

PERSONAL  
AND SECRET

BRITISH EMBASSY,  
WASHINGTON, D.C.

7th June, 1941.

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,

*Halifax*

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

Telegram from London dated 8th June, 1941.

1. Naval.

During May 5548 tons cargo destined for enemy seized in prize; total seizures since the beginning of the war to the end of May 784,759 tons.

2. During the week ending 11th May imports in convoy exceeded 1 million tons again.

3. Ex. Dutch mine-layer Van Meerlant 690 tons sunk by mine Thames Estuary a.m. the 4th.

4. Military. Iraq.

Our troops reached Mosul morning of the 3rd gained touch with battalion of troops flown from Habaniyah.

In Bagdad demonstrations included considerable looting and civilian casualties.

Situation restored by 2 Iraqi battalions from Kirkuk. June 2nd, our troops continued advance N. West of UR without incident; tribes reported generally friendly; roads this area bad, flooded, unfit for mechanical transport. June 3rd, O.C. Iraqi troops Qurna received orders to cease hostilities and return peaceably to stations.

5. Ethiopia.

In the battle of the Lakes 5772 Italians, 12010 natives, much material including 14 tanks, 7 armoured cars and 85 guns captured. Debareyi twice changed hands, remained ours. Our troops still having difficulty crossing the flooded Omo river. Small bridge-head formed at one place.

E./

- 9 -

6. Royal Air Force.

During daylight of the 4th four direct hits on 5000 ton merchant vessel west of Egersund. 12 bursts observed on the Mole Zebrugge, 500 ton cargo vessel hit.

7. Daylight 4th. Three enemy aircraft destroyed; 3 probably destroyed, 6 damaged. Three Spitfires lost, 1 pilot safe.

8. Tobruk.

4 enemy aircraft destroyed during attack on anti-aircraft positions.

9. Royal Air Force bombed Benghazi night of the 2nd/3rd June. 3 enemy aircraft destroyed on the ground.

10. June 3rd. Royal Air Force from Malta attacked convoy escorted by six destroyers, destroyed one ship 8,000 tons, hitting another 5,000.

11. Maryland destroyed Italian seaplane on the water near Cephalonia.

12. German Air Force.

Enemy daylight operations over the United Kingdom slight, night of the 4th/5th bombing scattered, Birmingham, Medway, principal targets; no important damage. Two bombers destroyed.

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The Honourable

Colonel F. Knox,

Secretary of the Navy,

Navy Department,

Washington, D.C.

Telegram from London dated 5th June, 1941.

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2. During the week ending 11th May imports in convoy exceeded 1 million tons again.

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RESTRICTED

G-2/2657-220; No. 411 M.I.D., W.D. 12:00 M., June 7, 1941

SITUATION REPORTI. Western Theater.

Air: German. Minor attacks on the English Channel coast.

British. Raids around Calais.

II. Mediterranean and African Theaters.

Ground: North Africa. Slight artillery and patrol activity reported.

East Africa. British forces advancing on Jimma (Gimma) in southwest Ethiopia have crossed the river Omo and occupied Abalti.

Air: Axis attacks on Tobruk and Malta.

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105

Paraphrase of Code Cablegram  
Received at the War Department  
at 11:37, June 7, 1941

London, filed 16:50, June 7, 1941.

1. British Air Activity over the Continent

a. Day of May 6. Royal Air Force activity was on a small scale. Shipping was unsuccessfully attacked off Cherbourg.

b. Night of June 5 - 6. No planes were dispatched during this night. ✓

2. German Air Activity over Britain

a. Night of June 6 - 7. German operations were unimportant. Principle targets were shipping around North Scotland, the Straits of Dover, Bristol Channel, and Lands End. In the south of England ten planes made scattered appearances along the coast.

b. Day of June 6. The only German activity reported was a single plane which made extensive reconnaissance around London and the Midlands.

c. Night of June 5 - 6. The number of planes involved in the previously reported operations is now established as thirty long range bombers. ✓

d. Day of June 5. The number of planes involved in the previously reported operations are now set at fifteen reconnaissance planes and an equal number of long range bombers.

3. Aircraft Losses. British Theater.

No losses of any kind were reported. ✓

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INFORMATION COPY

4. British Air Activity, Other Theaters.

a. Middle East Theater. The Royal Air Force engaged in successful bombing and reconnaissance activity on a small scale throughout this theater.

LEE

## Distribution

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State Department  
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Under Secretary of War  
Chief of Staff  
Assistant Chief of Staff, G-2  
War Plans Division  
Office of Naval Intelligence  
Air Corps  
Assistant Chief of Staff, G-3

**Purchase of Code Sublogram  
Received at the War Department  
at 07:34, June 8, 1941.**

London, filed 09:00, June 8, 1941.

The remains of a Heinkel HE-111 which is believed to have crashed around May 27 was found in Iceland by the English on June 4.

1. British Air Operations over the Continent.

2. Night of June 7-8. Seven Wellingtons plus an equal number of Stirlings bombed the Brins Haven at Brest. Each plane carried 3.2 tons of bombs but what demolition was accomplished has not been reported.

3. Day of June 7. Bombers from the Royal Air Force scored direct hits on two 5,000-ton vessels off Toul and another off Amiens.

4. Night of June 6-7. No planes were dispatched from Great Britain during this night.

5. German Air Activity over Britain.

6. Night of June 7-8. German operations were on a small scale and their air force was mainly occupied with mine laying off the coast of North Scotland, Shetland, Devon and Cornwall, and also raids on shipping in the same area.

7. Day of June 6. It is now established that the number of German planes involved in the previously reported attack on this date involved 25 long range bombers and 10 reconnaissance planes.

8. Night of June 6-7. The number of planes involved on this night were 29 GNR (also some bombers ?) and 10 mine laying aircraft.

9. Aircraft Losses, British Theater.

No losses of any kind reported.

4. British Air Activity. Other Theater.

2. HEALE East Theater. During the day of June 6, the Royal Air Force continued small bombing raids and reconnaissance flights throughout this theater.

5. Axis Air Activity. Other Theater.

2. Western Theater. During the day of June 7 and night of June 6-7, 22 Axis planes made raids at regular intervals on White. The attacks centered on airports.

END

## Distribution:

Secretary of War  
State Department  
Secretary of Treasury  
Under Secretary of War  
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War Plans Division  
Office of Naval Intelligence  
Air Corps  
G-3

BRITISH EMBASSY,  
WASHINGTON, D. C.

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Very sincerely yours,

*Frank B. Rowley*

The Honourable,

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

DATED JUNE 4th, 1941

NAVAL

Photographic reconnaissance shows German battleship Tirpitz has left Kiel.

2. 4th/5th. Prinz Eugen and Battle cruisers; sighted Brest.

3. Daylight of 3rd in territorial waters outside Sfax harbour one enemy merchant vessel of 8,000 tons hit by four bombs blew up, ships in the same convoy damaged by falling debris. June 2nd/3rd second ship hit with four bombs.

4. A.M. June 3rd, Dutch merchant vessel torpedoed about 500 miles off the Azores.

5. Military. Egypt. No change.

Second reconnaissance reported 24 enemy medium tanks approaching Halfa from the west.

6. Abyssinia.

Enemy have withdrawn from the bridges over the Romo but are keeping them under artillery fire. General Palermo and remnants of the Italian 24th Division 10 miles South West of Soddu have refused to surrender.

7. Iraq. Our column arrived at Mosul.

8. Royal Air Force.

Night of 2nd/3rd. 127 tons of H.B. and 13,000 incendiaries dropped on Dusseldorf, both here, and at Duisburg large fires started further results not observed owing to bad weather. Over Berlin conditions better although objectives difficult to locate owing to searchlights, large fires caused.

- 2 -

9. 3rd. During the daylight sorties over the French coast, enemy column with transport machine gunned, trawler sunk off Dunkirk direct hits scored on aeroplane factory at Havre.

10. German Air Force.

June 3rd/4th. About 120 enemy aircraft plotted, 2 destroyed.

11. Libya. Tobruk June 2nd.

30 hostile aircraft attacked anti-aircraft positions. Three destroyed.

12. Syria. June 2nd.

A monoplane believed French attacked a company constructing road on Trans-Jordan side on Syrian frontier.

June 9, 1941

## MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

On Saturday, June 7, about 8 p.m. Washington time, you called me on the telephone and indicated that you wished to have a comparison made of the volume of business, net profits and Federal taxes of certain groups of corporations, for the base period years 1936 through 1939 and the year 1940. The groups of corporations were to include corporations engaged in shipbuilding, construction of airplane engines and other war orders, and also industries not engaged in filling defense contracts. You mentioned the profits figures published in the monthly bulletin of the National City Bank as an example of what you had in mind and asked that these figures be examined as a first step.

I indicated that earlier in the year we had done some work of this kind for specific corporations. You said that at this time your purpose was not to compare specific corporations but groups of corporations so that the figures could be made public. You said one of your purposes was to give out figures on different groups of corporations at successive press conferences.

In response to a question, I said I thought the figures would show that the Federal taxes had increased and constituted a larger proportion of net profits in 1940 than in the previous years but that for most industries the corporations would have more profits left after taxes in 1940 than in such previous years.

You indicated that no work should be started at the office on this assignment until Monday, June 9, and asked me to submit for your diary a memorandum of the telephone conversation.

RB

Corporation net income after Federal income and excess profits taxes, 1940, compared with average 1936 - 1939, by industrial groups 1/

For corporations for which excess profits tax returns are available

(Money figures in thousands of dollars)

Industrial group	Number of corporations	Net income after Federal income and excess profit taxes 1/		Percent increase 1940 over average 1936 - 1939
		Average 1936 - 1939	1940	
Construction:				
General contractors	26	3,963	4,869	22.9%
Special trade contractors	7	961	606	- 36.9
Manufacturing:				
Aircraft and parts	5	4,036	19,078	372.7
Automobiles and trucks, including bodies and industrial trailers	6	766	1,890	146.7
Automobile parts and accessories (except electrical) and trailers for passenger cars	20	7,906	9,445	19.5
Electrical machinery:				
Communication equipment and phonographs	4	489	794	62.4
Electrical appliances	4	300	455	51.7
Electrical equipment for public utilities, manufacturing, etc.	23	4,345	5,157	18.7
Other electrical machinery equipment and supplies	5	296	813	174.7
Electrical machinery not allocable	3	596	732	22.8
Industrial chemicals (except plastic materials)	23	8,989	9,478	5.4
Iron and steel:				
Blast furnaces, steel works and rolling mills	14	2,136	4,312	101.9
Cutlery, tools (except machine tools) and general hardware	18	2,684	3,277	22.1
Fabricated structural steel and ornamental metal works	9	1,373	1,671	21.7
Heating apparatus (except electrical) and plumbers' supplies	30	5,099	6,538	28.2
Tin cans and other tinware	5	17,447	17,672	1.3
Other iron and steel products	104	12,240	18,184	48.6
Iron and steel products not allocable	4	236	514	117.8
Locomotives, transit cars and equipment	2	575	607	5.6
Metal working machinery, including machine tools	43	6,006	13,444	123.8
Petroleum refining	11	14,533	9,092	- 37.4
Ship and boat building and repairing	1	219	311	42.0

Treasury Department, Division of Tax Research

June 16, 1941

1/ Excess profits taxes include declared value excess profits tax as well as the excess profits tax under the 1940 Act.

## Corporation profits and Federal income and profits taxes, 1940, compared with average 1936-1939, by industrial groups

For corporations for which excess profits tax returns are available

(Money figures in thousands of dollars)

Industrial group	Number of corporations	Net income before Federal income and excess profits taxes 1/			Federal income and excess profits taxes 1/			Net income after Federal income and excess profits taxes 1/		
		Average 1936-1939	1940	(Percent increase 1940 over average 1936-1939)	Average 1936-1939	1940	(Percent increase 1940 over average 1936-1939)	Average 1936-1939	1940	(Percent increase 1940 over average 1936-1939)
<b>Constructions</b>										
General contractors	26	4,757	6,001	26.2%	794	1,132	42.6%	3,963	4,869	22.9%
Special trade contractors	7	1,189	799	- 32.8	228	192	- 15.8	961	606	- 36.9
<b>Manufacturing</b>										
Aircraft and parts	5	4,650	25,857	456.1	614	6,779	1,004.1	4,036	19,078	372.7
Automobiles & trucks, including bodies & industrial trailers	6	1,004	2,855	184.4	238	965	305.5	766	1,890	146.7
Automobile parts & accessories (except electrical) & trailers for passenger cars	20	9,452	14,336	51.7	1,546	4,891	216.4	7,906	9,445	19.5
<b>Electrical machinery:</b>										
Communication equipment and phonographs	4	609	1,101	80.8	120	307	155.8	489	794	62.4
Electrical appliances	4	376	660	75.5	76	205	169.7	300	455	51.7
Electrical equipment for public utilities, manufacturing, etc.	23	5,390	7,354	36.4	1,045	2,197	110.2	4,345	5,157	18.7
Other electrical machinery equipment and supplies	5	397	1,107	178.8	101	294	191.1	296	813	174.7
Electrical machinery not allocable	3	719	1,008	40.2	123	276	124.4	596	732	22.8
Industrial chemicals (except plastic materials)	23	10,636	13,047	22.7	1,648	3,570	116.6	8,989	9,478	5.4
<b>Iron and steel:</b>										
Blast furnaces, steel works and rolling mills	14	2,633	6,564	149.3	497	2,251	352.9	2,136	4,312	101.9
Outlay, tools (except machine tools) and general hardware	18	3,195	4,417	38.2	511	1,140	123.1	2,684	3,277	22.1
Fabricated structural steel & ornamental metal works	9	1,685	2,338	38.8	311	668	114.8	1,373	1,671	21.7
Heating apparatus (except electrical) & plumbers' supplies	30	6,184	9,348	51.2	1,084	2,810	159.2	5,099	6,538	28.2
Fin cans & other tinware	5	20,976	24,609	17.3	3,529	6,937	96.6	17,447	17,672	1.3
Other iron & steel products	104	15,025	27,082	80.2	2,785	8,898	219.5	12,240	18,184	48.6
Iron and steel products not allocable	4	323	732	126.6	87	218	150.6	236	514	117.8
Locomotives, transit cars and equipment	2	702	863	22.9	127	255	100.8	575	607	5.6
Metal-working machinery, including machine tools	43	7,438	23,508	216.1	1,432	10,064	602.8	6,006	13,444	123.8
Petroleum refining	11	15,778	10,612	- 32.7	1,245	1,520	22.1	14,533	9,092	- 37.4
Ship & boat building & repairing	1	263	477	81.4	44	165	275.0	219	311	42.0

Treasury Department, Division of Tax Research

June 16, 1941

1/ Excess profits taxes include declared value excess profits tax as well as the excess profits tax under the 1940 Act.

Regraded Unclassified

June 9, 1941  
9:30 a.m.

## GROUP MEETING

Present: Mr. Sullivan  
Mr. Foley  
Mr. Cochran  
Mr. Graves  
Mr. Odegarde  
Mr. Gaston  
Mr. Haas  
Mr. Thompson  
Mr. Schwarz  
Mr. Kuhn  
Mr. White  
Mr. Bell  
Mrs. Klotz

H.M.Jr: I only bothered White and Blough over the week-end, that was all. I didn't call anybody else. That is pretty good.

For heaven's sake, who brought you (Odegarde) in Monday morning?

