragraph 3 above.

6. Within the limits of such funds as may be appropriated to the Office of Price Administration and Civilian Supply, or as may be allocated to it by the President through the Bureau of the Budget, the Administrator may employ necessary personnel and make provision for necessary supplies, facilities, and services. However, the Office of Price Administration and Civilian Supply shall use such statistical, informational, staff, personnel, and other general business services and facilities as may be made available to it through the Office for Emergency Management or other agencies of the Government.

FRANKLIN D. ROOSEVELT
THE WHITE HOUSE
April 1, 1941

[No. 87241]

(P. L. 84-398; Filed, April 11, 1941.
12:20 p.m.)
April 18, 1941.

Dear Leon:

I enclose for your information copy of a letter which I have today addressed to Messrs. Joseph J. O'Connell, Jr., George C. Haas and Harry D. White, officials of the Treasury Department.

Mr. O'Connell, you will note, has been designated as my alternate on the Price Administration Committee, established under the provisions of section 4 of Executive Order No. 8734 of April 11, 1941. Messrs. Haas and White are to assist Mr. O'Connell in this work and may represent him in meetings of the Committee.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Leon Henderson,
Administrator,
Office of Price Administration
and Civilian Supply,
Office for Emergency Management,
Washington, D. C.

WMT: nms
C: nms

Regraded Unclassified
TREASURY DEPARTMENT
WASHINGTON
April 18, 1941.

Mr. Joseph J. O'Connell, Jr.,
Special Assistant to the General Counsel.

Mr. George C. Hans,
Director of Research and Statistics.

Mr. Harry D. White,
Director of Monetary Research.

Gentlemen:

By Executive Order No. 8734 of April 11, 1941, the President established in the Office for Emergency Management an Office of Price Administration and Civilian Supply, at the head of which Mr. Leon Henderson was appointed by the President as Administrator. The duties of the Administrator are set forth in the Order, a copy of which is attached hereto.

Under section 4 of Executive Order No. 8734, a Price Administration Committee is established, with duties set forth, consisting of the Administrator as Chairman, the Secretary of the Treasury, and others named, or such alternate as each may designate.

Mr. O'Connell is hereby designated as my alternate on the Price Administration Committee, and will be assisted in this work by Messrs. Hans and White. You will perform your duties in this respect as a committee of three with Mr. O'Connell acting as Chairman, and in meetings of the Price Administration Committee, Mr. O'Connell as my alternate may be represented by Mr. Hans or Mr. White.

Very truly yours,

[Signature]
Secretary of the Treasury.
The President

EXECUTIVE ORDER

ESTABLISHING THE OFFICE OF PRICE ADMINISTRATION AND CIVILIAN SUPPLY IN THE EXECUTIVE OFFICE OF THE PRESIDENT AND DEFINING ITS FUNCTIONS AND DUTIES

By virtue of the authority vested in me by the Constitution and the statutes, and in order to define further the functions and duties of the Office for Emergency Management with respect to the national emergency as declared by the President on September 8, 1939, for the purpose of avoiding profiteering and unwarranted price rises, and of facilitating an adequate supply and the equitable distribution of materials and commodities for civilian use, and finding that the stabilization of prices is in the interest of national defense and that this Order is necessary to increase the efficiency of the defense program, it is hereby ordered:

1. There shall be in the Office for Emergency Management of the Executive Office of the President an Office of Price Administration and Civilian Supply, at the head of which shall be an Administrator appointed by the President. The Administrator shall receive compensation at such rate as the President shall determine and, in addition, shall be entitled to actual and necessary transportation, subsistence, and other expenses incidental to the performance of his duties.

2. Subject to such policies, regulations, and directions as the President may from time to time prescribe, and with such advice and assistance as may be necessary from the other departments and agencies of the Federal Government, and utilizing the services and facilities of such other departments and agencies to the fullest extent compatible with efficiency, the Administrator shall:

   a. Take all lawful steps necessary or appropriate in order (1) to prevent price spiraling, rising costs of living, profiteering, and inflation resulting from market conditions caused by the diversion of large segments of the Nation's resources to the defense program, by interruptions to normal sources of supply, or by other influences growing out of the emergency; (2) to prevent speculative accumulation, withholding, and hoarding of materials and commodities; (3) to stimulate provision of the necessary supply of materials and commodities required for civilian use, in such manner as not to conflict with the requirements of the War, Navy, and other departments and agencies of the Government, and of foreign governments, for materials, articles, and equipment needed for defense; and (4) to prevent the satisfaction of military defense needs, to provide, through the determination of policies and the formulation of plans and programs, for the equitable distribution of the residual supply of such materials and commodities among competing civilian demands.

b. Make studies of the Nation's civilian requirements for materials and commodities, the supply of goods and services, the status and trend of prices and factors thereof, and the impact of the defense program upon civilian living standards; exercise the powers of the President in requesting such studies pursuant to Section 336 (a) of Title III of the Tariff Act of 1930 (Title 19, U.S.C., Sec. 1336 (a)); and conduct such investigations, hold such hearings, and obtain such reports as may be necessary or desirable to carry out this Order.

c. Determine and publish, after proper investigation, such maximum prices, commissions, margins, fees, charges, or other elements of cost or price of materials or commodities, as the Administrator may from time to time deem fair and reasonable, and take all lawful and appropriate steps to facilitate their observance.

d. Advise and make recommendations to other departments and agencies, whenever the Administrator deems it appropriate, in respect to the purchase or acquisition of materials and commodities by the Government, the prices to be
paid therefor, and in respect to such of their other activities as may assist the
price of raw materials and commodities.

6. Inform the Office of Production Management of the amount, character,
and relative importance of materials and commodities needed for civilian use; and
advise and consult with the Office of Production Management with reference
to its procurement, production planning, priority, and other actions of the
which may be to diminish the supply of materials and commodities available for

1. establish and maintain liaison with such departments and agencies of the
Government and with such other public
or private agencies and persons as the Administrator may deem necessary or de-
dirable to carry out the provisions of
this Order.

g. Formulate programs designed to as-
sure adequate standards for, and the
most effective use of, consumer goods;
stimulate the utilization of substitutes by
civilians for consumer goods and com-
modities of limited supply; develop pro-
grams with the object of stabilizing
rents; and promote civilian activities
which will contribute to the purposes of
this Order.

h. Recommend to the President the
exercise of the authority vested in him
by the following named Acts, whenever,
in the opinion of the Administrator, such
action by the President will enable the
Administrator to carry out and secure
compliance with the provisions of Sec-
tion 2a and 3c of this Order:

(1) Section 9 of the Selective Training
and Service Act of 1940 (Public No. 783,
76th Congress).

(2) Section 120 of the National De-
defense Act (Title 50, U.S.C., Sec. 80).

(3) Section 1 (15) of Title 49, U.S.C.

(4) The Act of October 10, 1940
(Public No. 829, 76th Congress).

i. Perform the functions and exercise
the authority vested in the President by
the following named Acts, in so far as
and only to the extent that the authority
corroborated by such Acts will, in the opin-
on of the Administrator, enable him to
carry out and secure compliance with
the provisions of Section 2a and 3c of
this Order: Section 713 (a)-7 of Title
13, U.S.C., Supp. V; Section 6 of the Act
approved June 28, 1938 (Title 50, U.S.C.
Sec. 300); Section 4 of Title 49, U.S.C.
Sec. 1511; and Section 6 of the Reconstruc-
tion Finance Corporation Act, as amended by the Act approved
June 30, 1940 (Public No. 884, 76th Con-
gress); subject to the disapproval by
the Secretary of War or the Secretary of
the Navy of each proposed action
thereunder.

2. Advise upon proposed or existing
legislation, and recommend such ad-
tional legislation as may be necessary
adequate, relating to prices, rents, or
the increase in supply and the equitable
distribution of materials and commodi-
ties for civilian use.

3. Keep the President informed in re-
pect to progress made in carrying out
this Order; and perform such other re-
lated duties as the President may from
time to time assign or delegate to him.

4. The Administrator may provide for
the internal organization and manage-
ment of the Office of Price Administra-
tion and Civilian Supply, and may ap-
point such advisory committees as he
finds necessary to the performance of
his duties and responsibilities. The Ad-
ministrator shall obtain the President's
approval for the establishment of the
principal subdivisions of the Office and
the appointment of the heads thereof.

4. There shall be in the Office of Price
Administration and Civilian Supply a
Price Administration Committee con-
sisting of the Administrator as Chair-
man, the Secretary of the Treasury, the
Secretary of Agriculture, the Federal
Loan Administrator, the Chairman of the
Tariff Commission, the Chairman of the
Federal Trade Commission, the Director
General and Associate Director General
of the Office of Production Management,
or such alternate as each may designate,
and such other members as the Presi-
dent may subsequently appoint. The
Committee shall from time to time, upon
request by the Administrator, make find-
ings and submit recommendations to the
Administrator in respect to the estab-
ishment of maximum prices, commis-
sions, margins, fees, charges, and other
elements of cost or price of materials or
commodities as provided under para-
graph 3a above.

5. Within the limits of such funds as
may be appropriated to the Office of Price
Administration and Civilian Supply
or as may be allocated to it by the Presi-
dent through the Bureau of the Budget,
the Administrator may employ necessary
personnel and make provision for neces-
sary supplies, facilities and services.

However, the Office of Price Administra-
tion and Civilian Supply shall use such
data contained, financial, personal,
and other general business powers,
available and facilities as may be made
by force of the Federal Emergency
Management Act of 1943, as amended
by Public L. 527, 78th Congress.

FRANKLIN D. ROOSEVELT
THE WHITE HOUSE
April 11, 1943

17:30 p. m.)
THE WHITE HOUSE
WASHINGTON

April 18, 1941

My dear Mr. Secretary:

I find that:

(1) The defense of the United Kingdom is vital to the defense of the United States;

(2) Sections 4 and 7 of the Act of March 11, 1941 have been complied with by the necessary agreement on the part of His Majesty’s Government in the United Kingdom;

(3) It would be in the interests of our national defense to transfer the defense articles set forth in the annexed schedule.

I therefore authorize you immediately to make the transfer to His Majesty’s Government in the United Kingdom of the defense articles set forth in the annexed schedule.

I would appreciate it if you would arrange with the Chairman of the British Supply Council in North America for the time, method, and other details of the disposition.

Very sincerely yours,

[Signature]

The Honorable

The Secretary of the Treasury.
DEFENSE ARTICLES AUTHORIZED FOR TRANSFER BY
THE SECRETARY OF THE TREASURY TO THE UNITED
KINGDOM

-----------------

200 L.T. Butyl Acetate
200 L.T. Butanol
500 Longines Second-Setting Wrist Watches
600 L.T. Filter Powder

April 18, 1941
April 18, 1941

By dear Mr. Secretary:

I find that:

1) The defense of the United Kingdom is vital to the defense of the United States;

2) Sections 4 and 7 of the Act of March 11, 1941 have been complied with by the necessary agreement on the part of His Majesty’s Government in the United Kingdom;

3) It would be in the interests of our national defense to transfer the defense articles set forth in the annexed schedule.

I therefore authorize you immediately to make the transfer to His Majesty’s Government in the United Kingdom of the defense articles set forth in the annexed schedule.

I would appreciate it if you would arrange with the Chairman of the British Supply Council in North America for the time, method, and other details of the disposition.

Very sincerely yours,

[Signature]

The Honorable

The Secretary of the Treasury.
Defense Articles Authorized For Transfer By
The Secretary Of The Treasury To The United
Kingdom

200 L.T. Butyl Acetate
200 L.T. Butanol
300 L.T. Second-Setting Wrist Watches
600 L.T. Filter Powder

April 16, 1941
MEMORANDUM TO THE SECRETARY

WEEKLY REPORT - LEASE-LEND PURCHASES
(4/11 - 18, 1941)

Purchases to 4/11/41 .......... $1,784,646.06
Purchase current week .......... 107,670.67

$1,892,316.73

Requisitions Pending

Estimated Cost

Cleared by O.P.M. .................. $924,800.00
Awaiting Clearance by O.P.M. ...........

$479,398.97

Total pending requisitions (Including
equipment, chemicals, etc.) .............. $1,404,698.97

The British Purchasing Commission has been requested to submit a schedule of materials which they propose to requisition up to June 30, 1941, also a forecast of their future requirements particularly those items which may be difficult to obtain. They have indicated that requisitions approximating $125,000,000.00 are enroute to us, the bulk of which will be for metal requirements.

A request has been made for $27,688.00 to provide excess personnel and other administrative expenses.

(Signed) Clifton E. Mack
Director of Procurement
THE AMERICAN BACKBONE STIFFENS

How to the Line

The week's black news from the diplomatic and battle fronts has channeled and quickened the flow of American thinking. The editorial pages of the country's newspapers show less discord and less confusion than at any time since foreign policy became their major preoccupation. They reflect a suddenly sobered weighing of realities.

If their tone is pessimistic, it is a fatalistic, not a defeatist, form of pessimism. They are fast losing hope that the Axis can be defeated by measures short of war. But there has been little loss of confidence that the Axis will be defeated. And there has been a remarkable upsurge of conviction that America must take whatever steps may be necessary -- short of nothing -- to insure this defeat.

Three factors emerge from a study of editorial comment to account for this freshly crystallized sense of American responsibility:

(1) The pluck of the British, Greeks and Yugoslavs in tackling the Nazi war machine in the Balkans against terrific odds appealed to the American sense of sportsmanship. There has been not infrequent expression of the feeling that if small nations stand up to Nazi
Aggression, the United States can scarcely do less. Many commentators urge that redemption of our promises of aid to Greece and Yugoslavia is now a matter of honor and good faith.

(2) The Russo-Japanese pact has prodded editorial writers into a heightened awareness of the dangers facing the United States. While the interpretations placed upon it varied widely, the reaction common to most of them was that the agreement contributed to American isolation via encirclement. Even the isolationists don't care to have their isolation come involuntarily.

(3) German successes in Africa and the Balkans, as well as in the battle of the Atlantic, have persuaded American observers that the British can't handle the Nazi-taming assignment without greater aid. The overwhelming response to this conclusion has been a clamor for greater aid. And there has been a greatly increased tendency to let the chips fall where they may.

Delivering the Goods

The American public, as its thinking is reflected in newspapers, has lost none of its desire to escape involvement in the war. It has, however, lost much of its hope of escaping involvement and, consequently, much of its terror over measures which risk involvement.

The measure which embodies the greatest risk in the public mind is convoys. A small minority of editorial writers have argued that the German anxiety to keep the United States from full belligerency would make convoys immune from attack -- particularly if they stayed
that even attacks on American convoys need lead to no greater participation in the war than an occasional naval duel.

But the prevailing judgment has been to dismiss these suggestions as wishful thinking. In the majority view, convoys are extremely likely to put us in the war -- all the way. Despite this, it is also unmistakably the majority view that convoys are now, or soon will be, necessary.

The several efforts which the President has made to find alternatives for convoys have been appreciated. They have gone far to dissipate a suspicion sedulously fostered by the isolationists that the lend-Lease program was designed, by successive steps, to promote American participation in the conflict.

But the alternatives to convoying have proved inadequate in the opinion of almost all editorial commentators. Many of them now call upon the President to propose convoys frankly as an inevitable means of making American aid to Britain effective. There is no doubt whatever that a decided majority among them reject Senator Tobey’s resolution to forbid convoys. It is even probable that they would support an Administration-sponsored resolution to give direct Congressional authorization to convoys at the President’s discretion.

It does not follow from this, however, that there would be anything like the same support for an executive determination to convoy without Congressional authorization. Still less popular would be any
circuitous approach to conveying under some legalistic disguise. The press and public are now ready for strong leadership from the President. They are ready for the facts, untinted and unperfumed. They don't want to be cajoled.

The St. Louis Post Dispatch initiated, and the Scripps-Howard papers have now taken up, a proposal that the convoy issue be determined in the Congress. There appears to be widespread endorsement of their thesis that this would divide responsibility for a decision too momentous to be taken by the Executive alone and that it would ensure a much greater degree of national unity in the face of the possible consequences.

With the President's prestige at the highest point which it has ever attained, as revealed in the latest Gallup poll, there is small doubt that his leadership would be followed on this issue.

The present temper of the American public can best be defined, perhaps, by analogy. It is rather in the position of an invalid who has hoped earnestly to be cured by medical treatment. But the treatment having failed, he is prepared at last to undergo the more drastic measure of an operation. He continues to be hopeful that the operation will be a minor one. He has full confidence in the surgeon and asks only that he be told the full truth about his condition.
PRESS REACTION TO THE NEW TAX PROGRAM

Almost universal approval in the press has greeted the announcement that $3\frac{1}{2}$ billions additional revenue will be raised by taxation. The general comment is that it is better to pay now, however unpleasant it may be, and however heavy the burden, than to run the risk of inflation. The Administration is praised for proposing a sound and realistic tax program at the risk of losing popularity with taxpayers. The size of the revenue goal has pleased those who had expressed fears that the public's normal aversion to taxes might prevent the adoption of an adequate tax program.

Initial Congressional reaction, in both parties, is reported as favorable to the proposed revenue goal. The Scripps-Howard papers express the opinion that the amount is not enough, that the debt deferred to the future is still too large. Various papers take the occasion to push their favorite tax plans: Scripps-Howard would like to see the total amount raised by income and inheritance taxes; the New York Journal of Commerce urges that the tax burden be spread to wage earners and farmers "who account for the larger part of the current upturn in the national income paid out"; the New York Times
argues that if purchasing power is to be curbed by taxes, "at least a part of the current taxes should come out of current in-
come and not wait to be collected eleven months from now when the
income tax falls due"; the Philadelphia Inquirer touts the merits
of a manufacturers' sales tax. The unexpectedly large revenue goal
has revived speculation on the possibility of a general sales tax
or payroll tax.