Odegarde: I forgot to go home.

H.M.Jr: Too hot to go home?

Odegarde: I forgot to go home.

Graves: He is a regular hand now.

H.M.Jr: Is he?

- 2 -

Graves: He is a full time hand.

H.M.Jr: Does he belong to the CIO?

Graves: I don't know which branch.

H.M.Jr: Well, who wants to see me the least or the worst this morning?

Bell: We ought to discuss that State Department memorandum.

H.M.Jr: That bores me.

Bell: It bores me, too, but then I think it has got to be done. I think you and the Secretary of State ought to see the President. They go up tomorrow, and they want to mention something about it.

H.M.Jr: How long are you going to be here today, Peter?

Odegarde: I will be here all day.

H.M.Jr: Well, Bell, if I see you at ten-thirty?

Bell: That is all right.

H.M.Jr: And then are you (Kuhn) ready?

Kuhn: I have a speech, yes.

H.M.Jr: Eleven o'clock?

Kuhn: Right.

H.M.Jr: Do you like it?

Kuhn: I will leave that to you.

- 3 -

H.M.Jr: Is Odegarde coming in, too?

Kuhn: At eleven? Yes. He has seen it.

H.M.Jr: Oh, he has seen it?

Kuhn: I would like to have him here.

H.M.Jr: Would you please?

Odegarde: Yes.

H.M.Jr: Well, that takes care of the morning. I can't do anything else besides that. When am I going to get together with you, Harry?

White: At your convenience.

H.M.Jr: I mean, when will you be ready on that? I can't hear. My ears are all stopped.

White: This afternoon would be preferable.

H.M.Jr: About three-thirty?

White: That will be fine.

Dan, when is the hour on this Hopkins stuff?

Bell: Whenever you are ready.

White: Let's make it eleven-thirty.

H.M.Jr: Harry, if you stay behind a minute, I would like to talk to you and Mrs. Klotz a minute right afterward, please.

I personally picked sixty-three crates of strawberries yesterday.

Sullivan: Crates?

- 4 -

White: You mean you picked them up?

Blough: Crates?

H.M.Jr: The pickings are good. I mean, the price is high so I didn't bring any down. Next week I expect the prices will be low, and I will bring you all some. They are bringing seventeen and eighteen cents a quart and I can't afford to give them around now. (Laughter)

Herbert?

Gaston: Mr. Maxwell caused to be introduced last week a very interesting bill in the House of Representatives to provide for a license for everybody who deals in war materials or supplies that can be made into war materials. It establishes additional control by Executive Order over the mails, over air carriers. It doesn't mention the Administrator of Export Control, but since it originates in his shop, apparently he has some intentions in that direction.

I - we are trying to find out whether it was ever approved by any of the other agencies of the Government, the State Department or the Budget.

H.M.Jr: Do you want to ask the Budget whether they approved it?

Gaston: Did you yet?

Foley: Yes. Apparently not. When Maxwell was down before the Committee, Faddis asked him if he had all the powers he needed, and he said no; so he pulled the bill out of his pocket and handed it to Faddis and Faddis introduced it. Apparently that is the genesis of it. We have been asked for a report by the Budget and we will --

- 5 -

Gaston: You have been asked for a report?

Foley: Oh yes, we got that request for a report. Justice doesn't seem to know anything about it.

H.M.Jr: Well, why should I worry about it?

Gaston: Nothing to worry about. It is just interesting information.

H.M.Jr: Herbert --

Gaston: He is covering an awful lot of territory.

H.M.Jr: That information you sent me about certain increased activities of Secret Service?

Gaston: Yes.

H.M.Jr: I would like to be kept posted on it.

Gaston: All right, yes. Then also for your information, Maxwell has an Executive Order pending which would prohibit transactions with Germany, Italy, or any country controlled by them or a citizen of or domiciled in those countries and prohibit collaboration with them.

The Administrator of Export Control is to determine what country or areas are under their control.

Another feature of it is that residue cargo that comes into our ports to be subject to export control.

H.M.Jr: I expect the telephone to ring any minute from Cordell Hull.

"What do you mean by giving all that information to Kintner and Alsop?" Did you see the one yesterday?

- 6 -

Foley: Yes.

H.M.Jr: Did you see it? Get it, the one that is yesterday. So I will say, "Well, I haven't talked to them for three months." I haven't either. It is terrible.

Bell: He had one this morning, too.

Foley: Did you see the one this morning?

Gaston: It says that an American destroyer dropped depth charges on a German submarine.

H.M.Jr: They must have got that from Frank Knox or somebody.

Schwarz: The Navy has been sitting on that story for more than a month.

Foley: They are going to wind up their column.

H.M.Jr: I imagine at the speed at which they are going that they are going to wind up. (Laughter)

Foley: Yes.

H.M.Jr: They take a dig at everybody.

Klotz: What are they going to do?

H.M.Jr: One is going to the Army and one for the Navy.

Foley: Joe has been accepted for the Navy. Bob says he was examined pretty thoroughly out at Walter Reed and everybody assures him that he is O.K. but that he hasn't actually been cleared officially yet.

H.M.Jr: Who is that?

Foley: Kintner. He is the one for the Army. They

- 7 -

are both going into Intelligence. Joe won't be here. He will go out around the country but Bob expects to be located here.

Gaston: Justice Department is now keenly interested in Coast Guard acquiring the Bureau of Marine Inspection and Navigation. Sam Smith of Justice has been buzzing around about it. That is also for your information.

The Danish Minister is coming in this morning to try to dicker on the training ship Danmark.

H.M.Jr: What does he want it for, a summer residence?

Gaston: No, no, Waesche wants to buy the training ship Danmark for the Coast Guard. You remember the President - they made an informal - had a sort of an informal agreement on the price. The President says it is too high. All I can do is tell them I will see what I can do.

H.M.Jr: Anything else, Herbert?

Gaston: Waesche succeeded in arriving at a compromise with the Navy people on those anchorage regulations so they won't press their bill, but will agree to another one that we agreed to in the first place.

H.M.Jr: All right?

Gaston: Yes. We are still holding some French ships, awaiting the decision of the State Department.

H.M.Jr: Who gets the French wines on the Normandie?

Gaston: Well, I think the Maritime Commission will get those if they requisition the boat.

H.M.Jr: Have you got Coast Guard guards on them now? (Laughter)

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- 8 -

Gaston: I don't know whether there will be any.

Bell: Any left?

Gaston: The French Line, of course, will have the wines and they will have to keep them or import them.

H.M.Jr: Or? (Facetiously)

Are there Coast Guard men on there now?

Gaston: I understand they have been very generous. I haven't been aboard.

H.M.Jr: All right.

Ed?

Foley: We got clearance from ASCAP on our song, so I think we are all right.

H.M.Jr: When do we put on the show, showman? I am looking at --

Graves: Mr. Kuhn is running the show.

H.M.Jr: What?

Kuhn: Would you like to have a show? In the building?

H.M.Jr: Well, I thought you wanted to launch it.

Kuhn: Well, they tell me that that is difficult, that if you want to do it right you have to have a band, and it would be better not to have any at all than to have the wrong kind of thing. There could be a little one here in the building.

H.M.Jr: A little band?

Kuhn: With a piano and a little presentation, if you want one, but I don't think it is necessary.

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I think it would be just as good - Berlin will be down here tomorrow afternoon. He is having dinner at the White House. He might be able to stop in late in the afternoon and just present this to you.

H.M.Jr: I don't care. I thought that you wanted to for his sake. Where will it be played first and all that?

Kuhn: It will probably be played first on the air and also have a movie made.

H.M.Jr: Well, you handle it. I mean, I am not going to --

Kuhn: My suggestion is not to have a show, simply to have a simple presentation of the thing and you thank him for it and then leave it to the Defense Savings people to put it on in whatever way they want. Is that all right with you?

H.M.Jr: Sure. But if you want a band, I can get you a band easy enough. That, you know, takes quite awhile, to orchestrate it.

Kuhn: Yes.

H.M.Jr: But I will leave it with you.

I called up Roy Blough and - has he told you what I want?

Sullivan: Yes, sir.

H.M.Jr: I want to tell the crowd. I want Roy Blough to give me - and then after we get it - some of us will get together and talk about it, but I want to take the different industries, both defense and non-defense, and I told them for a better grouping to use the grouping of the National City Bank - because airplanes are up,

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let's take the airplane industry - and go back to '36 through '40, how much money did they make or lose in each year and how much taxes did they pay. I can announce publicly what the result is, the total as a group, you see.

Sullivan: That is right.

H.M.Jr: And the thought that I had in mind is twice a week - I mean, have a group for each of my press conferences and at every press conference I would announce, "Well now, here is another group. This is what the situation is," and keep pounding and pounding and pounding until I get somewhere.

Every time simply give it out. "Here is from '36, gentlemen, each year through until '40. There are ten airplane companies. This is what their profits and losses have been as a group and this is what they paid in '40."

And take the packing industry and the automobile industry and the steel industry and do one right after another.

Foley: Insurance companies?

H.M.Jr: Sugar Companies?

Foley: Insurance companies.

H.M.Jr: Insurance companies, different ones.

Foley: They don't pay any taxes at all.

H.M.Jr: And just go through it. Twice a week have a different group.

And then I want you to find out, Chick- I mean,

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I want to see the stuff and then we will have a talk about it - I want you to work up a form with Callahan on the radio so that this thing would be prepared and a telegram would go to every radio station giving them this stuff, because I won't get any breaks in the newspapers but I might over the air. The newspapers may not carry it at all.

White: I think it is a good idea, but I think it would be desirable to have laid out before you before you give the first announcement, at least three, four, or five announcements in advance so you will know whether it is going to show what you think.

H.M.Jr: Don't worry. I would like at least a half dozen industries.

Sullivan: Yes, I think that is very desirable.

H.M.Jr: I would like a half dozen industries to see where I am leaping, but when we get them we will have a little round table talk, but I would like to push on that. Will you please?

Blough: It will take a little time.

H.M.Jr: I am going to give Mr. Roosevelt the first opportunity to see whether he wants to do it. I am going to put it on his table first and say, "Would you like to do it, would you like to give a speech on it?"

He may say, "Oh no, I wouldn't deprive you of that pleasure." But I am not going to sit in this chair - and Roy, if you don't know this economist for the CIO, I wish you would get acquainted with him. I will tell you how you can get his name. Ask Stephens who the man was who accompanied Phil Murray when

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he came in to see me.

White: I know the fellow.

H.M.Jr: You know him?

White: Yes.

Blough: What is his name?

White: Metzler.

H.M.Jr: He has been writing that tax stuff for their monthly bulletin.

Sullivan: It has been very good.

H.M.Jr: See? He is a very attractive fellow anyway.

White: He is a nice fellow.

H.M.Jr: I don't hear you.

White: He is a very nice fellow.

H.M.Jr: He is a very attractive fellow. I met him two years ago out at dinner. But he has been writing that stuff for the bulletin and you may find that the A. F. of L. has a tax man also. I don't know him, but this man is a - do you know him, Harry?

White: This man is in charge of their bulletin, the man that I am speaking of. I don't know the A. F. of L. man.

H.M.Jr: A very attractive fellow about thirty.

White: The CIO fellow?

H.M.Jr: Yes. What is his name?

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White: Metzler.

H.M.Jr: Before we do anything we will sit down. Because I will also give the President the first chance and Doughton the second.

Sullivan: Well, I guess you will make the speech.

H.M.Jr: All right.

Sullivan: They are having some difficulty in --

H.M.Jr: You will have to talk louder. I have never had my ears stopped up so badly.

Sullivan: They are having difficulty in the Collector's office in Hawaii. There are thirty-nine employees there and eleven of them are eligible for induction into the service. They have had one or two vacancies that they haven't been able to replace because there is absolutely no unemployment in the Island and the Collector has written to Commissioner Helvering asking that his eleven men not be subject to induction for one year and Helvering has recommended that that be - that deferment be granted for one year.

He says they just can't get anybody out there to take the place of these men.

H.M.Jr: How many men?

Sullivan: There are eleven who are subject to the draft out of the thirty-nine. This comes up on one man being ordered to report, but they are looking --

H.M.Jr: What do you mean, they can't get any men.

Sullivan: They say that there is no unemployment, that they can't get anybody of the standing of a

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deputy collector that they are --

H.M.Jr: Can't we ship them out from here?

Sullivan: The only thing that we can do that I can see is pick up some boys in California and send them out there.

H.M.Jr: Well, I won't approve it.

Sullivan: All right. I will suggest that they get some fellows in California and send them out.

H.M.Jr: I am sorry, I won't approve it.

Sullivan: The tax bill took a different turn Friday. Of course, the complaint all along has been that we were --

H.M.Jr: You have got to talk up.

Sullivan: The complaint has been all along that we were taxing too high in the lowest brackets. Of course, the percentage of increase was high, although the actual amount of dollars to be paid was low.

So Friday afternoon we presented a chart showing what people in every bracket, starting at six hundred dollars, pay under the present law, under the new Canadian law, the new British law, then ours, then Stam's and then Eccles'. And having our column next to the British, I think we overdid the job, because although they have been writing me for having them so high, when we came in Saturday morning they got after me for having them so low and wanted to know if I didn't realize there was an emergency on.

Well, it wound up Saturday noontime by their

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asking us if we could work out some kind of a special tax that would go down as low as six hundred dollars, seven hundred dollars on single people, and sixteen hundred dollars on married people.

Now, I feel very strongly that we are down as low as we can go on single people. Anybody who earns around sixteen dollars a week has to pay a tax now. Anybody earning fifteen dollars and a half has to file a return and with - facing the probable increase in the cost of living and realizing that people in those brackets pay a larger proportion of their income in other kinds of taxes, I don't think it is safe to go below that.

H.M.Jr: I agree with you with one proviso.

If you could find a way legally that everybody should pay ten dollars a year - don't shake your head. I mean, you can't do it legally?

Sullivan: Well, go ahead and finish.

H.M.Jr: That is all. What is the present bracket?

Sullivan: Eight hundred on single people.

H.M.Jr: Yes, but they don't pay it. They don't pay anything on the exemptions.

Sullivan: What do you mean, they don't pay anything?

H.M.Jr: How many people in the eight hundred dollar class pay?

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Sullivan: They don't pay anything until they are above eight hundred dollars.

H.M.Jr: Then how much do they pay?

Sullivan: Under this proposal they would start in --

H.M.Jr: No, but now. Supposing they earned eight hundred fifty.

Gaston: Four percent.

Sullivan: Four and four tenths percent.

Blough: They would have to earn eight hundred ninety dollars before they would pay any tax, because of the earned income tax.

H.M.Jr: Then how much do they pay?

Blough: Four percent, so that you would get the ten dollars by the time they had four hundred - no, two hundred fifty. By the time they had two hundred fifty dollars taxable, they would have ten dollars of tax under the present law.

But under the proposed law, it starts right at eight hundred and there would be eleven percent right away surtax and four percent normal tax.

H.M.Jr: Well, I haven't got the time, but I would be very glad to sit down with you any time today.

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I feel that in that bracket they are taxed plenty.

But as I say, if there could be a flat tax of ten dollars starting on everybody that earns eight hundred dollars.

Sullivan: Well, I will go into that and then talk it out with you.

What I wanted to clear with you this morning is, the sentiment in the Committee is so strong now, and I think the Republicans are unanimous in driving this down as far as they can.

H.M.Jr: Yes.

Sullivan: I think that if there is to be a reduction, it should be in the married people.

H.M.Jr: Well, I am perfectly willing to take a public stand that the broadening of the base should be on the corporations that are making excess profits, and we shouldn't broaden the base on the poor working man.

Sullivan: That is right.

Now, I think I may be able to make a trade on this thing by leaving the single people where they are and reducing the married people from two thousand to eighteen hundred.

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- H.M.Jr: I personally would keep out of it. Why do we have to get in on it? Keep your record clean so we can attack them if we want to.
- Sullivan: Well, I just wanted you to know that is the situation.
- H.M.Jr: Well, I would keep out of it.
- Sullivan: You mean just stand pat against any kind of a reduction in the personal exemptions?
- H.M.Jr: Unless you can get a flat tax. I can't do it in three minutes. When do you go up there?
- Sullivan: Ten o'clock. I have got to leave now.
- H.M.Jr: Why don't you just stand on the sidelines? I would stand on the sidelines and see what has happened so that my hands will be free. I can say, "Well, we had no part in this." I mean, if you come out with a tremendous increase on the very poor person with no excess profits, I want to be in the position that the President and I can slam them. So just stand by, will you?
- Sullivan: Right.
- H.M.Jr: So that either the President or I can attack this. "Well, you participated in this thing."
- Sullivan: Well, I will say that we are standing by the present exemptions.
- H.M.Jr: That is all right. Do you agree on that Roy?
- Blough: Yes, sir.
- H.M.Jr: Don't say you do unless you do.

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Blough: I do think we might go down a little on the married exemptions, but it is something that ought to be talked out and, for the time being, it can stand.

H.M.Jr: I would rather stand by, and it would leave me free, than to take part in this discussion up there, John.

Sullivan: Right.

H.M.Jr: Is that all right with you?

Sullivan: Sure. I just wanted you to know the situation.

H.M.Jr: I may want to slam them, and I don't want you to say that you are committed.

Sullivan: No, I am not committed.

H.M.Jr: Then just stand by, will you?

Sullivan: Right.

H.M.Jr: Merle?

Cochran: Phillips wanted to bring Sir Edward Peacock in today or tomorrow, and I told him it wasn't possible today. Could you see him tomorrow?

H.M.Jr: Yes. Give them three fifteen tomorrow.

Cochran: Yes, sir.

That transaction is held up until after you have seen him.

H.M.Jr: It is all right.

Bell: Will that be discussed, the thread company?

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Cochran: Yes.

Bell: Will that dispose of that letter?

Cochran: Yes.

H.M.Jr: What else?

Cochran: That is all.

Blough: I was in touch with--

H.M.Jr: You have got to talk up louder.

Blough: I was in touch with Douglas Brown.

H.M.Jr: Oh yes.

Blough: He is now in Lubin's job in the OPM since Lubin went over to the President to advise him on statistics. He is very much worried about the labor supply situation in the skilled - the skilled labor supply situation, especially in metal work, and he feels that by fall it will be necessary to take a great deal of labor out of civilian industry and put it into defense industry, and he thinks that we ought to be very seriously - or somebody in Washington ought to be very seriously considering how to do that.

H.M.Jr: There are two men in this room that we think we have got the answer. One is White and the other is myself.

Blough: Fine.

H.M.Jr: But it is good to know that Brown is working on that. I mean, Harry might want to contact him.

Blough: Then he says one other thing. If these people

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are taken out of the civilian industries or whether they are or not, the purchasing power among the defense workers as compared to the goods which are going to be available will, in his opinion, mean a surplus of purchases by them of things they shouldn't in this time be buying, and he feels that we ought to have the dismissal wage taken very seriously in this time with an increase in Social Security tax rates now than to provide a dismissal wage at the end of the emergency.

H.M.Jr: Could you and Professor Brown, on those two subjects, to a summary for me? I mean boil it right down, what it is all about, you and Brown, and give it to me?

Blough: All right.

H.M.Jr: I don't mean on the unskilled - the lack of skilled labor.

Blough: On this dismissal compensation item?

H.M.Jr: Yes. Could you and Brown do me a summary on that?

Blough: Surely.

Bell: Doesn't that tie in, Roy, with Altmeyer's recommendations on the Social Security?

Blough: Not at the moment, but I asked Brown about Altmeyer's position on dismissal compensation, and he said he thought he was coming around and favor it, so he might by this time favor it. I thought I would call Altmeyer and find out.

H.M.Jr: What is Brown doing over there at OPM?

Blough: He is doing the work that Lubin was doing.

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H.M.Jr: What is that?

White: He took Lubin's place as labor adviser.

H.M.Jr: Oh. What else, Roy?

Blough: That is all I have.

H.M.Jr: George?

Listen, George, in my - I thought you were going to give me a report on how to save a half billion dollars from Agriculture.

Haas: I gave you a report. I didn't know that I had the job of--

H.M.Jr: Sure, I said that you were to contact these fellows in White's report. He says, "I haven't done anything on Agriculture because you were to get one from Haas."

Haas: I didn't know that you had given me that specific assignment. You asked me to go into the Agriculture appropriations, which I did. But I will do it.

H.M.Jr: How long will it take you?

Haas: Oh, could you give me three days?

H.M.Jr: All right.

Haas: I can do it in an hour if you must have it.

H.M.Jr: No.

Haas: It is one of those things that--

H.M.Jr: I would like something for Wednesday forenoon.

Haas: All right.

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H.M.Jr: Wednesday at nine-thirty.

Haas: All right. Five hundred million dollars out of their total?

H.M.Jr: No, I don't set any figure. How much can you - do you think that they can save and not waste it.

Haas: I see.

H.M.Jr: I don't set any figure.  
Anything else, George?

Haas: I have nothing, no.  
You notice the E and F are doing very much better, on that report of the bond sales.

H.M.Jr: Yes.  
Chick?  
Harry?

White: I have nothing.

H.M.Jr: Do I do anything about Dan Tobin's call Saturday?

Bell: Well, he would like to talk to you sometime this week. He is in no hurry about it, but we might want to talk about that thing before you call him. He said that he would be there a week, in Indianapolis, and you could call him any time during that time.

H.M.Jr: All right.  
Harold?

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Graves: Here are the bond sales from the first until Friday. If you would like to compare them with the May sales, here are the May figures.

H.M.Jr: What else?

Graves: That is all.

H.M.Jr: Harold, the man who is doing - who can I talk to besides - with you about the Texaco Hour thing?

Graves: Callahan, I think, would be the--

Kuhn: The man who was running that program is going to be in town today, Monroe, who was in charge of building the whole program up.

H.M.Jr: Is he?

Kuhn: Yes.

H.M.Jr: Then, could I talk with you (Graves) and Callahan and Monroe? I have got a suggestion.

Kuhn: I think his name is Monroe.

Graves: That is right.

H.M.Jr: Two forty-five. I mean, I want to ask some questions, and I have got some suggestions.

Did you people ever take on Miss Ernst?

Graves: She is advising our people, as I understand.

H.M.Jr: Find out and let me know just what she is doing, will you? Just what - when you come in at a quarter of.

Graves: Yes.

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H.M.Jr: Let me know at a quarter of three about Connie Ernst, will you?

That girl is really awfully good. You know those two hours on election eve that everybody listened to on the radio? She had a lot to do with that, I believe. That was a swell hour. That was one of the best programs ever put on.

Schwarz: Sherwood made a talk on that.

H.M.Jr: Anything else, Harold?

Graves: Nothing else.

H.M.Jr: Dan?

Bell: Are you interested in getting the allocations made by the President under the Lend-Lease once a week?

H.M.Jr: No.

Bell: We can give them to you Monday morning as of Saturday night, if you want them.

H.M.Jr: Well, if you give them to me in a way I can understand them.

Bell: They are usually a week late in getting them.

H.M.Jr: They way they have been coming in--

Bell: The last sheet is a summary, right on the bottom.

A total of four and a half billion has been allocated with two billion five yet to be allocated.

H.M.Jr: You mean - does that show how much was done

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during the week?

Bell: No, these are cumulative figures, you see, for each department, and then at the end there is a--

H.M.Jr: Could it be done with just another column of how much was done during the week?

Bell: That is right, very simple.

H.M.Jr: Well then, if you are going to do it - how much has been spent out of--

Bell: I haven't got that yet. I was supposed to get that Saturday. Not spent, but obligated.

H.M.Jr: But how about out of pocket.

Bell: That is on our daily statement every day. It is running now between five and six million dollars.

H.M.Jr: Altogether?

Bell: Yes, sir. The actual expenditures are on our daily statement every day.

H.M.Jr: But if won't be, for instance - if you say, available funds for ordnance, so much, so much allocated during the week, and net spent, which is the figure I ought to have.

Bell: That is a little difficult to get. Our figures are totals. They are not broken down into those categories. In order to get what is spent, we would have to get it from their books, the departmental books.

H.M.Jr: Would you think about it?

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- Bell: Yes.
- H.M.Jr: I would like to have the figure that is spent. I am not interested in the obligated.
- Bell: The obligated is the real figure, because that is when they enter into the contracts and the machinery begins to move then.
- H.M.Jr: Well, if you want to give me allocated, obligated, and spent.
- Bell: I will try it.
- H.M.Jr: That would be - well, allocated, obligated, and spent.
- Bell: Sure, I will try it.
- H.M.Jr: They have only spent five or six million?
- Bell: Six million, I think it was.
- H.M.Jr: I am glad I don't have to sign that report going to Congress.
- Foley: This is per day, isn't it?
- Bell: Oh, no, that is total actual dollars spent out of Treasury under Lend-Lease.
- White: Do they buy on thirty, sixty, or ninety day credit, Dan? Is that lag existing between production and delivery?
- Bell: No, the lag is carrying out the commitments. They enter into a contract and then fulfilling that contract is the lag, but these expenditures are largely agricultural commodities.
- H.M.Jr: I know a week ago or two weeks ago, before I

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left they told me there was sixteen million dollars that had been put on the ocean, of Lend-Lease material.

Bell: That largely came under the billion three limitation.

H.M.Jr: Well, would that include a billion three, the figure you are going to give me, or not?

Bell: We would have to work up something for that, I think.

H.M.Jr: I would like it, the allocated, obligated, spent.

What is the name of the Englishman who does the shipping?

Kuhn: Salter.

Bell: There has been a bill introduced to amend the National Housing Act. Among a number of other things, they are increasing the limit of commitments from four billion to five billion.

H.M.Jr: Yes.

Bell: That increases our potential contingent liability up to five billion, and we are saying in this report to the Chairman of the Committee on Banking and Currency of the Senate, "The Treasury Department is not in possession of evidence or information upon which to justify a conclusion as to the advisability or necessity for the enactment of this section, which would result in an increase in the potential contingent liability of the United States with reference to debentures.

"It is recommended, however, that this proposal

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be given consideration not only on its merits as to a separate and distinct activity but also in the light of the present situation which requires that we should concentrate our efforts to the fullest extent possible on national defense."

Do you have objection to the Treasury saying that at this time? The Budget says that there is no objection to submission of this report as we have drafted it.

- H.M.Jr: What is the purport of it?
- Bell: To increase the limitation of four billion dollars of insurance to five billion dollars which, of course--
- H.M.Jr: On what?
- Bell: On mortgages insured by the FHA.
- H.M.Jr: It is all right.
- White: Well, the tone of that is disapproval, I gather, is that what you mean?
- Bell: That is an inference in it at this time. It is a question of whether, with our national defense program, we ought to increase FHA mortgages another billion dollars at this time.
- White: Well--
- H.M.Jr: I thought you had approved it.
- Bell: No, we have raised a question about it at this time. We haven't exactly disapproved it, but there is an inference there that we might stop, look, and listen, at least.

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- White: It seems to me the implication drawn from the way that is phrased is that you disapprove it, but you haven't got evidence enough to come out flatly for a disapproval, but you don't like it.
- Bell: Well, you could also argue the other way. We haven't any evidence that we come out flatly and approve the necessity of it.
- H.M.Jr: Well, what I would like to do is this, as long as you have brought it up. On both FHA and Home Owners' Loan, I wouldn't try to stop it through the limitations, but I think people ought to put up more cash on the down payment. I think that is the place it should be gotten.
- Bell: You don't think we ought to insure them up to ninety percent?
- H.M.Jr: No, my feeling, if you want to do something on the thing, is that they should gradually increase the amount, make people - only insure them up to eighty-five percent and make people put down more money.
- Bell: Well, it seems to me that something outside of the defense housing that could be delayed until after this emergency is over, and then take up housing.
- H.M.Jr: Well, what are you going to do with all the people? They will get it some where - I wouldn't want to stop it now, but I would like to - just throw in a suggestion this would be a good time to only insure up to, say, eighty-five percent instead of ninety.
- Bell: The original was eighty percent, you know, and they increased it to ninety.
- H.M.Jr: Then let's go back to the original one. It is

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the same idea as the installment payments on automobiles or anything else.

Bell: Sure.

H.M.Jr: Will you think about it Dan?

Bell: Yes.

I have two letters--

H.M.Jr: You would go along on that, Harry, wouldn't you?

White: Yes, I think that would be in the right direction because it would force people to save more and not spend it for other things.

H.M.Jr: And it would give the government more of a cushion against the post war collapse.

White: Yes. I think if the Treasury comment on this means anything, then this will--

H.M.Jr: Treasury comments should mean something.

Bell: I have two letters for your signature. One is debt notices to the State Department which is in line with the Stewart-Viner recommendation. It is in the last paragraph. The other is an investment of one hundred ninety-one million of old age funds.

H.M.Jr: All right?

Bell: Yes, sir.

Thompson: Ted Wilson has finally gotten Civil Service and will report next Monday.

H.M.Jr: Good.

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Now, the suggestion that I have, I asked you to hold up on a certain person, you see.

Thompson: Yes.

H.M.Jr: And the suggestion I have, even before I look at this, is, I want to see if you are going to strengthen that organization whether we can't get a well-trained, thoroughly qualified young woman to go in there now instead of taking on a young man, whether we can't get some young woman.

Thompson: We can use both. We already have some in the organization, but I think that is very good.

H.M.Jr: Just hold up on this until I have a chance, but would you also think of some young woman.

Thompson: I can do that very readily.

H.M.Jr: But hold this up until I get a chance, because, after all, we have got so many women employees and that is a strictly male organization.

Thompson: I think we can do that very nicely.

H.M.Jr: Thank you.

June 9, 1941  
10:19 a.m.

HMJr: Hello.

Basil  
O'Connor: Hello, Henry.

HMJr: Hello, Doc, how are you?

O'C: I'm fine. To what do I owe  
this honor?

HMJr: Well, I wanted to ask you this:  
I wondered if through the  
Infantile Association if you knew  
of any able young man who had  
infantile and would like to have  
a job with me. Now I tell you  
what it is. Hello?

O'C: Yes, Henry.

HMJr: I had a Coast Guard Officer who  
sits outside of my room and  
receives people and handles all  
telephone calls and all appointments,  
you see?

O'C: Yes.

HMJr: And with Coast Guard getting in  
more and more, I just don't think  
I ought to have a Coast Guard man  
doing that.

O'C: Yeah.

HMJr: He's a Lieutenant and I wondered  
if through your work whether you  
possibly - some fellow, might say  
graduated from Harvard Business  
School or some young fellow who  
was unfortunate enough to be struck  
down with infantile.