Sales Tax Talk

The Gallup Poll of April 4, reporting 54 per cent of Americans
of voting age to be in favor of a 2 per cent Federal sales tax,
has not produced the comment in favor of such a tax that might have
been expected. The few papers which commented on the Poll tended
rather to point out that public willingness to accept a tax is not
a sure indication that the tax is sound. Seeking to refute the
argument that a sales tax is both revenue-producer and a curb on
purchasing power, the Wall Street Journal points out that both ob-
jectives cannot be accomplished at the same time by an excise tax.
However, the Journal recently endorsed a Federal sales tax as an
equitable method of raising revenue.

The British Budget and Forced Loans

The Chancellor of the Exchequer's tax program has received wide
publicity in this country. It is regarded as a sign of British
willingness to make all necessary sacrifices in their war effort
and as a realistic approach to the problem of war finance. The few commentators and editorial writers who have analyzed the compulsory savings feature of the program have expressed skepticism of its soundness. That feature has started up scattered rumors that "forced loans" are being considered as part of this country’s financial plan, but it appears that such rumors are not yet sufficiently widespread to embarrass the defense bond sales program.

Senator Vandenberg’s speech, quoting figures supplied by Assistant Secretary Sullivan comparing American, British, Canadian, and Australian income taxes, has received wide publicity and has been helpful in impressing American taxpayers with the relative lightness of their burdens.
Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns £51,000
Purchased from commercial concerns £26,000

Open market sterling, which closed at 4.01 yesterday, was first quoted at that level this morning. After moving off to 4.00-1/2 by late afternoon, it returned to 4.01 at the close. Transactions of the reporting banks were as follows:

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

The Swiss franc continued to move downward, touching a low of .2316 just before the close. The final quotation was .2317, as compared with the rate of .2321-1/2 that prevailed up to two days ago. We learned that the New York bank which had received an order to sell 200,000 Swiss francs from Shanghai yesterday, purchased this amount for its own account. At the opening this morning, the bank also had still outstanding the order to sell 500,000 Swiss francs received from Portugal last night. In today's trading, the bank was unable to dispose of more than 100,000 Swiss francs in the market.

The Cuban peso, which has had a firm tone of late, weakened today to 4-1/2% discount. Yesterday's closing rate was 3-3/4%.

In New York, closing rates for the foreign currencies listed below were as follows:

- Canadian dollar 11-5/8% discount
- Swedish krona .3354
- Reichsmark .3005
- Lira .0905
- Argentine peso (free) .2355
- Brazilian milreis (free) .1050
- Mexican peso .2056

In Shanghai, the yuan was unchanged at 5-7/32¢, while sterling remained at 3.90-1/2.

There were no sales or purchases of gold consummated by us with foreign countries today.
The Treasury issued licenses under both the Gold Reserve Act and Executive Order No. 5389, as amended, permitting the Federal Reserve Bank of New York to effect the following transfers of gold in its vaults:

$939,155 from B.I.S. account No. 2 to the account of the Bank of Portugal. Gold in B.I.S. account No. 2 is owned by that bank.

No new gold engagements were reported.

In London, a price of 23-1/2d was again fixed for both spot and forward silver, equivalent to 42.67\%.

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

We made no silver purchases today.

CONFIDENTIAL
MEMORANDUM

April 18, 1941.

TO: Secretary Morgenthau
FROM: Mr. Sullivan

I attach hereto a rough outline for your statement before the House Ways and Means Committee on the new tax bill.

S
1. The defense of our country is a big undertaking but we can do it.

2. The ultimate source from which we must build our defenses is the labor, the resources and the enterprise of our country. They must be devoted now to this purpose; we cannot postpone the real cost.

3. There are two ways of financing this defense effort. First, by taxing now; and second, by borrowing now and taxing later.

4. Every consideration leads to the conclusion that the share of taxes should be large.

   A. It is fiscally desirable to save interest costs.
   
   B. The people see the importance of the need; they will willingly shoulder the burden.
   
   C. Defense expenditures are stimulating business and increasing incomes; the people have the ability to pay now.
   
   D. An inflationary price rise would be a tragedy; heavy taxes will help prevent this.

5. We must, however, not disrupt our economic organization or unnecessarily decrease normal consumption; accordingly part of the burden should be met by borrowing now and taxing later.

6. It is our considered opinion that taxes should finance two-thirds of Federal expenditures during the building of our defenses.

7. Expenditures during the fiscal year 1942 are expected to be at least $19 billion. Two-thirds of that amount is $12,667,000,000. Taxes now on the books are expected to yield $9,223,000,000, leaving about $3.5 billion to be supplied by new taxes. The $12,667,000,000, although a large tax load, leaves an ample margin of safety for the stable operation of the economy.

8. We are proposing to raise these amounts from every one with taxpayer's ability in proportion to his ability. We are proposing increases in taxes on personal incomes, corporation incomes and excess profits, estates and gifts, and commodities that are not essentials of life. We are not proposing general consumption taxation which would fall heavily on persons with the least ability to pay.

9. Taxes of this amount will cause sacrifice. They should be accompanied by the most rigid economy in all non-defense expenditures so that the sacrifice may be reduced to the minimum.

10. The proposed tax increases amount to less than one-twentieth of the national income. Other nations in their own defense have cheerfully paid far larger proportions of their incomes in taxes for their defense than our burden will be even with these increases.
Allison "F" and "Ft" Engines
Comparison of Requirements and Estimated Production
For Period Prior to August 1, 1941

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Estimates of Allison production</th>
<th>Indicated shortage of engines (cumulative)</th>
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<tr>
<td>157</td>
<td>0</td>
<td>4</td>
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<tr>
<td>Total engines needed for airframes awaiting engines.</td>
<td></td>
<td></td>
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<tr>
<td>Engines needed for airframe schedules (exclusive of above).</td>
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<td></td>
</tr>
<tr>
<td>April</td>
<td>May</td>
<td>June</td>
</tr>
<tr>
<td>76</td>
<td>171</td>
<td>143</td>
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<tr>
<td>45</td>
<td>118</td>
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<td>200</td>
<td>561</td>
<td>500</td>
</tr>
<tr>
<td>435</td>
<td></td>
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</tr>
</tbody>
</table>

April 18, 1941

1/ Letter to Secretary Morgenthau from Robert A. Lovett, Special Assistant to the Secretary of War, April 16, 1941.
2/ Secretary Morgenthau's telephone conversation with Alfred P. Sloan, Jr., Chairman of the Board of Directors, General Motors Corporation, April 17, 1941.
3/ Excluding 51 engines completed prior to April 1, the airframes for which are presumably not included in the list of engine requirements.
### Allison 230 and 231 Engines

Comparison of Requirements and Estimated Production

For Period Prior to August 1, 1941

<table>
<thead>
<tr>
<th>Requirements</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Bull P-39</td>
<td>Curtiss P-40</td>
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<tr>
<td>157</td>
<td>0</td>
</tr>
<tr>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>163</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>North American total</th>
<th>Estimated Allison production</th>
</tr>
</thead>
<tbody>
<tr>
<td>163</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>July</th>
</tr>
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<tbody>
<tr>
<td>Engines needed for aircraft existing engines (exclusive of above)</td>
<td>76</td>
<td>122</td>
<td>82</td>
<td>83</td>
</tr>
<tr>
<td>Estimated</td>
<td>84</td>
<td>90</td>
<td>105</td>
<td>163</td>
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<tr>
<td>Difference</td>
<td>8</td>
<td>8</td>
<td>23</td>
<td>80</td>
</tr>
<tr>
<td>Cumulative</td>
<td>84</td>
<td>98</td>
<td>121</td>
<td>201</td>
</tr>
</tbody>
</table>

Total engines needed before August 1: 690

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April 16, 1941

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3/ Excluding 53 engines completed prior to April 1, the aircraft for which are presumably not included in the list of engine requirements.
Treasury Department
Division of Monetary Research

Date..........................19

To: Miss Chauncey

Noted.

MR. WHITE
Branch 2058 - Room 214½
Copy of Letter from A, Mexico City, April 18, 1941.

There is a lot of talk again aout a change in the Cabinet. Some of these rumors emanate from certain source which we know and from somebody who wants to be Minister of Finance again and who is now in the Cabinet. In my opinion and that of practically everybody else he would make a very unsuitable Minister of Finance. The argument which they give is that the present Minister of Finance went to Washington and signed away the naval bases agreement without getting anything for it.

It is believed that the brother of the President must have had serious talks with Washington and that upon his return matters might change. It stands to reason his conferring with the highest American officials including President Roosevelt for 45 minutes had as a basis more than purely a courtesy call.

Perhaps this is all wishful thinking as we are getting very near the dead line when something has to be done.

No doubt you have heard the last decision of the labor board against the American Smelting & Refining Co. and know the details. Other decisions are even worse and we are just drifting back, as far as the labor problem is concerned, to where we were under Cardenas. True, there always remains the Supreme Court, which is now entirely different in personnel and political thinking, but confidence is gradually being lost.

I understand that the ex leader of the CTM, Mr. Lombardo Toledano, is awaiting his time. He is now in Lower California where his bosom friend, Mr. Mujica, is Governor, and already all kinds of complaints of labor trouble are the result. The actual leaders of the CTM here, I understand, are trying to work with the Government and do not look out for new conquests, but try to hold what they have gained in the last six years.
Secretary of State,
Washington.