O'C: You want a young man?

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HMJr: Not necessarily.

O'C: Well, I mean you don't want -  
I know what you want, you want.....

HMJr: I want a bright young fellow.

O'C: You want an intelligent man.

HMJr: Yes. The more intelligent, the  
better, and a nice personality.

O'C: Yeah.

HMJr: Well, I was thinking - you  
remember the fellow that ran  
the thing down there - he came  
up from Cornell for a long time.

O'C: Arthur

HMJr: Somebody like that.

O'C: Yeah.

HMJr: On that order.

O'C: Is he your outside man?

HMJr: Yes.

O'C: Now, Henry, this is a sordid  
question: What's the compensation?

HMJr: Well, I don't know, but I suppose  
I'd have to ask our people.

O'C: Well, I mean within what limits  
would it be?

HMJr: Oh, I don't know. Maybe some  
where between - round maybe three  
thousand, thirty-six hundred.

O'C: Yeah, I see.

- 3 -

HMJr: I don't know, I hadn't thought of that.

O'C: Yeah. Well, Henry, I think your thought is a very splendid one and because it enters one of the problems we always have and that's a - placing - not placing dudes you know, but placing good men, you know how people are around polio and they are kinda cripply.

HMJr: Right.

O'C: They think there's something the matter with them. Will you give me a little time on it?

HMJr: Surely.

O'C: Okay, boy, and I - you know I wont give you anybody unless he is all right.

HMJr: I know you wont, otherwise I wouldn't ask you.

O'C: And I'll do a little exploring and then I'll communicate with you before I do anything further.

HMJr: Thank you.

O'C: Fine, Henry. How are you?

HMJr: Oh, I'm fine.

O'C: I tell you one thing, you are doing all right.

HMJr: Well, I like to hear it.

O'C: And you can be sure of that.

HMJr: Thank you.

O'C: Fine, Henry.

HMJr: Thanks, Doc.

O'C: Thanks a lot.

undelivered  
6/19

150

June 17, 1941

Memorandum prepared by Mr. Ashmun after a conference with Treasury representatives on June 4 regarding the draft of his memorandum of June 5 and the draft of the Lend-Lease agreement attached thereto.

I understand that this was submitted to the President by Sumner Welles on the afternoon of June 9.

DWR

June 9, 1941.

## MEMORANDUM FOR THE PRESIDENT:

The State and Treasury Departments have drafted and discussed various provisions for inclusion in a Lease-Lend Agreement with the British. Certain points have seemed clear to both Departments, certain other points less clear. It had been hoped that Secretary Hull and Secretary Morgenthau could have discussed these with you today. In view of Secretary Hull's indisposition and the urgency of initiating discussions with the British, it is recommended that the State Department be authorized to open with the British today discussion on the clear points noted below, informing them that the matter of consideration for non-returnable military items and certain other matters are being reserved for a few days.

Clear Points

1. The Agreement should not include provisions relating to economic and other problems of the emergency, of post-war relief and of reconstruction. Provision shall be made in this Agreement for the designation of a British-American

*From Acheson*

-2-

American commission which will sit continuously for the purpose of formulating solutions not only of these international economic problems which confront both governments, but also of those larger problems involved in a post-war relief and reconstruction. Such commission will seek to work out problems with existing inter-American bodies.

2. The Agreement should include the following:

- (a) An undertaking by the British to supply similar aid to us should our defense at any time require it.
- (b) An undertaking by the British to examine sympathetically our needs for additional bases, with a view to giving full support and assistance to the strengthening of our defense.
- (c) An undertaking by the British to return to the United States, upon request of the President, all material transferred which is in existence at the end of the war, whereupon the charge therefor shall be written off.
- (d) Against their obligation to the United States for non-military materials, food, and similar items, the British shall receive credits for property, services, information, facilities, or other considerations

- 3 -

considerations or benefits accepted or acknowledged by the President, the value of which considerations and benefits shall have been determined by the President. The terms and conditions of liquidating the balance of the British obligations for such non-military materials shall be determined by the President, perhaps after receiving recommendations of a joint United States and United Kingdom commission.

Unresolved Points

1. The principal material that will be lease-learned to the British will be military material which will be destroyed or used up in the war. The question arises what, if any, compensation shall be received by the United States for such military material.

Alternative ways of handling this matter are:

- (a) Write off the value of such materials upon their being consumed or destroyed.
- (b) Britain to furnish the United States war materials or articles not produced in the United States for such of the war materials transferred to Britain and consumed or destroyed which are not, in the opinion of the President, offset by one or another form of consideration or benefit received or accepted by the United States.

(c)

- 4 -

(c) Keep, as at present, what is essentially an open account, leaving for determination at some later time the question of what, if any, compensation shall be paid therefor by the British.

Considerations Affecting the Selection  
of One of These Alternatives

(1) It will unquestionably have a good effect on British morale to know that the cost of that part of the hose which is destroyed in putting out the fire is not a mortgage on Britain's future.

It also seems probable that the consideration for amounts as large as the unreturnable military items are likely to be must be looked for in the political field rather than in the commercial field. The idea of lease-lend was to obviate the necessity of payment in cash. Repayment in commodities, if pushed far enough to compensate for a large amount of destroyed military items, would deprive the British in the post-war period of foreign exchange with which to buy from us and others necessary imports. Such a situation might provide the cause or the excuse for a British control over their foreign trade and foreign payments equalling or exceeding the pre-war restraints of continental countries.

As

- 5 -

As against this must be weighed the reaction, particularly at the present time, of the Congress and the American public to our receiving no consideration or payment for the bulk of the materials lease-lent to Britain other than the use of such materials, when Britain has islands and investments in the Western Hemisphere.

( The State Department believes that opinion at the present time is more inclined to accept the writing off of destroyed items than it would be in the future, if and when the crisis is over, and that it would be wise now to eliminate a fruitful source of bitterness and difficulty between the two nations. )

(ii) To wipe off the obligation will keep the total British obligations within more manageable proportions and will thereby reduce the post-war settlement and adjustment problems.

The alternative is to make clear to the British that they will not be expected to repay dollar for dollar for such war materials. Because of the inability now to foresee an appropriate basis of settlement, flexible powers are given

- 6 -

given to the President so that he may determine what, depending on future circumstances, may fairly be required of the British in compensation for such materials.

(iii) If, because of the foregoing, this is not a propitious time to crystallize the nature of the obligation of Britain for used-up war materials, then the matter can continue to be dealt with as at present, ~~and~~ through the continued maintenance of the open account for such materials.

2. Shall the value of the consideration and benefits received by the United States from Great Britain be determined by:

- (a) The President.
- (b) The President acting with the advice and recommendations of a joint British-American Commission.
- (c) A joint British-American Commission.

June 9, 1941  
10:50 a.m.

RE AID TO BRITAIN

Present: Mr. Bell  
Mr. Foley  
Mr. Cochran  
Mr. Bernstein  
Mr. White

H.M.Jr: All right, I am at your service.

Bell: You will recall that we asked Mr. Acheson to come over to discuss the type of agreement which he was submitting to the President for approval. There were mainly two points in that that we discussed with him. One was the tying up the agreeing with Great Britain with a sort of economic document governing the situation after the war. The other was writing off the war materials used up or consumed during the war.

Viner made quite an argument against the economic factor. In this agreement he said it was tying up this situation just like we tied up the last World War, the League of Nations, with the peace treaty and so forth, and he thought we were getting into a situation we couldn't get out of, and he didn't think it ought to be in the agreement. After we discussed it sometime, Dean agreed to go back and rewrite his memorandum to the President

- 2 -

suggesting the things that - on which we were not quite agreed, and putting it up to the President to decide. He left out of his document entirely the economic problems. He thought that would be a separate document.

The second one, about writing off the materials, while he raised the question, he submitted the document in such a way that he was arguing for his form, his recommendation, and we didn't think that it ought to be that way. We thought that the point on which we were agreed ought to be set forth in the document, and the points on which the President had to decide as a matter of policy, that they should set out in it and the alternatives given. In our discussion of the matter the other evening, we felt that there might be some reference in this agreement to the economic document rather than spelling out what should be done after the war. We provide that there would be set up a joint British-American commission which would study the economic post war problems, and while that wasn't in our understanding with Dean, in our subsequent discussion of the problem we thought in this agreement would be a good place to tie it up, so that was put back in here as one of the clear points and followed it with the others, in which there is no difference of opinion between the Treasury and State.

The other points on which we are not in agreement are matters of policy that only the President can decide.

Now, Saturday morning Dean called me and said that Feis had just received a telephone call from Hopkins.

H.M. Jr:

From whom?

- 3 -

Bell: Hopkins, asking as to the status of this agreement, and Feis told him that Dean was carrying on discussions with the Treasury, and they were trying to write a memorandum to set out the things on which there were agreements and on which they were not entirely agreed and let the President decide that.

Harry asked what we are doing about the war materials used up or consumed, and Feis said "That is one of the points on which they are disagreeing," and he said, "Well, why don't you people," meaning the State and the Treasury, "recommend that they be written off." Feis said that he didn't know whether the Treasury would go along with that.

Well, that is just where we were in disagreement. We felt that it should be set up in such a way that the President could see the problem and let him make the decision without a recommendation, but the State Department feels that they should recommend that the debt be written off.

H.M. Jr: Now, will you wait one second and I will make this very easy, as far as we are concerned. Just one second. I don't quite understand on page 2, "An undertaking by the British to return to the United States all material which is in existence at the end of the war, whereupon the charge therefor shall be written off." You mean, if they return the stuff the charge will be written off?

Bell: That is right.

White: No charge for depreciation or obsolescence.

H.M. Jr: That is all right.

- 4 -

- Bell: Dean hates to see "B" go in, on page 4. He just doesn't think that anybody ought to recommend that or even suggest it. It complicates the problem and you will have another foreign debt settlement.
- H.M.Jr: Just a second. Haven't you seen this, you fellows?
- White: Yes, we have seen it.
- H.M.Jr: That is what he told us he wanted in the first place, isn't it?
- Foley: It is what he said he wanted in the first place, and that is the way we wrote our agreement, and that is the difference between our two Departments.
- H.M.Jr: Let him settle it. Hell, he can settle it like that. I have read this thing, and as far as I am concerned it is all right, let the damn thing go, and I hope the President will read it quietly and settle the thing without bothering me.
- Bell: You do not want to join the State Department in any specific recommendations on these unresolved points?
- H.M.Jr: No, I would much rather--
- Bell: You would rather have him do it without any recommendations?
- H.M.Jr: Sure. I would much rather have him do it without my being in the room.
- Bell: Now, over on page 5 where we talk about public opinion and say that "when Britain has islands and investments in the Western Hemisphere," he wonders if we would be willing

- 5 -

to put in there, in parentheses, that neither the State nor the Treasury Department want these islands or investments in South America. He says that the State Department certainly would run from all of them. They don't want to get entangled in any of those things.

H.M. Jr: I wouldn't preclude it. Why just throw that overboard? I mean, if for no other reason than that you will certainly be criticized by Congress for throwing it away. I agree we don't want it, but it is there. Congress will say, "Well, why did you, at a wave of the hand, throw that away?"

White: Well, I thought the islands were a liability. I don't feel the same way about the investments, but the islands are an economic liability as long as you get all you want for air and military bases.

Bell: I said, "You realize there are discussions every day in Congress about us taking over the British possessions in this hemisphere for this material," and he said, "Yes, I realize that and we are always going to get criticism of anything we do," but he thinks we have to be bold and take a stand at this time.

H.M. Jr: Dan, let me tell you something. I think it is enough to lay it in the President's lap, and he will take it and write it and suit himself. I wouldn't do another damn thing. I would just let it go the way it is.

White: Well, this presents the issues to the President and makes it very easy for him to make up his mind.

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- Bell: I told Dean that all I wanted you to decide was as to whether or not you would be willing to join the State in definite recommendations, because I knew I had heard you say in conferences from time to time that if you had your way you would give the British all of this material. You wouldn't take any obligation.
- H.M.Jr: If it was left to me.
- Bell: Yes, if it was left to you, but I said, "You haven't got another Lease-Lend Bill to get from Congress, you have got the American public to consider," and I just questioned whether you would want to join that and not just let the President decide in view of what he had said to you before in drafting the agreement, but I said we had no pride of authorship in this memorandum and if he wanted to change some of it, we would be glad to get together after you decided that question of policy.
- H.M.Jr: I just - the memorandum that you sent me in the country, as far as I am concerned, I would let that go to the President.
- Bell: That is all we want, isn't it?
- H.M.Jr: I wouldn't go any further.
- White: There is a definite difference between what you would like to do if it were left wholly to you and what your recommendations are in the light of the general political situation.
- H.M.Jr: Are you satisfied, having carried this for me, to leave it just the way that memorandum is? I would say as far as I am concerned that, under the circumstances, it fills the bill.

- 7 -

- Bell: Yes. I would rather you would say that so far as the matter of policy is concerned you are satisfied, and then we will work out the drafting of the agreement - a memorandum between the State and the Treasury.
- H.M.Jr: Well, isn't that the one?
- Bell: No, this is our draft, and he said, "It is an excellent job of presenting it impartially."
- H.M.Jr: I thought this was joint.
- Bell: No, he gave us a memorandum, and we changed it to make it more impartial. His was definitely in the line of recommending.
- H.H.Jr: Well, Dan, look, we have all got so much to do, and, God, you work on these things and the President takes it and does what he wants. I would send this over and say that is ours and the State Department can do what they want with the damn thing. Here we fought for three months to get a committee composed of Hull, Jackson, and myself to handle foreign exchange, four months. We get it and it is signed and what happens? The President throws it in the trash basket. He didn't do that. He threw it to the Director of the Budget and the Director of the Budget puts it in a pigeon-hole.
- Bell: They want to get some decision on this from the President, I think, today so that they can say something in the report that goes to Congress tomorrow.
- H.H.Jr: You can quote me as saying, "This represents, under the circumstances, the best that we can do, and they can do anything that they want with it."

- 8 -

- Bell: And I think that you and Hull ought to go to the President together.
- H.M.Jr: No, leave me out.
- Bell: All right.
- H.M.Jr: Let Hull go over and see the President. Let Hull go over and see him.
- Bell: You would be glad to go with him if he wants you to go, I can say that?
- H.M.Jr: If you don't mind, I would simply say this, Dan, that that is the best that we can do, and it is Mr. Hull's privilege to do anything that he wants with it. I would just lay that on their desk and forget about it.
- Bell: O.K.
- H.M.Jr: I mean, we will spend the rest of the week finagling for position and then Mr. Hull--
- Bell: No, I don't think so. I think this pretty well suits Dean from an impartial standpoint. He was hoping that it wouldn't be so impartial.
- H.M.Jr: Well, it suits me.
- Bell: And he may have a change of a word or a sentence here and there.
- H.M.Jr: I appreciate tremendously that you fellows have kept this off my desk and out of my room. You have saved me all kinds of trouble, Dan. It is very helpful to me.
- Bell: Well, Dean has been very good on this, we must say. He has been very cooperative.

- 9 -

H.M.Jr: I take it just the way it is written, but don't suggest anything more about my going over with the President, I mean with Hull.

Bell: You would go if Hull wanted you to go?

H.M.Jr: If he asked me.

Bell: O.K., that is all I have.

H.M.Jr: And I hope he doesn't.

Thank you all.

( COPY )

## MEMORANDUM FOR THE PRESIDENT:

The State and Treasury Departments have drafted and discussed various provisions for inclusion in a Lease-Lend Agreement with the British. This memorandum lists first those matters on which both Departments believe the decisions are clear and, second, those matters on which the decision is less clear. In the latter situation, the considerations favoring alternative procedures are outlined. It is suggested that the question of form of the Agreement be passed without decision at this time and, once you decide the less clear points, an agreement can be drafted in a very short time.

Clear Points

1. The Agreement should not include provisions relating to economic and other problems of the emergency, of post-war relief and of reconstruction. Provision shall be made in this Agreement for the designation of a British-American commission which will sit continuously for the purpose of

- 2 -

formulating solutions not only of these international economic problems which confront both governments, but also of these larger problems involved in a post-war relief and reconstruction. Such commission will seek to work out problems with existing inter-American bodies.

2. The Agreement should include the following:

- (a) An undertaking by the British to supply similar aid to us should our defense at any time require it.
- (b) An undertaking by the British to examine sympathetically our needs for additional bases, with a view to giving full support and assistance to the strengthening of our defense.
- (c) An undertaking by the British to return to the United States, upon request of the President, all material transferred which is in existence at the end of the war, whereupon the charge therefor shall be written off.

- 3 -

(d) Against their obligation to the United States for non-military materials, food, and similar items, the British shall receive credits for property, services, information, facilities, or other considerations or benefits accepted or acknowledged by the President, the value of which considerations and benefits shall have been determined by the President. The terms and conditions of liquidating the balance of the British obligations for such non-military materials shall be determined by the President, perhaps after receiving recommendations of a joint United States and United Kingdom commission.

Unresolved Points

1. The principal material that will be lease-loaned to the British will be military material which will be destroyed or used up in the war. The question arises what, if any, compensation shall be received by the United States for such military material.

- 2 -

**Alternative ways of handling this matter**

AR61

- (a) Write off the value of such materials upon their being consumed or destroyed.
- (b) Britain to furnish the United States war materials or articles not produced in the United States for such of the war materials transferred to Britain and consumed or destroyed which are not, in the opinion of the President, offset by one or another form of consideration or benefit received or accepted by the United States.
- (c) Keep, as at present, what is essentially an open account, leaving for determination at some ~~date~~<sup>propitious</sup> time the question of what, if any, compensation shall be paid therefor by the British.

**Considerations Affecting the Selection of One of These Alternatives**

- (1) It will unquestionably have a good effect on British morale to know that the

- 5 -

cost of that part of the hose which is destroyed in putting out the fire is not a mortgage on Britain's future.

As against this must be weighed the reaction, particularly at the present time, of the Congress and the American public to our receiving no consideration or payment for the bulk of the materials lease-loaned to Britain other than the use of such materials, when Britain has islands and investments in the Western Hemisphere.

(ii) To wipe off the obligation will keep the total British obligations within more manageable proportions and will thereby reduce the post-war settlement and adjustment problems.

The alternative is to make clear to the British that they will not be expected to repay dollar for dollar for such war materials. Because of the inability now

- 6 -

to foresee on appropriate basis of settlement, flexible powers are given to the President so that he may determine what, depending on future circumstances, may fairly be required of the British in compensation for such materials.

(iii) If, because of the foregoing, this is not a propitious time to crystallize the nature of the obligation of Britain for used-up war materials, then the matter can continue to be dealt with as at present, i.e., through the continued maintenance of the open account for such materials.

2. Shall the value of the consideration and benefits received by the United States from Great Britain be determined by:

- (a) The President.
- (b) The President acting with the advice and recommendations of a joint British-American Commission.
- (c) A joint British-American Commission.

6/5/41

## THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

June 9th, 1941.

Box 680  
Benjamin Franklin Station  
Washington, D. C.D. W. Bell, Esq.,  
United States Treasury,  
Washington, D.C.

Dear Mr. Bell,

Since the Memorandum dated May 16th, 1941, was submitted to Mr. Secretary Morgenthau, we have been in telegraphic communication with London as to whether some items included in Appendix A to the Memorandum could not after all be handled administratively at the British end under Lend-Lease arrangements without too much difficulty. These communications have also been supplemented by discussions with our officials here in the light of their actual current experience. The result is that we can now replace the previous list by a revised list attached below, which adds up to \$2140 instead of \$2199. The main part of the difference is due to four items:

- (1) It is now agreed that agricultural machinery can be conveniently handled by us under Lend-Lease, provided this category is acceptable at your end, which I gather it is.
- (2) In practice, the item previously included for civil road vehicles, including fire-pumps, cranes etc. is going forward under Lend-Lease.
- (3) It has been possible to divide up the paper and timber items into two categories and take out some of the larger items which seem to present no excessive difficulty under the Lend-Lease procedure.
- (4) The item for oil plant equipment can be reduced, since it is now proposed to requisition under Lend-Lease for tin plate and drum sheets.

- 2 -

The items still remaining contain no margin for orders not thought of at the time when the list was compiled, and there is a sign that they are likely to increase moderately on account of unforeseen additions during the year. It would be advisable, therefore, to give a little margin and to think of the total as amounting now to (say) \$m150 as compared with the strict total of \$m140.

Yours sincerely,

(Signed) J. M. Keynes

P.S. The above is, of course, on the assumption that the items now declared administratively practicable at our end are eligible for requisition under lease-lend at your end.

APPENDIX A

Thousands of dollars

	<u>Original</u>	<u>Revised</u>
Machinery Components	40	37
Chemical manufactures, Drugs	30	30
Sundry Materials, machinery and consumption goods	18	18
Vehicle parts	8	8
Civil road vehicles, including fire pumps, cranes, etc.	24	0
Abrasives	3	2
Rutile, Bentonite, Diatomaceous earth, Tin residues, Bismuth & miscellaneous non-ferrous metals	6	9
Miscellaneous paper, Bagasse, cotton and linen rags	8	3
( Timber (other than Aero spruce and Aero plywood)	10	3
Borax, Razorite, Sundry chemicals, Fibestos & synthetic resins, Carbon black, Pine tar, Rosin, turpentine & asphalt	6	6
Agricultural machinery	12	0
Seeds	4	4
Oil plant equipment	<u>30</u> 199	<u>20</u> 140

MEMORANDUM

June 9, 1941

TO: Harry L. Hopkins  
FROM: Oscar Cox  
SUBJECT: Land-Lease Agreement with The Netherlands Government.

1. As you know, the Royal Netherlands Government wants to get aid under the Lend-Lease Act.
2. To get this aid the Netherlands Government wishes to pay cash in advance of receiving the aid.
3. I see benefits to both the United States and to the Netherlands from rendering lend-lease aid to the Netherlands.
4. Annexed is an agreement which we have drafted. Copies have been sent to the State and Treasury Department for their views.

QUESTIONS

- a) After State and Treasury approve it, shall it be taken up with the Dutch?      Yes      No

- 2 -

- b) Do you want to have the agreement prepared so that it can be signed by the President and Queen Wilhemina or the highest Netherlands representative? Yes No
- c) Do you want this Agreement executed by the Secretary of State and the Netherlands Foreign Minister? Yes No

(Initialed) O.S.C.

OSC:aja

C  
O  
P  
YTHE WHITE HOUSE  
WASHINGTON

June 9, 1941

Dear Oscar:

Apropos of the Dutch coming under Lend-Lease, I have no objection to this provided any funds are not charged to the seven billion dollar appropriation, if you can work out a bookkeeping scheme where whatever we buy for them does not appear as an expense, thereby reducing the total amount of money available.

I should say in answer to your questions that it should be taken up with the Dutch as soon as the State and Treasury approve; the State Department can tell you who should sign the agreement. Any authoritative people are all right with me.

Cordially yours,

(Initialed) H.L.H.  
Harry L. HopkinsOscar S. Cox, Esquire,  
Federal Reserve Building,  
Washington, D. C.

MEMORANDUM

June 18, 1941

TO: Mr. Harry L. Hopkins  
FROM: Oscar Cox  
SUBJECT: Netherlands Lend-Lease Agreement.

1. I had in mind the central point which you make in your note of yesterday.

2. The method which I have in mind will not practically cut into the 7 billion dollar appropriation. If, for example, the Dutch put up a million dollars for lend-lease aid, it will go into the revolving fund provided for in section 6 of the Lend-Lease Act and augment the 7 billion dollars by one million dollars. This million dollars can then be spent for the same purposes as any lend-lease funds. The net effect will be a sort of washed transaction: In terms of dollars, it will be as if the Dutch were never in under the Lend-Lease Act.

3. As soon as State and Treasury approve, we will take up the agreement with the Dutch and get it signed by the Dutch representative designated by State.

[Initialed] O.S.C.

OSC:aja

June 9, 1941  
10:50 a.m.

Felix  
Frankfurter: Henry?

HMJr: Yes.

F: Hello.

HMJr: Yes.

F: I've just had a phone from the President saying he wants me to lunch with him today.

HMJr: Yes.

F: So, we'll have to shift hours.

HMJr: Well, you weren't - it was Tuesday I was coming.

F: Oh ! (Laughs) All right it was bad - I'm at home and I didn't look at my calendar, I thought it was today. So much the better.

HMJr: Tuesday.

F: Yeah. Listen Henry,.....

HMJr: Yeah.

F: Even when he wants to see me, he can only see me through the Treasury because he said he wanted me to - he wanted to be off the record, so go enter by way of opposite the Treasury.

HMJr: Oh, I see.

F: Get me?

HMJr: I see.

- 2 -

F: I suppose your Secret Service men will make a report on me if I enter that way.

HMJr: You never know.

F: What?

HMJr: You never know.

F: Well, I'll get my friend Sam Morrison after you, if they do.

HMJr: All right.

F: See you tomorrow then, Henry.

HMJr: Right.

F: Goodbye, and sorry to have troubled you.

HMJr: No trouble.

F: Goodbye.

June 9, 1941  
2:02 p.m.

HMJr: Yeah.

Ferdinand  
Kuhn: Sure, shoot.

HMJr: Wednesday night, the President  
is the guest of the Broadcasting  
Association of Broadcasters out  
at Burning Tree Club....

K: Yeah.

HMJr: I imagine they'll have some stunts -  
I'll tell you who is the head of it,  
the president of it is the fellow  
that - who is on Columbia Broadcasting  
in Washington?

K: Al Warner.

HMJr: Yeah. What would you think of  
we could get the Marine Band or  
the Navy band to play Berlin's  
song and launch it that night.

K: You have to have an arrangement  
written first for orchestra and  
we haven't got one.

HMJr: What's that?

K: We have to have the music arranged  
first....

HMJr: Isn't it arranged yet?

K: No. Nothing but the piano part.  
Now, they might have a try at  
it, but I don't think it would  
be very good.

HMJr: No, no. Well when is it going to be  
orchestrated?

- 2 -

K: Well, you see we didn't want to get going until we got the Ascap stuff cleared, now we are all clear.

HMJr: Well, that would have been a swell night to launch it.

K: Well, it's possible that Berlin's own music factory up in New York could turn that out in a couple days.

HMJr: I'm sure they could.

K: But.....

HMJr: But then they'd have to practice it.

K: Sure.

HMJr: And he'd want to be there. Why don't you call up Al Warner and ask him?

K: Yeah.

HMJr: Do you know him?

K: I know him well. He's a good friend of mine. I'd like to find out from this man, Monroe, how this thing is done - how this arrangement work is done - whether it takes long or not and that kind of thing..Let me have a talk with him this afternoon.

HMJr: Yeah. I'm afraid it takes several weeks, I don't know.

K: I think that it's quite a job, you know and I think that if we have it done in a hurry, we might get a rotten job done.

HMJr: Well, then it would be no good. But I certainly want it launched in a National way.

- 3 -

K: Surely.

HMJr: See?

K: Yeah.

HMJr: On some National hook-up or something.

K: Yeah, I think that's what they were planning, but they want to get their arrangement done first and have a good band.

HMJr: Okay.

K: I'll talk to Callahan about it and let you know.

HMJr: Are you coming in at quarter of?

K: I can, may I?

HMJr: Sure.

K: All right. Thank you.

June 9, 1941  
2:48 p.m.

Howard  
Deitz:

Hello, Mr. Morgenthau

HMJr:

How are you?

D:

Fine.

HMJr:

Good.

D:

Little bit tangled up in our  
radio plays.

HMJr:

Oh.

D:

But I think seeing daylight.

HMJr:

Good. Look, Mr. Deitz, the reason  
I'm calling you, I've been getting  
a little restless about not making  
any head way of putting on some of  
these plans about civil liberties,  
you see?

D:

Yes.

HMJr:

And particularly this series by  
Carl Carmer in PM, I think  
I showed you that last week.

D:

Yes.

HMJr:

Showed some of our people.

D:

Yes.

HMJr:

You know, he does a story every  
week on some incident in American  
history. They are fresh and not  
the - not the Plymouth Rock stuff  
and not that sort of thing, you  
see?

D:

Yes.

- 2 -

HMJr: Now, if you haven't seen them, we could put them in airmail and send you out three, four this afternoon.

D: I'd like to get them, even though I've seen one.

HMJr: Well, we'll send you three or four this afternoon. Paul is sitting here.

D: Yes.

HMJr: Now, the thing that I got in mind is this: I'm thinking in terms of the movies, the radio and the theatre in connection with our friend, Bob Sherwood, you see, for the soldiers, and if we get a good play that we can use in all three mediums.

D: Good.

HMJr: Now, as far as the movies, what chance have we got of getting the industry to take a half a dozen of these various episodes, but after all where I got my mind is - it isn't only that we are asking them to buy the bonds, but what are they defending, what are they fighting for, you see?

D: Get behind it.

HMJr: In other words, until somebody else comes along, for the present I'm going to push like hell on this front myself. And when somebody else comes along, another organization, and they can do it better, I'll gracefully retire.

- 3 -

- D: Yes, I do understand, but Mr. Morgenthau, I'm not clear beyond this point - I think what you said was that these playlets that have a message that deal with civil liberties, some phase of it, are going to be presented, you want presented in all of the mediums including our radio. Do they exist beyond the copy that was in PM. I didn't know Bob Sherwood made any such plays.
- HMJr: Well, now here's - no they don't. The plays have to be written, and they have to be produced. We have got to start from scratch. What I'm thinking of has never been done before. Now, we have to start absolutely at zero.
- D: Yes, and get right into writing them.
- HMJr: That's right and, of course, while we've asked for Carl Carmer to come down, he's never written any plays but I wouldn't hesitate a minute to ask Sherwood to do a couple of these.
- D: Neither would I. Now I've asked Sam Berman, Mark Connally, George Kauffman, and Morris Hart, already to write for this program. I never said civil liberties, but I said it doesn't necessarily have to be about bonds, nor does it necessarily have to be about historical episodes, it has to convey an underlying ethical quality which we associate with democracy as a basis of the plays. They should run about ten minutes. I've also gotten the Screen Writers Guild out here to send a general notice to all its members to contribute to this program. I've also had the Screen Actors Guild to send a general note to all actors to cooperate. So far, I've gotten wonderful offers of cooperation.
- HMJr: Yeah, I just put you on.....