1531, eighteenth
FOR TREASURY
Press comments so far available on yesterday's announcement of the Reconstruction Finance Corporation's loan to the Brown and Williamson Tobacco Company are just what would be expected to follow the attitude indicated in the Embassy's No. 1225 March 28 and despatch 185 March 31.

The FINANCIAL NEWS reports that "the city welcomed this latest development because it is calculated to give the maximum help when it is most needed and particularly because it does not mean the permanent severance with British investments in the United States."

THE DAILY TELEGRAPH financial editors consider the arrangement "a big improvement" on the outright sale method applied to theould's viscose asset. Both the above newspapers express the hope that the arrangement will
will serve as a model for dealing with other British direct investments in the United States but THE TIMES city editor points out that "presumably special circumstances have made possible the present type of arrangement instead of that adopted 'for example' in the Courtauld's-viscose deal so that it cannot be assumed that the realization of the remaining direct British investments in the United States will be along the same lines."

THE MANCHESTER GUARDIAN financial editor opens his description of the deal with the statement: "methods of liquidating British holdings in United States undertakings are evidently improving" while the financial editor of the NEWS CHRONICLE describes the deal as representing "an ingenious circumventing of the Johnson Act."

THE FINANCIAL NEWS compares the difference between this deal and an out and out sale with that between ten years penal servitude and a life sentence and adds: "who knows whether good conduct or good earning power may not result in some remission of the sentence."

WINANT.
To: Secretary Morgenthau

From: Mr. Kamarck

The Military Situation

1. There have been no reports of any substantial military change in Greece. The Greeks have had to give way somewhat in the center. The British on the right wing have been able to repulse the Germans successfully.

2. The Germans in the center have reached the vicinity of Kalabaka. This town guards the entrance to the plains of Thessaly. If the Germans take this town the situation of the Greeks and English will become desperate.

3. There has been no change in North Africa.
TO Secretary Morgenthau

FROM Mr. Kamarck

Subject: Weekly Military Report

1. The German Balkan campaign appears to be behind schedule. According to the statement of the Bulgarian Minister of War, on April 10, it was expected that Yugoslavia was to be finished by April 13 and Greece by April 17. Yugoslav resistance did not cease until April 18, and the Greeks have not yet been conquered.

2. The British bombing of the Schornhorst and Gneisenau must have had at least temporary success. The two German battle cruisers have been inactive and tied to the docks at Brest now for three weeks. The actual commerce raiding activity of the two ships could not have lasted more than three weeks. The British first learned the two raiders were loose on March 8 and by March 25 they had entered Brest.

3. Total axis forces in action in Libya probably total not more than 150,000 men. According to scattered reports the Germans have two mechanized (panzer) divisions and, at least, parts of two infantry divisions (or a total of 50,000 to 60,000 men). The Italians have either 5 or 6 divisions, some of which are motorized (or 100,000 to 120,000 men).

The German panzer divisions used in Libya are probably of the new reduced type, having 200 tanks, 30 armored cars, motorized infantry and having a total strength of less than 10,000 men. In addition to the tanks, however, the Germans now mount some of their artillery on an armored chassis, thus giving them almost the equivalent of 30 – 50 additional tanks.
The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a memorandum for Treasury from Mr. Donald R. Heath, First Secretary of Embassy, Berlin, dated March 29, 1941, regarding the trend of German economic policy.

Enclosure:

Memorandum.
In recent years the expressed official economic policy of National Socialism has been the nationalization of property and the establishment of the state capitalistic enterprises. A number of state-owned enterprises were set up to administer the nationalized enterprises in order to prevent their fall into private hands.

The trend toward nationalization of direct state enterprises and ownership in industry and transportation was accelerated in 1933 by the formation of the large state-owned enterprises (The State Bank, the Volkswagen Factory, etc.) which became the largest in the world. The tendency toward nationalization of direct state enterprises and transportation was accelerated in 1933 by the formation of large state-owned enterprises (The State Bank, the Volkswagen Factory, etc.) which became the largest in the world.

The state took over the management of the enterprises in order to prevent their fall into private hands. A number of state-owned enterprises were set up to administer the nationalized enterprises in order to prevent their fall into private hands.

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The incident of the "reprivatization" of the African Shipping Company and the relaxation of state control over the coal industry are not important enough happenings to warrant a prediction that German economic policy is taking a conservative turn. All that these incidents can be said to show is that private business has not lost its force and influence in the German picture and that the Government still finds it politic and perhaps necessary to use and placate private business at a time when the propaganda machine is seeking to forestall potential discontent in labor by asserting that the present conflict is a war of socialist Germany against the plutocracies. The preponderating economic and social trend will probably only become apparent after the military and economic situation reach some decisive development.

(S) Donald R. Heath,
First Secretary of Embassy

Approved:

(S) Leland Morris,
Charge d'affaires ad interim
18th April, 1941.

Secret

Dear Mr. Secretary,

I enclose herein copies of the daily "situation reports" which arrived during your recent absence.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

[Signature]

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.
1. **Naval.** One anti-submarine trawler sunk and one slightly damaged by Fokke-Wulf aircraft ninety miles West-North of Blackesod Bay on March 16th.

2. **Expect Suez Canal to be reopened March 19th.**

3. **During night of March 16-17 Tripoli Harbour bombed and large fires started.** A Swordfish aircraft torpedoed at Valona a cruiser or destroyer. Other Swordfish also attacked shipping at Durazzo scoring two certain - two probable - hits.

4. **R.A.F. Night of March 17-18.** During raids on Wilhelms-haven and Bremen three enemy night-fighters were shot down by our bombers.

5. **Night of March 18-19.** 162 aircraft were sent to attack industrial objectives at Kiel (100 heavies) and Wilhelms-haven (43 Medium) and upper harbour at Rotterdam. All but one have returned.

6. **G.A.F.** March 18. A few enemy fighters penetrated inland over Kent and Sussex and some reconnaissance flights were reported. Our fighters destroyed two enemy aircraft.

7. **Night of March 18-19.** About 390 enemy aircraft were operating an area East of a line - Isle of Wight - of these 100 have attacked Hull, Middlesborough and Scarborough and about 230 were active against the Midlands and East Anglian Aerodromes. The remainder were engaged in Bristol Channel and Southampton areas and in mine laying. About 40 passed over London. No fighter interceptions reported.

8. **Aircraft casualties - over and from the British Isles.**
   - German - 5 destroyed. British - 1 bomber missing.
TELEGRAM FROM LONDON DATED MARCH 20th.

1. Naval. 15 U-boats at Dieppe on March 18th and on March 19th. 14 U-boats at Lorient.
2. Helvellyn, small anti-aircraft ship bombed and sunk Surrey Dock night of 19th-20th.
3. Supplies of forces Western Desert being maintained through Mersa-Tohruck. All other captured N. African ports usable except Benghazi where anti-aircraft defences still weak.
4. Naval aircraft laid mines at Tripoli night of March 18th-19th, also bombed and scored one hit and two near misses on 7,000 ton ship and started fires on the quays.
5. On the 9th Utmost torpedoed merchant ship heavily laden believed carrying troops. Ship believed sunk. On the 10th the Unique sank escorted Italian merchant ship of 2600 tons 100 miles off Tripoli.
6. Royal Air Force. Night of 19th-20th. 36 heavy bombers sent to attack industrial area Cologne and two oil depots Rotterdam. All returned safely.
7. Night of 17th-18th. Heavy bombers dropped 7½ tons of bombs on docks at Durazzo and following day 7 medium bombers escorted by Gladiators attacked enemy camps and mechanical transport in Tepelene area.
8. German Air Force. 19th. Only slight enemy activity. Our fighters destroyed one enemy bomber and one fighter; we lost one Hurricane.
9. Night of 19th-20th. A concentrated attack by about 250 aircraft made on London. One enemy aircraft reported destroyed by anti-aircraft and another damaged by night fighters. Large number of fires of which 16 were major. About 1600 pumps used and all fires under control by 6.30 a.m. Attack chiefly fell on docks and East End causing considerable material damage. Six gas installations and several factories and industrial premises

Regarded Unclassified
10. **Eritrea.** During enemy air attack at Agordat on the 18th one Hurricane destroyed, another damaged.

11. **Bulgaria.** Estimated there are now about 300 German operational aircraft in the country.

TELEGRAM FROM LONDON DATED MARCH 21st, 1941.

1. Naval. Scharnhorst and Gneisenau sighted by Naval aircraft at 18.30 hours March 20th about 600 miles West North-West of Finisterre, course North 80 knots. Low visibility prevented night shadowing or attack by aircraft. Hunt by Naval Forces today.


3. Rosaura armed boarding vessel mined and sunk off Tobruk p.m. 18th.

4. P.M. 20th. Coastal aircraft made several attacks on E. Boats off the east coast, dive bombing and machine gunning. Several near misses and many hits by machine guns.


6. Between the 12th and 17th Naval aircraft at Valona torpedoed 20,000 tons liner, 8,000 tons merchant ship and bomb scored direct hit on cruiser or large destroyer.

7. At Durazzo Naval Aircraft scored hits on two ships.

8. Strong Force of heavy bombers attacked Lorient night of 20th/21st, also extensive mine-laying carried out by aircraft at various occupied ports.