- 4 -

- Di: run into some technical difficulties.
- HMJr: I just want you to know you are on this loud speaker in my room because your own people are sitting around here. Graves, Powell.....
- Di: Well, that's fine. I'm delighted. It helps very much.
- HMJr: They can hear you now. They couldn't before. Ferdi Kuhn, Mrs. Klotz....
- Di: Well, that's fine. Now, the general over all plan on this particular phase of it - it seems to me, offhand, the ideal would be to have a beautifully conceived and originally written program by the best writers of America, but the certain complications of little elements make it not feasible to make that your goal right at the very first minute.
- HMJr: Yes.
- Di: Therefore, I immediately called up Information Please to make that spot and they responded, as you know. It looks as though we are going to have a program. The first program is going to be quite entertaining. It's going to be - it will also have certain inspirations in it which if not contained in the exact material of the performance will be contained in the in-between, all through it so that when we come through with a program, when it is finished, it will have an enobling effect. Now, the main idea of the program aside from its essential spirit is to keep up a in a rating as good as anything on the air, so that we get the full benefit of all the audiences that have ever been built up on radio. I am a little terrified for fear that if we reduce it to something that is not essentially very dramatic or very exciting even though it is very moral for our purposes that it might not be extremely interesting. In other words it does depend upon the quality of the copy.

- 5 -

HMJr: Well, now this thing that I have for instance is William Lloyd Garrison and the way he was almost lynched and how he rescued a negro, got in a carriage and galloped down through New York streets and I think finally entered - just escaped with this fellow, you see?

D: Yes.

HMJr: It's very dramatic.

D: Yes.

HMJr: I'll send it to you.

D: Good. .

HMJr: I don't suppose there's one man in a hundred on the street that knows the incident, but this man, Cramer has taken - the things that I've read, the reason that I keep after - have taken the more dramatic things, you see? Let me send you - he's done three or four.

D:9 Yes, that sounds swell. Now, it is a problem. I don't think that one should exaggerate a problem, anyone should approach it.....

HMJr: Look, Deitz.....

D: I think that it is a problem to get good copy.

HMJr: Deitz, if it was easy, it would have been done long ago.

D: Yes, I mean the copy is pretty poverty stricken, even on the radio, even any where.

HMJr: And if it was easy, I wouldn't be calling you.

D: Well, that's sweet. (Laughs)

- 6 -

HMJr: So.....

D: I swear to you by all that's holy I would move heaven and earth, but I think that to embark on a project that isn't sure maybe - we want to have a great program, we want to have a successful one. It will not be cheap. Sometimes the sound of a name might make it sound a little bit cheapish, but it will be very popular and very broad and it will have the right ideal behind it.

HMJr: Now, I'm not only thinking for the Texaco hour, that's only incidental.

D: Yes, I know.

HMJr: I'm thinking about these thousands and thousands of soldiers, you see?

D: Yes.

HMJr: On every ship board every night, you know, they have a movie, you know that?

D: Yes.

HMJr: Did you know that on every ship in the United States Navy every night they show a movie?

D: Yes. I didn't know every night, but I knew they showed movies quite regularly.

HMJr: I think, as far as I know, every single night they show a movie. Now - those audiences - until the President has somebody, whose job it is to do it on the audiences that have got to be reached, they got to be told what the hell this is all about.

D: Sure.

- 7 -

- HMJr: And we are not doing it. Now, I've got some people that are kind enough to help me, like yourself and as I say, I'd at least like to make the effort.
- D: Yes, that's right.
- HMJr: And if he ask.....
- D: Now, I would like to know, for instance, would Sherwood-I'd like a talk with Powell, I know he's in Washington.
- HMJr: He's sitting here and he can hear you.
- D: That's good, that's what I'm saying. If he could get with Sherwood right away, find out - I know a bit about Sherwood's plans and what he's done. I know he was side-tracked in many - a couple of things that he tried to do and in the course of it he may have built up some material which would represent more his ideal of the entertainment than the turn has taken.
- HMJr: Well, Powell will call him as soon as he leaves the room which will be when you hang up.
- D: I would love to see Sherwood for instance, if he would volunteer to be the dramatic editor of this program so that Sherwood - no playlet would be on unless approved by Sherwood.
- HMJr: Well, nothing would suit me better.
- D: And that Sherwood would also be the inspiration to inspire his fellow playwrights to contribute these things. Sherwood is brilliant on his subject and has standing that is the top, if he'd do it, but I'm a little frightened for fear that he is so involved in other things.

- 8 -

HMJr: Well, Powell will try him this afternoon.

D: That would be fine.

HMJr: All right.

D: Meanwhile, do you approve the lines that we are going as outlined by Paul Monroe?

HMJr: He hasn't had a chance. He'll get a chance before he goes home tonight.

D: Good, and I would like to know whether you do approve and with one modification. Because then I will follow out along those lines, adding to it the interpretation of my own.

HMJr: But he'll be back here, he's coming back again at three thirty and he will see me at that time and I'll give him a chance then.

D: That will be very fine, Mr. Morgenthau.

HMJr: Thank you.

D: You can command me for anything on this. I will do anything in the world and change it according to a general idea or your ideas and try to deliver a program.

HMJr: Nobody could ask for more. And I'm seeing him again at three thirty.

D: And then I'd like to hear what the general opinion of it is.

HMJr: Well, one of this gang will call you back.

D: Good. Good luck.

HMJr: Thank you.

D: Thank you very much.

June 9, 1941  
4:15 p.m.

HMJr: Hello.

Jesse Jones: Hello.

HMJr: Hello, Jesse.

J: How are you?

HMJr: Oh, I'm fine.

J: Well, I'm available any time you...

HMJr: Well, all right. What are you doing around eleven tomorrow?

J: Eleven tomorrow suits me all right.

HMJr: What?

J: But then I wouldn't get any lunch on that?

HMJr: (Laughs) Wait a minute. (Pause) You got to go till Thursday for lunch.

J: You made a mistake, you see.

HMJr: Wait a minute, I'm - Thursday I'm free.

J: Well, I think we better do it tomorrow.

HMJr: Well, I tell you, we do it twice.

J: Well, we might do it that way, yeah.

HMJr: I'll put you down Thursday for lunch.

J: Okay.

- 2 -

HMJr: And I'm not going to let you call me.

J: Okay.

HMJr: And tomorrow morning at eleven, how's that?

J: That will be fine.

HMJr: What?

J: That will be fine.

HMJr: Okey doke.

J: Goodbye.

HMJr: Thank you.

June 9, 1941  
4:48 p.m.

HMJr: Hello.

Ronald  
Ransom: Hello, how are you?

HMJr: I'm all right, how are you?

R: Fine, thank you. I told you when I got back from the swing around the country, I'd get in touch with you.

HMJr: Oh yes.

R: Now, the latter part of this week I'm going - I went to nine of the Federal Reserve Banks, but I'm going to Richmond and Atlanta, which will make eleven of the twelve.

HMJr: Oh, yes.

R: And by next week when I get back I will have nearly covered all of them and I thought if you would be interested next week I would get in communication with you and.....

HMJr: Very much. I'd like you to come over and have a meal with me.

R: I'd like to do that. There's a lot of things that I've run into that I think might be of interest to you.

HMJr: Well, if you give me a ring, I'd love to have you come over and have a meal.

R: Fine. I ought to say that I think the President's address was a magnificent one and that it beautifully timed and what he's doing on this labor situation is a masterpiece of statesmanship. I feel that what he's done

- 2 -

in that speech and on debts  
is covering up two of the  
things that I encountered in  
nine of these districts that  
I think were vitally important  
and I feel happier about it than  
I did before the speech I heard  
at St. Louis.

HMJr:

All right.

R:

So, I'll call you next week.

HMJr:

Thank you.

## MEMORANDUM FOR THE SECRETARY.

June 9, 1941.

Comments on the recent radio address of the Secretary are, on the whole, not particularly friendly. The situation in regard to strikes is very much in the average man's mind, judging both by letters of comment on bond sales and other correspondence. The mail of Monday morning, the 9th, indicated 4 critical letters to 1 friendly one, and of the 4, 3 criticized the Government's policy in regard to strikes.

Typical comments are --

J. W. Kellogg, Chicago. "Your prattle about defense bonds would sound better if you cut out your communistic experiments. Too much labor coddling."

V. Scott, Asheville, N.C. "Here are some of the remarks I heard after your radio talk last night." "I'll not buy any more defense bonds as long as there are so many strikes on defense projects." "If labor can't be patriotic enough to work for the defense of our country, why should I deny myself buying defense bonds?" "The Communists are in a position to block by means of strikes any effort made by the USA which does not please them." In view of these facts, the writer begs the Secretary to use his influence toward the enactment of laws to end strikes during the emergency.

A Post Office clerk, New York City. "Your speech was very good and to the point. I have been buying Savings Bonds since they were issued, but the majority of the clerks have not been approached to buy bonds. I hope a stronger campaign will be made among these Government employees."

Mrs. G. C. Deill, McCune, Kansas. Listened with pleasure to the radio address, but asks why Cities Service should not be made to pay back dividends in order that hundreds of stockholders could buy defense bonds with money tied up in utility investments.

W. W. McEachern, President, Union Trust Company, St. Petersburg, Florida. Listened with keen interest to the address, and reports that his bank has been particularly energetic in selling these securities. The entire personnel of the institution, totalling 52, is purchasing bonds on a monthly basis. "The sale of these defense Savings Bonds has been very gratifying as we have sold far more than we anticipated selling."

*J. F. Forbush*

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TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

DATE June 9, 1941

TO Secretary Morgenthau  
FROM E. H. Foley, Jr.

I thought you might be interested in the attached memorandum from Harold Stanley in regard to the fees and commissions in the Viscose deal.

S. H. F. H.

wy

COPY

June 4, 1941

Public offering price . . . . . \$62,295,146

This was for 91.14% of the stock and indicates a valuation for the whole company (100% of the stock) of \$68,351,049)

Payment to 17 purchasers including managers, under the March 15 contract, was \$3,351,576, which is 5.38% of the public offering price, for arranging the original contract and tying up a large amount of capital; for arranging the recapitalization of the Company; for the risk and for carrying the commitment in difficult times; for forming nationwide underwriting and distributing groups and for planning and supervising a successful distribution and for other responsibilities and services.

Payment to 17 purchasers, as underwriters and sellers, was \$1,347,599, which is 2.16% of the public offering price.

Payment to some 581 other dealers as underwriters and sellers was \$2,751,601, which is 4.42% of the public offering price.

Expenses paid by the British Government were .64% of the public offering price.

for Miss Chauncey

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE June 9, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

**STRICTLY CONFIDENTIAL**

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

	<u>No. of Shares Sold</u>	<u>\$ Proceeds of Shares Sold</u>	<u>Nominal Value of Bonds Sold</u>	<u>\$ Proceeds of Bonds Sold</u>
June 2	25,876	647,414	383,000	124,587
3	33,759	757,343	278,000	209,701
4	33,200	866,239	214,500	161,502
5	10,120	283,771	76,000	65,213
6	7,799	284,783	45,000	30,848
7	520	24,865	Nil	Nil
	<u>111,274</u>	<u>2,864,415</u>	<u>996,500</u>	<u>591,851</u>
Sales from 2/22/40 to 5/31/41	<u>9,214,835-1/2</u>	<u>266,759,280</u>	<u>41,312,050</u>	<u>34,682,641</u>
Total 2/22/40 to 6/7/41	<u>9,326,109-1/2</u>	<u>269,623,695</u>	<u>42,308,550</u>	<u>35,274,492</u>

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE June 9, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

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	<u>\$ Proceeds of Shares Sold</u>	<u>\$ Proceeds of Bonds Sold</u>	<u>Total</u>	
June 2	647,414	124,587	772,001	
3	757,343	209,701	967,044	
4	866,239	161,502	1,027,741	
5	283,771	65,213	348,984	
6	284,783	30,848	315,631	
7	<u>24,865</u>	<u>Nil</u>	<u>24,865</u>	
	2,864,415	591,851	3,456,266	
Sales from				
Feb. 22, 1940				
to May 31, 1941	<u>266,759,280</u>	<u>34,682,641</u>	<u>301,441,921</u>	
Total				
Feb. 22, 1940				
to June 7, 1941	<u>269,623,695</u>	<u>35,274,492</u>	<u>304,898,187</u>	304,898,187
\$ proceeds of non-vested securities sold				
May 24, 1941 - May 31, 1941			200,000	
\$ proceeds of non-vested securities sold				
Sept. 1, 1939 - May 24, 1941			<u>226,800,000</u>	
\$ proceeds of non-vested securities sold				
Sept. 1, 1939 - May 31, 1941			<u>227,000,000</u>	<u>227,000,000</u>
			GRAND TOTAL	<u><u>531,898,187</u></u>

June 9, 1941

CONFIDENTIAL

Dear Mr. Knabe:

Permit me to acknowledge, on behalf of the Secretary, the receipt of your letter of June 5, 1941, enclosing your compilation for the week ended May 25 showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

Faithfully yours,

H. Marie Cochran,  
Technical Assistant to the Secretary.

L. W. Knabe, Esquire,  
Vice President,  
Federal Reserve Bank of New York,  
New York, New York.

HMC:imc:6/9/41

**FEDERAL RESERVE BANK  
OF NEW YORK**

June 5, 1941.

CONFIDENTIAL

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

I am enclosing our compilation for the week ended May 25, 1941, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knabe

L. W. Knabe,  
Vice President.

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

Enclosure

COPY:mg:6/7/41

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS  
(In Millions of Dollars)

Week Ended May 28, 1941.

Strictly Confidential

PERIOD	UNITED KINGDOM (BRITISH GOVERNMENT)							Net Amer. (+) or Debr. (-) in Balance	BANK OF FRANCE						Net Amer. (+) or Debr. (-) in Balance
	Total Debits	Expenditures (a)	Other Debits	Total Credits	Sales of				DEBITS			CREDITS			
					Gold	Securities (Official) (b)	Other Credits (c)		Total Debits	Expenditures (a)	Other Debits	Total Credits	Expenditures (a)	Other Credits	
First year of war (8/29/39-8/28/40)*	1,795.2	605.6	1,187.61	828.2	1,356.1	52.0	420.1	+ 35.0	866.3(e)	416.6 (e)	449.7	1,093.3(e)	900.2	195.1(e)	-229.0
1940															
Aug. 29 - Oct. 2	316.8	244.5	72.5	308.9	271.5										
Oct. 3 - 30	196.7	167.8	28.9	196.5	160.5	5.6	31.4	- 7.9	8.6	4.4	4.2	1.3	-	1.3	- 17.3
Oct. 31 - Nov. 27	241.0	201.1	39.9	259.5	210.0	6.0	52.0	+ 1.8	0.5	0.3	0.2	0.5	-	0.5	-
Nov. 28 - Dec. 31	254.6	206.8	27.8	198.0	111.4	25.0	31.5	+ 18.5	0.8	0.1	0.7	0.7	-	0.7	- 0.1
Period through Dec. 31	2,782.3	1,425.6	1,356.72	2,793.1	2,109.5	108.0	60.6	- 36.6	2.1	-	2.1	0.6	-	0.6	- 1.5
1941															
Jan. 2 - 29	197.4	162.7	34.7	259.9	176.2	52.0	575.6	+ 10.8	878.3	421.4	456.9	1,098.4	900.2	198.2	+220.1
Jan. 30 - Feb. 25	164.6	137.8	26.8	101.4	25.6	25.0	31.7	+ 62.5	1.7	-	1.7	0.5	-	0.5	- 1.2
Feb. 27 - Apr. 2	229.7	157.6	32.1	237.9	103.7	72.0	48.8	- 63.2	0.2	-	0.2	0.3	-	0.2	-
Apr. 3 - Apr. 30	126.0	101.9	24.1	218.9	125.6	15.6	62.2	+ 8.2	0.7	-	0.7	1.6	-	1.6	+ 0.9
May 1 - May 28	122.6	90.6	32.0	91.0	6.3	32.0	78.3	+92.9	0.9	-	0.9	0.9	-	0.9	-
May 29 - July 2							52.7	-31.6	0.4	-	0.4	0.8	-	0.8	+ 0.4
July 3 - July 30															
July 31 - Aug. 27															
Second year of war (8/29/40-8/27/41)															
Aug. 28 - Oct. 1															
Oct. 2 - Oct. 29															
Oct. 30 - Dec. 3															
Dec. 4 - 31															
WEEK ENDED:															
May 7	39.6	29.2	10.4	17.1	-	6.0	11.1	-22.5	0.2	-	0.2	0.2	-	0.2	-
14	26.7	20.2	6.5	27.8	6.3	16.0	5.5	+ 1.1	0.1	-	0.1	0.1	-	0.1	-
21	29.3	21.6	7.7	11.5	-	6.0	5.5	-17.8	0.1	-	0.1	0.2	-	0.2	+0.1
28	27.0	19.6	7.4	34.6	-	4.0	30.6(f)	+ 1.6	-	-	-	0.3	-	0.3	+0.3

Average Weekly Expenditures Since Outbreak of War  
France (Through June 19) \$19.6 million

Transfers from British Purchasing Commission to  
Bank of Canada for French Account

(See footnotes on reverse side)

England (through June 19) 27.6 million  
England (since June 19) 50.3 million

Week ended May 28 \$ - million  
Cumulation from July 5 \$ 162.7 million

\* For monthly breakdown see tabulations prior to April 23, 1941.