9. R.A.F. Night of 20th/21st. 24 heavy bombers including three Wellesleys sent to Naval Base at Lorient and 42 mine-laying aircraft to occupied Atlantic ports. All returned but one.


11. Aircraft casualties in operations over and from the British Isles: German by Naval Drifter, one destroyed. British: nil.

Regraded Unclassified
1. **Naval.** Nothing more seen of Scharnhorst, Gneisenau. Weather on March 22nd prevented air reconnaissance except over St. Nazaire.

A.M. March 22nd. "Severn" reported enemy merchant raider 800 miles west north-west from Fredericktown steering eastward at eighteen knots. By 18.45 "Severn" lost touch. Raider resembled Weser 9,197 tons and was reported having altered course to westward.

3. **M-S Trawler** bombed and sunk at Plymouth (words omitted) night of March 21st - 22nd. On that night during air raid in Plymouth some damage done south yard of Royal Military barracks, Royal Navy hospital. Naval casualties very slight.

4. **Military.** Albania. Reported fortifications are being constructed between Fieri and Hassan Beut (north west of Berat).

5. **Bulgaria.** Bulgarians have ten or eleven infantry mobile divisions Turkish frontier. Two infantry divisions Greek frontier. Three or four infantry one mobile division Yugo-slav frontier.

6. **Royal Air Force.** Night of March 21st and March 22nd. 53 tons of high explosives dropped on submarine bases at Lorient. Bursts seen in docks and on power station. Mine-laying operations successfully completed. A Blenheim scored two direct hits on a 2,000 ton merchant vessel Eggersund harbour and set her on fire.

7. **Night of March 22nd/23rd.** Operations cancelled.

8. **German Air Force.** March 22nd. Some minor unsuccessful attacks made on shipping off the East Coast.

9. **Night of March 22nd/23rd.** Activity negligible. One H.E. lli hit a balloon cable at Hull and crashed and
another aircraft was damaged by Anti-aircraft fire.

10. On March 22nd - ten Junkers 88's preceded by 12 M.E. 109's bombed Grand Harbour, Malta, damaging buildings in the dockyard. Eight Hurricanes intercepted and destroyed one M.E. 109. One Hurricane was shot down and four others have not returned.

11. Aircraft casualties over and from the British Isles:

   German: 1 destroyed, 1 damaged.

   British: 2 bombers missing, March 21st/22nd.


   Plymouth: Nights of March 19th/20th/21st/22nd. Preliminary estimate about 150 killed and 230 seriously wounded. 5,000 persons homeless; trunk water mains intact but supply interrupted in some districts. Serious fire damage to east side of one dock.
TELEGRAM FROM LONDON MARCH 24th, 1941.

1. **Naval.** During air attack on Malta yesterday, British cruiser and destroyer slightly damaged by near misses, two British merchant vessels received direct hits and some damage; some damage in dockyard.

2. **His Majesty's Ship "Leander"** intercepted French ship (5,300 tons) off Mauritius March 23rd and sent her to Mauritius under armed guard.

   British sloop intercepted merchant vessel off Perim March 23rd which later blew herself up.

3. **Greece.** Morale of army in Macedonia excellent; that of civilian population is satisfactory though some evacuation frontier villages and Salonica area. Government tried to prevent evacuation but large-scale movement of refugees probable when hostilities commence.

4. **Royal Air Force.** Night of March 23rd/March 24th. 128 heavy and medium bombers sent to industrial targets in Berlin Kiel and Hanover docks, Calais and an oil plant in Rotterdam. One medium bomber missing.

5. **German Air Force.** March 23rd. Very little enemy activity. Two enemy bombers destroyed and two more damaged.

6. **Night of March 23rd/March 24th.** Only twenty-three aircraft came in overland.

7. **Malta.** On March 23rd two large formations of dive-bombers and fighters, dive-bombed convoy in Grand Harbour. From preliminary reports, at least nine dive-bombers were destroyed by our fighters and four other aircraft by anti-aircraft fire. A Hurricane was shot down but the pilot safe.

8. **Albania.** On March 22nd, five Italian bombers escorted by fifteen fighters attacked Paramythia Aerodrome (5.W. of Yanina) without success; later twelve fighters machine-gunned aerodrome, destroying three Blenheims on the ground and damaging another, also a Wellington. One enemy fighter
fighter reported destroyed and another damaged by anti-aircraft fire. A third attacked aerodrome, was driven off by our fighters.

9. Aircraft casualties in operation over and from British Isles:

   German: Bombers destroyed 2: damaged 2.

   British: One bomber missing.

TELEGRAM FROM LONDON MARCH 25th, 1941.

1. Naval. Night of 24/25. "E" boats active off Norfolk coast. Though one torpedo boat sighted by "Worcester" no engagement reported and "E" boats appeared to be driven off from the convoys.

2. Merchant vessel intercepted and scuttled off Perim on March 23rd was German "Oder" 8,516 tons.

3. On the 24th, Bomber Command Aircraft sank small ship off the Hook of Holland.

4. Malta - dockyard attacked by six aircraft at 4 a.m. March 24th. Some damage to buildings and small Ex-Italian merchant vessels.

5. Eritrea, to 7.50 p.m. March 23rd. Night of the 21-22 March, an enemy battalion with three light tanks again counter-attacked 2½ miles South-West of Keren and was repulsed. Successful mortar action compelled enemy to vacate hill four miles west of Keren.

6. Yugoslavia. At least 21 out of thirty divisions are now mobilised.

7. S.E. Europe. A minimum of at least thirty-five German divisions are now believed to be in Roumania and/or Bulgaria. Rail movements suggest further reinforcements likely in the near future. Sixteen divisions and elements of five more believed already in Bulgaria.


9. Royal Air Force. March 24th. Stenheims attacked docks at Havre and Cherbourg and also shipping in the Channel. One is missing.


11. Albania. On March 23rd, our bombers and fighters attacked Berat aerodrome and destroyed two enemy fighters in the air and four more on the ground. We lost one Hurricane.
Hurricane but the pilot is safe.

12. **German Air Force**. March 24th. Enemy activity slight. Three Royal Air Force Stations attacked at dawn; at one a hangar was destroyed and four Hurricanes damaged. Enemy casualties during the day were -
   - two destroyed,
   - two probable,
   - two damaged.


14. **Libya**. March 23rd, two enemy aircraft machine gunned Soluch damaging railway station and destroyed some rolling stock and 12,000 gallons of petrol.

15. **Dodecanese**. Considerable increase in activity of the Italian air force in the Aegean Sea and evidence of small increase of Italian fighters and long-range bombers in the Dodecanese area.
Telegram from London dated March 26th, 1941.

NAVAL. Thick weather has continued to prevent observation by aircraft of shipping in Brest. Position of German battle cruisers still unknown.

3. "Britannia" British (8,799) tons at 10.35 March 25th reported shelled by warship raider 480 miles South of Cape Verde Islands.

4. "Seamen" British 7,506 tons was torpedoed 270 miles north east of Cape Verde Islands on the 11th.

4. "Sturgeon" torpedoed south bound tanker probably Norwegian "Drama" 8,205 tons off Brested p.m. March 26th. Tanker last seen with only after part above water.

5. British 1,100 ton ship in convoy off Sheringham night of March 24th-25th fired three bursts at 200 ft. range into a boat which was stopped when last seen.

6. MILITARY. March 24th enemy employing 113 tanks occupied Fort Aghella and by evening had advanced 18 miles further east and then turned south east.

7. German motorized column believed to be operating in the neighbourhood of Brik (about 375 miles South of Tripoli).


March 26th, minor operations only against enemy shipping in the channel. 1 Beaufort missing - at night no bombers despatched owing to bad weather.
9. German Air Force, March 25th; during daylight only nine aircraft flew overland. Allied convoys were unsuccessfully attacked off east coast. Our fighters damaged two enemy aircraft.

10. No enemy activity over Great Britain at night.

11. Malta. March 24th, in the afternoon Grand Harbour ineffectually attacked by 10 J.U. 88’s escorted by 20 ME 109’s. Enemy avoided contact with our fighters but one enemy aircraft probably destroyed by anti-aircraft fire and probably two damaged.

12. Aircraft casualties in operations over and from British Isles. German; two aircraft damaged. British; one Beaufort missing.


14. Plymouth. As the result of raids on March 20-21st all buildings within an area of 1/4 of a mile east and west and one sixth of a mile north and south of Guildhall are to be demolished.
TELEGRAM FROM LONDON DATED MARCH 27TH, 1941.

NAVAL. Mediterranean Fleet operated in Central Mediterranean 21st to 24th covering convoys. No enemy surface craft sighted. One enemy aircraft shot down and at least one other damaged.

2. His Majesty's Ship York torpedoed and damaged "Suda Bay" 26th Oiler "Pericles" torpedoed and damaged at same time, but able to steam.


4. As result of bombing attack on British convoy south-east of Crete, one Greek ship sunk and one Norwegian ship abandoned. Another vessel also believed sunk.

5. British aircraft torpedoed 6000 ton merchant vessel off Ysuiden.

6. Military. Kritrea. Up to 9.30 p.m. March 25th. Our forces have pushed forward both sides of Karen Road and repulsed three counter attacks, number of prisoners, including complete mortar platoon, taken. Work on moving block on road proceeding satisfactorily.


9. Dodecanese. 25th. 4 Blenheims attacked aerodromes at Scarpanto and Galato, 5 Heinkel III's severely damaged. Direct hit on 7000 ton merchant vessel off Astropolia Island.
10. **German Air Force.** Daylight 26th. Enemy activity on moderate scale and over wide areas; about 24 aircraft crossed coast. Two enemy bombers destroyed, one by fighters and one by anti-aircraft and a third probably destroyed by fighters.

11. No enemy activity by night except two raids North Shetlands.

12. **Mediterranean.** On 25th 3 CR 42’s machine gunned aerodrome Heraklion (Crete) and destroyed 1 Blenheim.
TELEGRAM FROM LONDON DATED MARCH 28th
1941.

1. **Naval.** Enemy aircraft attacked shipping off Milford Haven evening of March 22nd. Four small ships totalling 3,337 tons damaged. Two enemy aircraft were badly damaged.

2. **H.M.S. “Leith”** attacked by two enemy aircraft with bombs S.W. off St. David’s Head, March 27th, was undamaged but destroyed at least one aircraft. On March 27th, the Coastal Blenheims on reconnaissance of Lorient attacked Fokke-Wulf aircraft and cruiser presumably the “Voltaire” results unobserved. Two Blenheims dive-bombed near missing about 6,000 tons ...... and two naval auxiliaries off Brest.

3. **Military - Albania.** No indications of Italians yet able to resume the offensive. Defensive preparations being made in the southern sector. Total forces north of line Durazzo - Tiranha probably not more than 12,000.

4. **Yugoslavia.** The army loyal to the new Government and reported concentrating southwards. Minimum of 23 divisions mobilised. The whole country appears enthusiastic and orderly.

5. On March 23rd - British Colonial and Belgian forces occupied Bengali (about 331 miles west of Addis-Ababa) after severe fighting.

6. **Royal Air Force.** March 27th. Daylight attacks were made on shipping from Ushant to La Rochelle and on small naval craft off the Dutch coast. Alderney harbour, buildings and small merchant ship hit. Two Blenheims shot down by enemy fighters.


8. **Eritrea.** During March 25th-26th. Sixteen tons
of bombs dropped on enemy positions near Keren; two enemy fighters reported destroyed.

9. **Ethiopia.** Three trains on Addis-Ababa Djibuti Railway Station at Awda received direct hits.

10. **Greece.** On March 25th four Gladiators intercepted twenty enemy fighters escorting six bombers. They probably destroyed one fighter and damaged another. One Gladiator destroyed on the ground at Parangtha.

11. **German Air Force.** March 27th. Two enemy fighters over Kent. One ME.110 damaged and one Spitfire missing.

12. **Night of March 27th/28th.** A few aircraft reported off the coast.

13. **Syria.** French reported building a defensive line in northern Syria facing Turkey.
TELEGRAM FROM LONDON DATED 29th MARCH 1941

Commander in Chief Mediterranean with strong force of Mediterranean Fleet on the 28th got into touch with strong Italian forces south of Yildiz west of Crete. Enemy cruisers first sighted 8 a.m. By noon the enemy forces in two groups retiring westwards at high speed. One group consisting of two battleships three cruisers five destroyers, second group three cruisers three destroyers with possibly two battleships. Air attacks by aircraft and strong force of Blenheims from Greece made several attacks. Former scored possibly torpedo hit on one cruiser; latter claim two bomb hits on one cruiser two heavy bomb hits on another cruiser, one hit heavy bomb on destroyer. One Littorio class reported to have speed reduced to fifteen knots by day torpedo attacks. Commander in Chief reported at 12:28 a.m. 29th March also two eight-inch cruisers severely damaged by our battleships in ensuing night action - hoped sunk. Result of destroyer night attacks not yet reported. Survivors from believed six inch gun cruiser reported by aircraft.

2. On the 16th Parthian fired torpedoes at 5000 ton merchant ship and 10,000 ton tanker in escorted convoy in the Straits of Messina, two explosions heard believed two ships hit.

3. Scharnhorst Gneisenau were at Breit on 28th. One in dry dock one in Rade Aboi.

4. Royal Air Force. Night of 27th/28th. Industrial centres Cologne and Dusseldorf each attacked by 33 aircraft; 26 tons H.E. dropped on the former and 33 tons and 3,000 incendiaries on latter. Many fires and explosions caused.

5. Night of 28th/29th. All bombing operations cancelled.

bombed on 27th one enemy aircraft destroyed on the ground.

7. **German Air Force.** 28th. Only slight enemy activity; our fighters destroyed one enemy bomber and probably destroyed a second.

8. **Night of 28th/29th.** No enemy operations reported.
1. **Naval.** No further news yet received about the action in the Mediterranean March 28th and 29th but Greek destroyers have picked up 110 Italian survivors and have been directed by Sunderland aircraft to the position to pick up 600 more.

2. March 29th, several enemy air attacks made on east coast convoys; one British tanker was hit and sunk.

3. **Royal Air Force.** Night of March 29th/30th. All bombing operations cancelled.

4. **Italy.** March 28th. Six medium bombers attacked airdrome at Lecce (near Brindisi) destroying at least one aircraft and damaging 20 others.

5. **German Air Force.** Night of March 29th/30th. About 40 aircraft operating principally in Avonmouth area, and 36 more suspected of mine laying.

6. In central Mediterranean German dive bombing force has been reinforced from units previously located in northern France.

7. Whole dive bombing force in the Balkan theatre (160) now located in south west Bulgaria.

8. **Home Security.** Night of March 29th/30th. Bombing not heavy but sharp attacks on Avonmouth and Bristol. At Avonmouth three oil cisterns set alight and still burning. Fires all under control. Casualties so far reported not serious.

9. Add to paragraph 1 above. Three Italian eight inch cruisers, two destroyers now confirmed sunk, one six inch cruiser possibly sunk. Our losses nil.
TELEGRAM RECEIVED FROM LONDON DATED MARCH 31ST, 1941.

1. **Naval.** Seawolf attacked by aircraft off Berwick p.m. March 30th. Fighters shot it down.

2. At 3.07 a.m. March 31st Bonaventure torpedoed and sunk by U-Boat, escorting convoy 90 miles south of Crete. Hereward picked up survivors and U-boat hunted by Stuart.

   Cruiser Sheffield and four destroyers a.m. March 30th intercepted east bound French convoy of four ships escorted by destroyer Simoun. Convoy refused to stop and entered Nemours, Algeria. Simoun protested and claimed our ships were inside territorial waters. Six-inch shore battery opened fire. Sheffield replied, hit it repeatedly and caused large fire. Whilst returning to Gibraltar Sheffield was bombed three times, no hits, no damage.

3. During the Mediterranean action of March 28th/29th three Swordfish lost, crew of one safe, one Fulmar forced landing. Two Junker 88's destroyed. Kendahar intercepted Bertram Rickmers, German, 4,188 tons, a.m. March 30th off Eritrean coast, crew abandoned ship fired and scuttling simultaneously. Full details awaited.

4. A.M. March 31st, bomber command aircraft scored two hits on one ship, three hits on another, both perhaps tankers, between Le Havre and Dieppe, both burst into flames.

5. Strong force of bombers attacked Brest night of March 30th/31st Scharnhorst and Gneisenau sighted and straddled, results unobserved.

6. On March 30th enemy aircraft made an unsuccessful attempt to attack shipping off Harwich. Spitfires destroyed one bomber, damaged a fighter.
7. **Military.** Certain of our armoured forces are east of the road block 32 miles west of Asmara. 8 enemy pack guns and 3,075 prisoners captured in Keren area.

8. In Arresa area our operations to cut main Addis Ababa-Keren road delayed by enemy action South-west of Arresa.

9. **Ethiopia.** To 7 a.m. March 28th our troops secured road junction Casa 10 miles South of Diredawa.

10. **Royal Air Force.** Night of March 30th/31st. 108 bombers sent to attack German battle-cruisers at Brest. Ships located and reports indicate some bombs straddled locality. All returned safely.


12. **Night of March 30th/31st.** Enemy activity chiefly mine-laying.
TELEGRAM RECEIVED FROM LONDON
DATED APRIL 16TH, 1941.

Naval. Lord Selborne A/P trawler mined sunk off Humber a.m. March 31st. Captain 9 officers 300 ratings Bonaventure saved.

2. At 20.10 March 31st. 3 H.E. bombs dropped Portsmouth on dockyard Canteen Unicorn Gate and torpedo store. 5 casualties.

3. Scharnhorst, Gneisenau still at Brest March 31st.

4. At Punta Arenas Costa Rica on March 31st one German and one Italian ship set on fire by crews when authorities tried to board.

5. Royal Air Force. March 31st. 26 Medium bombers, some with fighter escort, sent to attack shipping and land targets. Two tankers set on fire off Havre and off Dutch coast a large destroyer hit twice heavily listing with clouds of smoke coming from stern; 2,000 ton merchant vessel also hit, two bombers lost.