- (a) Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Ministry of Supply, Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.
- (d) Includes payments for account of French Air Commission and French Purchasing Commission.
- (e) Adjusted to eliminate the effect of \$30 million paid out on June 26, 1940 and returned the following day.
- (f) Includes \$20 million received by the British Purchasing Commission as a refund of capital assistance payments previously made to a munitions concern in this country. This item also includes about \$3.2 million presumably representing the proceeds of wool exports and \$2 million transferred from account of a British authorized bank with a New York bank.

STATEMENT OF LIABILITIES AND RESERVES ACCOUNTS

First Issue May 28, 1941.

Strictly Confidential

PERIOD	Total Debits	to		Total Credits	of Gold Sales	British A/C		Other Credits	(+ or -) or Debit (-) in Balance	Total Debits	to		Total Credits	of Gold Sales	Other Credits	(+ or -) or Debit (-) in Balance
		Official British A/C	Other Debits			For Own A/C	For French A/C				Official British A/C	Other Debits				
First year of war (8/29/39-8/28/40)*	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+181.7	31.2	3.9	27.3	36.1	50.0	6.1	+ 4.9
1940																
Aug. 29 - Oct. 2	44.3	-	44.3	43.9	16.4	-	27.3	0.2	- 0.4	8.7	2.5	6.2	8.0	6.7	1.3	- 0.7
Oct. 3 - 30	26.7	-	26.7	28.6	14.0	-	14.3	0.3	+ 1.9	10.1	7.5	2.6	7.9	6.5	1.4	- 2.2
Oct. 31 - Nov. 27	35.2	-	35.2	69.6	49.2	-	16.7	3.7	+ 34.4	3.1	0.6	2.5	3.6	2.1	1.5	+ 0.5
Nov. 28 - Dec. 31	48.0	-	48.0	60.6	42.5	-	13.7	4.4	+ 12.6	4.8	-	4.8	6.8	4.8	2.0	+ 2.0
Warrior's March Dec. 1941	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
1941																
Jan. 2 - 29	33.7	-	33.7	33.9	16.9	-	15.0	2.0	+ 0.2	4.8	-	4.8	6.8	5.1	1.7	+ 2.0
Jan. 30 - Feb. 26	31.1	-	31.1	24.3	14.3	-	6.8	3.2	- 6.8	5.0	1.7	3.3	3.2	0.6	2.6	- 1.8
Feb. 27 - Apr. 2	60.9	-	60.9	46.0	23.1	-	19.1	3.8	- 14.9	5.8	0.8	5.0	13.7	12.5	1.2	+ 7.9
Apr. 3 - Apr. 30	34.9	-	34.9	35.2	12.5	-	10.5	12.9	+ 1.0	2.8	-	2.8	5.9	4.6	1.3	+ 3.1
May 1 - May 26	39.2	-	39.2	25.6	15.8	-	0.5	2.3	- 13.7	5.4	-	5.4	4.9	4.1	0.8	- 0.5
May 29 - July 2																
July 3 - July 30																
July 31 - Aug. 27																
Second year of war (8/29/40-8/27/41)																
Aug. 28 - Oct. 1																
Oct. 2 - Oct. 29																
Oct. 30 - Dec. 3																
Dec. 4 - 31																
WEEK ENDING:																
May 7	9.0	-	9.0	12.2	3.5	-	0.5	8.2	+ 3.2	2.7	-	2.7	0.1	-	0.1	- 1.6
14	8.3	-	8.3	4.4	3.7	-	-	0.7	- 3.9	0.2	-	0.2	0.1	-	0.1	- 0.1
21	3.4	-	3.4	4.6	4.5	-	-	0.1	- 4.9	2.7	-	2.7	4.3	3.9	0.4	+ 2.6
28	12.5	-	12.5	4.4	4.1	-	-	0.3	- 8.1	1.8	-	1.8	0.4	0.2	0.2	- 1.4

Weekly Average of Total Debits Since Outbreak of War through May 28, 1941 \$ 7.4 million  
 \* For monthly breakdown see tabulations prior to April 23, 1941.

STRICTLY CONFIDENTIAL

ALLISON SHIPMENTS

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	British				Army				China	GRAND TOTAL
	C	E	F	Total	C	E	F	Total	C	
Jan. 29 - Jan. 4	8	-	-	8	1	3	-	4	-	12
Jan. 5 - 11	83	-	-	83	-	2	-	2	-	85
Jan. 12 - 18	41	-	-	41	-	2	-	2	-	43
Jan. 19 - 25	33	-	-	33	-	-	-	-	-	33
Jan. 26 - Feb. 1	31	-	-	31	-	1	-	1	-	32
Feb. 2 - 8	60	-	-	60	25	1	-	26	-	86
Feb. 9 - 15	30	1	-	31	32	2	1	35	-	66
Feb. 16 - 22	-	-	-	-	77	2	1	80	-	80
Feb. 23 - Mar. 1	-	-	-	-	88	3	-	91	-	91
Mar. 2 - 8	6	-	-	6	69	2	-	71	-	77
Mar. 9 - 15	6	-	-	6	72	-	2	74	-	80
Mar. 16 - 22	36	-	-	36	14	1	2	17	-	53
Mar. 23 - 29	87	2	-	89	10	1	3	14	-	103
Mar. 30 - April 5	24	-	-	24	41	1	5	47	-	71
Apr. 6 - 12	60	5	1	66	8	1	3	12	10	88
Apr. 13 - 19	12	2	-	14	-	2	5	7	-	21
Apr. 20 - 26	-	3	3	6	1	-	2	3	10	19
Apr. 27 - May 3	-	-	-	-	-	8	1	9	-	9
May 4 - 10	24	-	-	24	-	7	7	14	-	38
May 11 - 17	53	11	9	73	-	7	13	20	-	93
May 18 - 24	60	13	16	89	-	6	23	29	-	118
May 25 - 31	24	14	14	52	-	5	22	27	-	79
June 1 - 7	12	25	16	53	-	5	23	28	10	91
TOTAL Dec. 29 - June 7	690	76	59	825	438	62	113	613	30	1,468

June 9, 1941.

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

**ALLISON DIVISION, GENERAL MOTORS CORP.**

**Shipments of Airplane Engines**

	Actual shipments	Estimated shipments on existing orders
40		
January.....	10	
May 24 - June 22.....	28	
June 23 - July 20.....	43	
July 21 - Aug. 17.....	47	
Aug. 18 - Sept. 14.....	140	
Sept. 15 - Oct. 12.....	263	
Oct. 13 - Nov. 9.....	233	
Nov. 10 - Dec. 7.....	154	
Dec. 8 - Jan. 4.....	228	
41		
January 5 - February 1.....	193	
February 2 - March 1.....	323	
March 2 - 8.....	77	
March 9 - 15.....	80	
March 16 - 22.....	53	
March 23 - 29.....	103	
March 30 - April 5.....	71	
April 6 - 12.....	88	
April 13 - 19.....	21	
April 20 - 26.....	19	
April 27 - May 3.....	9	
May 4 - 10.....	38	
May 11 - 17.....	93	
May 18 - 24.....	118	
May 25 - 31.....	79	
June 1 - 7.....	91	
June 8 - 30.....		330
July.....		475
August.....		580
September.....		700
October.....		800
November.....		900
December.....		1,000
42		
January.....		1,000
February.....		730

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

June 9, 1941.

EXPORTS OF PETROLEUM PRODUCTS, SCRAP IRON AND SCRAP STEEL  
FROM THE UNITED STATES TO JAPAN, RUSSIA, SPAIN, AND GREAT BRITAIN  
AS SHOWN BY IMPORTERS PERMITS GRANTED

Week ended June 7, 1941

	JAPAN	RUSSIA	SPAIN	GREAT BRITAIN
<b>PETROLEUM PRODUCTS</b>				
Fuel and Gas Oil (including Diesel Oil)	120,070 Bbls.	--	57,000 Bbls.	318,678 Bbls.
Crude -				
Blended or California High Octane Crude*	157,250 Bbls.	--	--	--
All Other Crude	--	--	--	--
Gasoline -				
Gasoline A**	--	--	--	305,000 Bbls.
Gasoline B*	12,750 Bbls.	--	64,000 Bbls.	104,000 Bbls.
All Other Gasoline	--	--	--	--
Lubricating Oil -				
Aviation Lubricating Oil***	--	--	--	48,350 Bbls.
All Other Lubricating Oil	24,402 Bbls.	--	34,800 Bbls.	6,762 Bbls.
Tetraethyl Lead***	--	--	--	--
*Boosters*, such as Iso-Octane, Iso-Hexane, or Iso-Pentane	--	--	--	--
<b>SCRAP IRON AND SCRAP STEEL</b>				
Number 1 Heavy Melting Scrap	--	--	--	10,800 Tons
All Other Scrap	--	--	--	--

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

June 9, 1941.

Source: Office of Merchant Ship Control, Treasury Department.

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

\*\* Aviation Gasoline.

\*\*\* As defined in the President's regulations of July 26, 1940.

Harry White

June 9.

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P.M.

An all-out defense program to utilize effectively our labor resources.

This would involve the following steps:

1. A great expansion of the plans prepared by the services and the OPM for defense articles.

2. A separate program of defense construction which could employ most of those now unemployed.

3. In order to carry this out, give the Federal Works Agency as much as \$5 billion to employ at regular rates of pay 2-1/2 million persons on defense projects which will otherwise not get done:

- a. Airports
- b. Roads
- c. Defense plants
- d. Defense housing
- e. Utilities in defense towns

4. Unify the present labor training program under a single director of labor training and supply and enlarge it so as to give training to enough men with appropriate skills to break the approaching bottlenecks at the level of the expanded program.

5. Keep WPA at the project level to take care of the residue, if any.

This program is based upon the fact that the present defense program is leaving unused approximately 7 million persons who are unemployed and seeking work and possibly 5 million who would be seeking work if there were enough jobs. The program for the coming year is officially stated to involve the direct and indirect employment of not more than 3 million of these persons and the armed forces will absorb only another million.

JUN 9 1941

My dear Mr. Secretary:

I have your letter of May 26, 1941, (24 500.51 v 59/1142), enclosing a draft of a press release covering the payments due June 15, 1941, on obligations of foreign governments to the United States arising out of the World War, and asking for my comments as to how this matter should be handled.

The Treasury does not believe that any change should be made at this time in the routine procedure under which notices of amounts due from debtor governments have been transmitted to the representatives of such governments in this country. Therefore, I am enclosing copies of notices of amounts due on June 15 and July 1, 1941 from various debtor governments, and will be glad if you will transmit such notices to the respective governments which have representation in this country.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of State.

Enclosures, sent in duplicate

By Messenger

File to Mr. Thompson

VTH:mhb 6-6-41

FUNDING FOR JUNE 15, 1942 AND JULY 1, 1942SLAVENIAMEMORANDUM OF FUNDS OBTAINED BY THE UNITED STATES

The following statement shows the amounts due under the funding and maintenance agreements on June 15, 1942 and July 1, 1942:

	Funding Agreements		Maintenance Agreements	Total
	Principal	Interest		
as of June 15, 1942:				
Albania .....	\$4,000,000.00	\$4,150,000.00	\$40,000.00	\$8,190,000.00
Czechoslovakia .....	2,500,000.00	—	100,000.00	2,600,000.00
Estonia .....	—	25,000.00	50,000.00	75,000.00
Finland .....	—	150,000.00	50,000.00	200,000.00
France .....	21,720,072.50	21,320,000.00	1,000,000.00	44,040,072.50
Great Britain .....	—	75,000,000.00	5,700,000.00	80,700,000.00
Hungary .....	—	11,100.00	1,000.00	12,100.00
Italy .....	15,000,000.00	2,000,000.00	200,000.00	17,200,000.00
Yugoslavia .....	—	110,000.00	15,000.00	125,000.00
Latvia .....	20,000.00	200,000.00	10,000.00	220,000.00
Lithuania .....	100,000.00	200,000.00	10,000.00	310,000.00
Romania .....	200,000.00	200,000.00	10,000.00	410,000.00
Slovakia .....	200,000.00	100,000.00	—	300,000.00
<b>Total June 15, 1942 .....</b>	<b>\$75,420,072.50</b>	<b>\$82,620,000.00</b>	<b>\$21,970,000.00</b>	<b>\$179,010,072.50</b>
as of July 1, 1942:				
France .....	\$175,000.00	—	\$1,100.00	\$176,100.00

STATE OF ACCOUNTS  
Treasury  
June 1, 1942

**STATEMENT OF AMOUNTS DUE FROM THE GOVERNMENT OF BELGIUM  
FROM DECEMBER 15, 1932, TO DECEMBER 15, 1940, INCLUSIVE,  
AND JUNE 15, 1941**

	<u>Funding Agreement</u>		<u>Annuity under Moratorium Agreement</u>
	<u>Principal</u>	<u>Interest</u>	
Total of amounts due from December 15, 1932 to December 15, 1940, inclusive	<u>\$36,100,000</u>	<u>\$22,788,000</u>	<u>\$7,266,800.20</u>
<u>Amount due June 15, 1941:</u>			
Principal of bond No. 16 on account of pre-armistice indebtedness . . . . .		\$2,900,000.00	
Principal of bond No. 16 on account of post-armistice indebtedness. . . . .		1,900,000.00	
Semiannual interest due June 15, 1941, on bonds Nos. 8 to 62, aggregating \$237,600,000 representing post-armistice indebtedness, as provided for in the funding agreement of August 18, 1925 . . . . .		4,158,000.00	
Sixteenth semiannual installment of the annuity due June 15, 1941 on account of the moratorium agreement of June 10, 1932. . . . .			<u>464,453.88</u>
Amount due . . . . .			<u>\$9,442,453.88</u>