6. Night of March 31st/April 1st. 39 heavy bombers sent to Emden and Bremen. One missing.

7. Night of March 29th/30th. 4 heavy bombers attacked Amsterdam docks; on March 30th 7 aircraft bombed wireless station at Asmara and 10 medium bombers dropped over 4 tons of H.E. on military targets at Elbasan in Albania.

8. German Air Force March 31st. Little enemy activity one enemy fighter destroyed by a Spitfire near Dunkirk. Night of March 31st, April 1st. 71 aircraft operating of which 26 mine laying, chiefly in Humber area.

9. Ethiopia. 6 Italian fighters damaged 4 of
our aircraft on the aerodrome of Jigjiga on March 30th, 2 of them shot down.
TELEGRAM RECEIVED FROM LONDON
DATED APRIL 2ND, 1941.

Naval. Red Sea. Air reconnaissance reports two Italian destroyers having left Massawa, one reported later as having been sunk 40 miles northeast of Massawa. Further details not available, destroyer sunk believed to be "Pantera".

2. Attacks on shipping. April 1st. British ship (9,950 tons), independently inward bound, torpedoed 250 miles southwest of Iceland.

3. Homeward bound convoy attacked three times by aircraft in Bristol channel. Three British tankers (totalling 24,900 tons) and two Norwegian tankers (totalling 16,700 tons) damaged. Two British tankers reported burning fiercely. One Norwegian tanker towed into port.


5. Ethiopia. Serious resistance not expected until Miesse some 90 miles west of Harar is reached.

6. Movement of German troops towards Yugoslav frontiers reported to have begun.

7. Royal Air Force. April 1st. Seven E-Boata machine-gunned and 4 enemy naval trawlers attacked off Dunkirk. Off the Danish coast merchant ship (2,000 tons) torpedoed by Beaufort; ship left completely enveloped in smoke. From these and other operations, one of our aircraft missing.

8. Night of March 30th - March 31st. Wellingtons bombed docks at Tripoli and a convoy 5 miles outside the harbour with good effect.

9.:
9. **German Air Force.** April 1st. During daylight enemy activity over south and southeast coasts. Mining operations probably in the Thames and off East Anglian coast under cover of low clouds. Two aerodromes in Yorkshire and two in Southwest attacked. In these operations 5 enemy aircraft destroyed, 2 damaged. One of our fighters missing.

10. Last night enemy activity negligible.
Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

[Signature]

The Honourable
Henry Morgenthau, Jr.,
United States Treasury,
Washington, D.C.
Telegram Received from London

dated April 16th, 1941.

1. Naval. Norwegian Destroyer Mansfield on the 12th at Oeks Fjord, South Hammerfest destroyed all machinery in fish oil factory; no prisoners taken or refugees embarked. No enemy shipping or troops seen.

2. Five merchant vessels escorted by Monteclair and Georges Leguay, four destroyers and four submarines left Dakar p.m. /10.

3. Wellington claims direct hit (from 3000 feet) on battle cruiser in dry dock at Brest on night of 14th/15th. Photographs 15th showed both battle cruisers still there.

4. Greek hospital ship Attiki bombed and sunk on Doro channel p.m. /11th was fully illuminated.

5. Military. Abyssinia. Envoy from Duke of Aosta arrived by air Khartoum April 15th. Was told we accept no further responsibility for the safety of civilians in Ethiopia unless Italians (some words undecipherable) armed. Reply demanded by 6.15 a.m. April 17th.


7. 12.0 noon April 10th, enemy broke through Kleisoura Pass. Greek forces withdrew to the heights immediately Southwest of Florina to west bank of Upper Aliakmon. Greek cavalry division was in action in this area. German armed forces have now penetrated beyond Lake Kastoria.

8./
8. Our forces now disposed south of Aliakmon river. Greek forces are on left of position.

9. Royal Air Force. 15th: during daylight our aircraft sank two small coastal vessels and possibly third off Brest and hit 4,000 ton motor vessel Borkum harbour.


11. Libya. On 13th our medium bombers inflicted serious casualties on motorised infantry and supply columns returning for second attack on Tobruk.

12. Night of 13th/14th our heavy bombers attacked enemy aerodromes; on 14th our fighters destroyed three enemy aircraft and on the night of 14th/15th four Wellingtons bombed Tripoli harbour.


14. Night of 15th/16th. About 300 enemy aircraft were operating, bombing widely distributed, main concentrations on Liverpool and Belfast areas.
NOTICE

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

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GERMAN FIELD REPAIR SERVICE FOR MOTORIZED EQUIPMENT

SOURCE

The information in this bulletin came from German documents originating with a German staff officer late in 1940.

CONTENTS

1. IMPORTANCE
2. ORGANIZATION
3. CONCLUSION

CONFIDENTIAL
GERMAN FIELD REPAIR SERVICE FOR MOTORIZED EQUIPMENT

1. IMPORTANCE

One of the secrets of success of German motorized units has lain in thorough organization of the system for replacement and repair of damaged tanks in the shortest possible time. The greater the distances covered in the advance, and the farther the vehicles went from the technical services on which they normally depended, the more important it was to have a well organized maintenance and repair service in the field. The organization of the service is described below.

2. ORGANIZATION

a. Light Aid Sections

Each tank squadron and the headquarters troop of each tank battalion has a light aid section. This smallest repair unit, the one which is employed nearest the front line, consists of the necessary motor drivers, mechanics, and radio instrument mechanics. It is equipped with light trucks for spare parts and tools and a converted tank for transporting mechanics and spare parts across country to stranded tanks. The light aid section attached to the headquarters troop of each tank battalion is under the command of an officer who can, when necessary, arrange for all light aid sections to proceed together to any part of the front where their services are urgently required.

It is important to ensure that light aid sections have an ample supply of spare parts and all necessary transport. The tank mechanic of the squadron light aid section always carries in his side car motorcycle a sack containing spare parts most commonly required so that minor running repairs can be effected without loss of time. The light aid section of each squadron and battalion headquarters troop has a medium-sized semi-tracked truck which carries a further stock of spare parts.

If a tank is so badly damaged that special machinery would be required to repair it, or if the process would be a long one, the vehicle is returned to the manufacturer or to some maintenance depot in Germany.

b. Workshop Companies

Every tank regiment has a workshop company which is equipped with power tools. It produces its own power and light, charges batteries, carries out welding operations, vulcanizes tires, and performs other similar tanks. The equipment it carries includes a crane; a field smithy; machines for milling, cutting, boring, and tool-grinding; and
sets of tools for locksmiths, carpenters, tinsmiths, painters, and the like. It is thus completely independent and does not require assistance from stationary workshops.

The regimental workshop company consists of two identical platoons, one of which may be attached to each battalion of the regiment. In practice they leap-frog behind the regiment so as to ensure continuity in repair work. Each workshop platoon has several trucks used mainly for carrying spare parts or bringing them from the rear. The company also has a breakdown platoon which can bring stranded tanks to the workshop company or to some place from which they may be sent back by rail for more extensive repairs. In addition to these platoons, the company has an armory and a signals repair shop.

c. Trucks for Spare Parts

The light column of the tank battalion also has two trucks specially detailed to carry spare parts, more particularly the heavy and bulky components.

d. Workshops Behind the Lines

If suitable workshops exist behind the lines or in occupied territory, they are frequently used to save the transport and reduce volume of railway traffic. The necessary staff and equipment are brought from Germany.

3. CONCLUSION

Without this careful organization of the repair and maintenance service, it would have been impossible for German motor vehicles to cover the tremendous distances and achieve the unparalleled successes they did in the recent campaign.
SITUATION REPORT

I. Western Theater of War.

Air: German. The naval center of Portsmouth was attacked, as were Exeter, Tynemouth and St. Eval.

British. New Stirling Bombers and new high explosive bombs were used in the attack on Berlin. Normal operations over northwestern Germany and occupied France.

II. Balkan Theater of War.

Ground: Yugoslav Front. The Yugoslav High Command was reported by Berlin to have surrendered unconditionally at 9 P.M., April 17, effective noon April 18.

Italian troops of the Second Army, advancing from Spalato, occupied Ragusa, Yugoslav port.

Greek—Albanian Front: German High Command reports capture of 17,000 prisoners. Italian troops have captured Argirocastro and Perati. British communiqué reports "a gradual withdrawal to a shorter line of defense."

Air: German attacks on shipping in the Gulf of Eleusis were made. British air attacks were made at Cyrenaica on enemy concentrations.

III. North African and Mediterranean Theaters.

Ground: Patrol activities continue in the Tobruk and Sollum areas, with no marked change in the situation.

Air: British planes inflicted damage in raids on Derna and Tripoli and German planes attacked shipping at Tobruk.
Bucharest, filed April 17, 1941.

Reports indicate that Hungarian troops are being moved toward the Russian frontier.

Up to now at least 17 German divisions of all types and 3 air divisions have moved into Bulgaria from Rumania. Large bodies of troops are continuing to reach Rumania from the north. The obtaining of accurate military information is becoming more and more difficult.

RATAY

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- Secretary of Treasury
- Under Secretary of War
- Assistant Chief of Staff, G-2
- War Plans Division
- Office of Naval Intelligence
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LONDON, filed 16:30, April 12, 1942.

In reference to your cable of March 19, 1942, British Air authorities approve training seven United States officers on the following plan:

1. Two officers to attend the Air Armament School, with eight weeks' training as Air Observers, six as Air Gunnery and three as Bombing Leaders.  

2. No special gunnery school is maintained for fighter pilots, but the British authorities recommend that three officers be sent to the Air Armament School for the six weeks' Air Gunner course after which they should take six weeks' course for Gunner Leaders, and finally six weeks at the Fighter Operational Training Unit. If this training period is considered too lengthy they could attend the six weeks' Fighter Operational Training Unit course alone.

3. Two officers to attend the General Reconnaissance School for ten weeks, followed by eight weeks at the Operational Training Unit.

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Assistant Chief of Staff, O-2
War Plans Division
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Sofia, filed 17:40, April 14, 1941.

Air bombardment of Sofia lasted for three hours last night. The oil tanks were utterly burned. Railways and trains of ammunition in the vicinity of the railroad station were bombed. The explosion of the bombs lasted for a period of eight hours. Many Sofia buildings were damaged but not seriously in an area of five square blocks. There is no information as to the number of the casualties. The Bulgarians are sending their women and children out of the city by the thousands. Will submit further details as information reaches us.

JANUS

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Paraphrase of Code Cablegram
Received at the War Department
at 15:37, April 19, 1941.

Sofia, filed 15:50, April 15, 1941.

The Yugoslav Army surrendered to the Germans on the 16th,
according to a statement by the Bulgarian Foreign Minister to the
American Minister on the 15th. He also says that the British and
Greeks are making a rapid retreat. The Bulgarians do not want to
fight their neighbors.

JANIN

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Paraphrase of Coded Telegraphs
Received at the War Department
at 1200, April 20, 1943

London, filed April 20, 1943.

1. British Air Activity over the Continent.
   a. British April 15.

   Pursuit squadrons performed three missions over the Eindhoven,
   and Nijmegen areas. A direct hit was scored on one Axis freighter
   off Erecht and no kite craft were attacked off Dover, England. Fires
   were observed after a bombing attack on Charleroi.

   b. British April 14-17.

   In a raid by 120 heavy British bombers over Bremen, despite
   poor observation, a number of fires were seen to have been started.
   Fifteen planes were engaged in mining missions and a small number
   operated over Hanover.

2. German Air Activity over Britain.

   Major German raids took place over Portsmouth with minor
   activities in Sussex, Anglia, Hampshire, Yorkshire, and Lincolnshire.
   No results were reported from action of night fighters.

   b. British April 17.

   Five bombers operated over England without damage having
   been reported. Other operations were limited to minor sea patrols and
   strong defensive protecting of the Dover-Calais area.

   c. British April 16-17.

   Four hundred fifty German planes took part in the attack
   on London with 60 additional over the rest of Great Britain. Serious

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Regraded Unclassified
fires were reported in the Air Force supply depot and the British Broadcasting Corporation Building. Elsewhere, docks and war products factories were only lightly damaged. However, destruction from high explosives and incendiary bombs among civilian buildings and residential districts were very heavy as were also civilian casualties. The only mission of the raid was indiscriminate destruction and an effort to terrify the population.

3. Air Losses, British Theater.

a. British

(1) Daylight April 17.

No British planes were reported lost.

(2) Night of April 16-17.

One British plane was shot down over Germany and two brought down by German pursuit ships over Britain.

b. German

(1) Night April 16-17.

One German plane crashed in raids over England.

(2) Daylight April 17.

Two German planes were shot down.

4. British Air Activity, Middle East Theater.

c. Missiles

(1) Daylight April 17.

Enemy airfields at Derma, El Adem, and Cyrenaica, and motor convoys in the Bardia sector were the targets of the repeated attacks from units based in Egypt. Tripoli was again bombed from Malta bases.
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b. Source

Many hits were observed in British raids on German columns on the Ploesti-Ramna road.

f. Night of April 15-16.

In the naval action off the Eastmarch Islands (close in to the Tunisian Coast) three Italian destroyers escorting the convoy were sunk by British naval forces together with five freighters, totaling 20,000 tons. Two of the freighters were carrying troops, one ammunition, and two motor transport. One British destroyer was lost.


In an attack by ship-based planes on Valona harbor, Albania, the British sank a 7,000 ton freighter loaded with ammunition and scored direct hits on a 6,000 ton supply ship.

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CONFIDENTIAL
Budapest, filed 19:28, April 17, 1941.

1. I am not of the opinion that the "Tank-Air" team was primarily the cause for the rapid victory of the German Army over Yugoslavia. The principal reason for the German success was the incomplete mobilization and concentration of the Yugoslav Army.

2. According to the Yugoslav Military Attaché in Budapest, only two Yugoslav "Frontier" divisions were available along the Bulgarian frontier to resist the attack of nine German divisions. It is presumed that in this attack the German "Tank-Air" team was normally effective.

3. Hungarian troops completed the occupation of the Mureșes district and the Drave-Tisza triangle on April 15th, but it would seem that there are some complications in the latter area.

4. The following Hungarian Army Corps are mobilized:

   VI
   VII
   VIII
   IX (probably)

5. There are regular troops stationed in the Carpathian fortified line, facing Russia. This line is being continued southward to Feocani in Rumania.

6. I have observed German troops stationed in many places.

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in central Hungary. The rail transport of further German units continues. There is a parachute battalion at Debrecen.

PARTRIDGE

Distribution:
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Secretary of Treasury
Under Secretary of War
Assistant Chief of Staff, G-3
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CONFIDENTIAL

Paraphrase of Code Radiogram
Received at the War Department
at 20:41, April 18, 1941.

Bars, filed April 18, 1941.

Forces of the German Army now stationed in Italy and
Africa are stated by reliable sources to be as follows:

Libya - 6 divisions
Sicily - half division
Sardinia - half division
Italy - one division
Total - 170,000

Units of the German Air Force remain as previously re-
ported. Various staff specialists of different sorts are scattered
all through Italy. Also various special units.

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Bam, filed 23:47, April 19, 1941.

The Axis offensive in the North African area is definitely at a standstill, according to German sources of information in Bam. The offensive will not be started again with such forces as are at present on hand. The convoy which the British sank on the sixteenth of this month was loaded entirely with German matériel but did not include any tanks. German reports that the British had left their own war vessels. The mistake was made by German reconnaissance planes, and the Germans themselves now admit this.

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London, Filed 10:39, April 16, 1941.

The following is a result of a visit by Stalin to the

Stalin Command, April 17:

1. By instructions of the Prime Minister, but contrary
   to the judgment of Air Force commanders, bombing effort is
   being concentrated in support of the Battle of the Atlantic.
   The two German sister battleships, the GNEISENAU and SCHARNHORST,
   lying in Brest harbor, have for this reason been given first
   priority as a target, as well as the ports of Bermuda, Helg,
   Lorient and Brestin in other units, all submarine bases and
   ships. No target in our area, not even Helg, Brest or
   Lorient, has been subjected to even half the number of bombs
   that have been aimed at the two battleships alone.

III.

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SECRET
London, filed 15:30, April 18, 1941.

EXTRACT

Comments on the general situation by the Military Attaché:

It is the opinion in this office that the British forces in Egypt have an even money chance to hold that country against the attack now being made against them. The chances of the combined Greek and British forces in Greece are bad and, barring wholly unexpected happenings, the British must soon make their choice between sacrificing all troops now in that country or carrying out an evacuation.

LEE

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Cairo, filed April 17, 1941.

1. High British Army authorities in Egypt have no doubt of their final success but expect that it will not be easily had and it will be much facilitated by the early arrival of pursuit and transport planes, tanks and other armament. The danger to Alexandria and the Suez Canal has been much aggravated by the German-Italian attacks in Libya. If Axis forces try to take Egypt from the west, their supply by sea can be rendered difficult by the British Navy, but it will face a crucial test.

2. Army authorities here are of the opinion that the initial momentum of the Axis advance is dissipated. The German and Italian forces in the vicinity of Tobruk do not any longer constitute a danger to Cairo unless they are reinforced. General Wavell is of the opinion that the German Army cannot advance within 100 miles of Cairo within the next 60 days. It is considered beyond question that the German Air Forces and Army in Libya will be reinforced anticipating operations against Egypt but, at the same time, Australian and Indian forces are being strengthened both in men and armament.

3. Ten German officers and 200 soldiers were captured during the most recent operations and 20 German tanks were captured and 100 were killed.
4. The morale and fighting spirit of the British Forces in the Western Desert and the Australian troops in Tobruk is excellent.

5. British success in Egypt is in some part contingent on the interruption of Axis sea-borne supply lines between Libya and Sicily by the Royal Navy. Present responsibilities of the Navy at Malta, Crete and in the Aegean have extended the Navy to its maximum. The evacuation of British forces from Greece will constitute an additional serious problem. In the event that operations in Africa become of even more threatening proportions, some other naval missions will necessarily have to be lightened in order to interrupt Axis communications north of Tripoli. This will involve certain risk of loss.

6. As the situation is at present, Axis forces and supplies are widely extended in the advanced areas in Northern Africa, but British Military Intelligence is not sure of the situation further to the rear.

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