**STATEMENT OF AMOUNTS DUE FROM THE GOVERNMENT  
OF CZECHOSLOVAKIA FROM JUNE 15, 1933 TO  
DECEMBER 15, 1940, INCLUSIVE, AND JUNE 15, 1941**

	<u>FINANCIAL ACCOUNT</u>		<u>Amnity under Munichian Agreement</u>
	<u>Principal</u>	<u>Interest</u>	
Total of amounts due from June 15, 1933 to December 15, 1940, inclusive	<u>\$23,470,085.83</u>	---	<u>\$2,742,101.70</u>

Amount due June 15, 1941:

Principal amount of bond No. 32  
due June 15, 1941, under agree-  
ment of October 13, 1925 . . . . . \$1,500,000.00

Sixteenth semiannual installment  
of the annuity due June 15, 1941  
on account of the munichian  
agreement of June 10, 1932 . . . . . 162,812.78

Amount due . . . . . \$1,662,812.78

**STATEMENT OF AMOUNTS DUE FROM THE GOVERNMENT OF  
THE REPUBLIC OF ESTONIA FROM DECEMBER 15, 1932  
TO DECEMBER 15, 1940, INCLUSIVE, AND JUNE 15, 1941**

	<u>Funding Agreement</u>		<u>Annuity under Moratorium Agreement</u>
	<u>Principal</u>	<u>Interest</u>	
Total of amounts due from December 15, 1932 to December 15, 1940, inclusive	<u>\$1,146,000</u>	<u>\$4,625,610</u>	<u>\$648,779.35</u>
<u>Amount due June 15, 1941:</u>			
Semiannual interest due June 15, 1941 on bonds Nos. 19 to 62 and 11-A to 54-A . . . . .			<u>\$246,210.00</u>
Interest accrued from Dec. 15, 1940 to June 15, 1941 on principal amounts of bonds aggregating \$1,146,000 which matured from Dec. 15, 1932 to Dec. 15, 1940, inclusive . . . . .			<u>20,055.00</u>
Sixteenth semiannual annuity due June 15, 1941 on account of the moratorium agreement of June 11, 1932 . . . . .			<u>36,724.29</u>
Amount due . . . . .			<u>\$322,990.29</u>

**STATEMENT OF AMOUNT DUE FROM THE GOVERNMENT  
OF THE REPUBLIC OF FINLAND  
JUNE 15, 1941**

**Amount due June 15, 1941:**

Semiannual interest due June 15, 1941 on bonds Nos. 19 to 62 . . . . .	\$139,037.50
Sixteenth semiannual installment of annuity due June 15, 1941 on account of the moratorium agreement of May 23, 1932 . . . . .	19,030.50
First semiannual installment of annuity due June 15, 1941 on account of the moratorium agreement of May 1, 1941 . . . . .	<u>13,695.06</u>
Amount due . . . . .	\$171,763.06

**STATEMENT OF AMOUNTS DUE FROM THE GOVERNMENT OF THE  
REPUBLIC OF FRANCE FROM DECEMBER 15, 1939 TO DECEMBER  
15, 1940, INCLUSIVE, AND JUNE 15, 1941**

	<b>Funding Agreement</b>		<b>Amorty under Mortuarium Agreement</b>
	<b>Principal</b>	<b>Interest</b>	
Total of amounts due from Dec. 15, 1939 to Dec. 15 1940, inclusive	<u>8438,730,128.77</u>	<u>8244,791,791.89</u>	<u>841,701,191.89</u>
<b>Amount due June 15, 1941:</b>			
Principal of bond No. 16 due June 15, 1941 . . . . .			851,720,872.30
Semiannual interest due June 15, 1941 on bonds Nos. 16 to 62 . . . . .			34,139,563.71
Interest accrued from Dec. 15, 1940 to June 15, 1941 on principal amounts of bonds Nos. 8 to 15, aggregating 8438,730,128.77 which matured from June 15, 1939 to June 15, 1940 . . . . .			4,387,301.29
Sixteenth semiannual installment of the amorty due June 15, 1941 on account of the mortuarium agreement of June 10, 1932. . . . .			<u>3,844,871.72</u>
Amount due . . . . .			<u>893,292,617.30</u>

**STATEMENT OF AMOUNTS DUE FROM THE GOVERNMENT  
OF GREAT BRITAIN FROM JUNE 15, 1933  
TO NOVEMBER 15, 1940, INSTALLATIVE, AND JUNE 15, 1941**

	<u>Financing Agreement</u>		<u>Annuity under Moratorium Agreement</u>
	<u>Principal</u>	<u>Interest</u>	
Total of amounts due from June 15, 1933 to December 15, 1940, final.	<u>\$281,000,000.00</u>	<u>\$1,197,499,461.28</u>	<u>\$145,831,471.71</u>
<u>Amount due June 15, 1941:</u>			
Semiannual interest due June 15, 1941 on 19th to 62nd installments . . . . .		\$71,032,500.00	
Interest accrued from Dec. 15, 1940 to June 15, 1941 on principal installments Nos. 11 to 18, aggregating \$281,000,000 which matured from Dec. 15, 1933 to Dec. 15, 1940 . . . . .		4,917,500.00	
Sixteenth semiannual installment of the annuity due June 15, 1941, on account of the moratorium agreement of June 4, 1932. . . . .		<u>9,730,765.05</u>	
Amount due . . . . .			\$ 85,670,765.05

**STATEMENT OF AMOUNTS DUE FROM THE GOVERNMENT  
OF THE KINGDOM OF HUNGARY FROM DECEMBER 15, 1932  
TO DECEMBER 15, 1940, INCLUSIVE, AND JUNE 15, 1941**

	<u>Funding Agreement</u>		<u>Annuity under</u>
	<u>Principal</u>	<u>Interest</u>	<u>Meratorium</u>
Total of amounts due from Dec. 15, 1932 to Dec. 15, 1940, inclusive	<u>\$123,385.00</u>	<u>\$481,127.05</u>	<u>\$61,353.79</u>
<u>Amount due June 15, 1941:</u>			
Semiannual interest due June 15, 1941 on bonds Nos. 18 to 62, and on balances of principal amounts of bonds Nos. 63 to 65 . . . . .		831,025.64	
Interest accrued from Dec. 15, 1940 to June 15, 1941 on principal amounts aggregating \$123,385.00 which matured from Dec. 15, 1932 to Dec. 15, 1940 . . . . .		2,199.24	
Sixteenth semiannual installment of the annuity due June 15, 1941 on account of the moratorium agreement of May 27, 1932. . . . .		4,235.58	
			<u>\$87,410.66</u>

**NOTE:** On February 6, 1938, the Hungarian Government made a proposal for a new arrangement to replace its funding agreement of April 25, 1924, and moratorium agreement of May 27, 1932, which proposal was on March 28, 1938 transmitted by the President to the Congress for its consideration. Subsequently, payments of \$9,828.16 cash were received on June 15, 1938, December 14, 1938, June 12, 1939, December 13, 1939, June 14, 1940 and December 13, 1940, by the United States.

**STATEMENT OF AMOUNTS DUE FROM THE GOVERNMENT  
OF THE KINGDOM OF ITALY FROM JUNE 15, 1933  
TO DECEMBER 15, 1940, INCLUSIVE, AND JUNE 15, 1941**

	<u>FUNDING AGREEMENT</u>		<u>Amuity under Moratorium Agreement</u>
	<u>Principal</u>	<u>Interest</u>	
Total of amounts due from June 15, 1933 to Dec. 15, 1940, inclusive	<u>\$111,202,000.00</u>	<u>\$12,172,416.74</u>	<u>\$13,442,728.20</u>
<u>Amount due June 15, 1941:</u>			
Principal of bond No. 16, due June 15, 1941 . . . . .		\$16,400,000.00	
Semiannual interest due June 15, 1941 on bonds Nos. 16 to 62 . . . . .		2,351,575.00	
Interest accrued from Dec. 15, 1940 to June 15, 1941 on bonds Nos. 8 to 15, aggregating \$111,200,000 which matured from June 15, 1933 to June 15, 1940 . . . . .		139,000.00	
Sixteenth semiannual installment of the amuity due June 15, 1941 on account of the moratorium agreement of June 3, 1932. . .		<u>226,155.82</u>	
Amount due . . . . .			<u>\$19,767,030.82</u>

**STATEMENT OF AMOUNTS DUE FROM THE GOVERNMENT  
OF THE REPUBLIC OF LATVIA FROM JUNE 15, 1939  
TO DECEMBER 15, 1940, INCLUSIVE, AND JUNE 15, 1941**

	<u>Fixed Amounts</u>		<u>Amity under Moratorium Agreement</u>
	<u>Principal</u>	<u>Interest</u>	
Total of amounts due from June 15, 1939 to Dec. 15, 1940, inclusive	<u>\$463,700.00</u>	<u>\$1,878,213.84</u>	<u>\$239,113.98</u>
<u>Amount due June 15, 1941:</u>			
Semiannual interest due June 15, 1941 on bonds Nos. 19 to 62 and 11-A to 34-A . . . . .		\$ 111,494.25	
Interest accrued from Dec. 15, 1940 to June 15, 1941 on principal amounts aggregating \$463,700 which matured from Dec. 15, 1939 to December 15, 1940, inclusive . . . . .		8,114.75	
Sixteenth semiannual installment of amity due June 15, 1941 on account of the moratorium agreement of June 11, 1932 . . . . .		<u>14,274.26</u>	
<b>Amount due . . . . .</b>			<b>\$134,883.26</b>

**STATEMENT OF AMOUNTS DUE FROM THE GOVERNMENT  
OF THE REPUBLIC OF LITHUANIA FROM JUNE 15, 1933  
TO DEC. 15, 1940, INCLUSIVE, AND JUNE 15, 1941**

	<u>Funding Agreement</u>		<u>Annuity under Moratorium Agreement</u>
	<u>Principal</u>	<u>Interest</u>	
Total of amounts due from June 15, 1933 to December 15, 1940, inclusive	<u>\$364,160.00</u>	<u>\$1,661,355.37</u>	<u>\$205,248.90</u>
<u>Amount due June 15, 1941:</u>			
Principal of bond No. 17 for \$49,000 and principal installment amounting to \$3,425 on bonds Nos. 63 to 71, due June 15, 1941 . . . . .		\$ 52,425.00	
Semiannual interest due June 15, 1941 on bonds Nos. 17 to 62 and balance of principal amounts on bonds Nos. 63 to 71 . . . . .		101,410.87	
Interest accrued from Dec. 15, 1940 to June 15, 1941 on principal amounts aggregating \$364,160 which matured from June 15, 1933 to June 15, 1940 . . . . .		6,372.80	
Sixteenth semiannual installment of annuity due June 15, 1941 on account of moratorium agreement of June 9, 1932 . . . . .		<u>11,681.26</u>	
Amount due . . . . .			<u>\$173,891.93</u>

**STATEMENT OF AMOUNT DUE FROM THE GOVERNMENT OF  
THE REPUBLIC OF POLAND FROM DECEMBER 15, 1932  
TO DECEMBER 15, 1940, INCLUSIVE, AND JUNE 15, 1941**

	<u>Funding Agreement</u>		<u>Annuitiy under Moratorium Agreement</u>
	<u>Principal</u>	<u>Interest</u>	
Total of amounts due from Dec. 15, 1932 to Dec. 15, 1940, inclusive	<u>\$13,632,000.00</u>	<u>\$60,375,240.00</u>	<u>\$4,843,445.65</u>
<u>Amount due June 15, 1941:</u>			
Semiannual interest due June 15, 1941 on bonds Nos. 19 to 62 and 12-A to 55-A . . . . .		\$ 3,344,250.00	
Interest accrued from Dec. 15, 1940 to June 15, 1941 on bonds aggregating \$13,632,000 which matured from Dec. 15, 1932 to Dec. 15, 1940 . . . . .		238,560.00	
Sixteenth semiannual installment of the annuity due June 15, 1941 on account of the moratorium agreement of June 10, 1932 . . . . .		<u>456,229.71</u>	
Amount due . . . . .			\$4,039,039.71

**STATEMENT OF AMOUNTS DUE FROM THE GOVERNMENT  
OF THE KINGDOM OF RWANDA FROM JUNE 15, 1933  
TO DECEMBER 15, 1940, INCLUSIVE, AND JUNE 15, 1941**

	<u>Funding Agreement</u>		<u>Amuity under Moratorium Agreement</u>
	<u>Principal</u>	<u>Interest</u>	
Total of amounts due from June 15, 1933 to Dec. 15, 1940, inclusive	<u>811,630,560.43</u>	<u>82,722,679.43</u>	<u>973,231.80</u>
<u>Amount due June 15, 1941:</u>			
Principal of bond No. 16 due June 15, 1941 . . . . .		\$ 445,000.00	
Semiannual interest due June 15, 1941 on bonds Nos. 15 to 62 aggregating \$81,860,560.43 as provided for in the funding agreement of Dec. 4, 1925 . . . . .		907,559.81	
Sixteenth semiannual installment of the amuity due June 15, 1941 on account of the moratorium agreement of June 11, 1932.		<u>48,732.08</u>	
Amount due . . . . .			81,401,309.89

**STATEMENT OF AMOUNTS DUE FROM THE GOVERNMENT OF  
YUGOSLAVIA FROM JUNE 15, 1932 to  
DECEMBER 15, 1940, INCLUSIVE, AND JUNE 15, 1941**

**Fundings Account**

	<u>Principal</u>	<u>Interest</u>
Total of amounts due from June 15, 1932 to Dec. 15, 1940, inclusive	<u>\$3,213,000.00</u>	<u>\$391,156.28</u>
<u>Amount due June 15, 1941:</u>		
Principal of bond No. 16, due June 15, 1941 . . . . .	\$ 524,000.00	
Semiannual interest due June 15, 1941 on bonds Nos. 16 to 62 . . . . .	146,030.00	
Interest accrued from Dec. 15, 1940 to June 15, 1941 on principal amount of bonds aggregating \$3,213,000 which matured from June 15, 1932 to June 15, 1940. . . . .	\$ 032.20	
Amount due . . . . .		\$676,062.50

**STATEMENT OF AMOUNTS DUE FROM THE GOVERNMENT  
OF GRENCH FROM JANUARY 1, 1933 TO JANUARY 1,  
1941, INCLUSIVE, AND JULY 1, 1941**

	<u>Fixed Agreement</u>		<u>Amity under Moratorium Agreement</u>
	<u>Principal</u>	<u>Interest</u>	
Total of amounts due from Jan. 1, 1933 to Jan. 1, 1941, inclusive	<u>\$2,810,000.00</u>	<u>\$41,987.50</u>	<u>\$20,711.20</u>
<b>Amount due July 1, 1941:</b>			
Principal of bond No. 27 due July 1, 1941, under Part I of agreement of May 10, 1939 . . . . .		\$175,000.00	
Seventeenth semiannual installment due July 1, 1941, under paragraph I(a) of moratorium agreement of May 24, 1932 . . . . .		<u>13,169.45</u>	
Amount due . . . . .			\$188,169.45

DEPARTMENT OF STATE  
WASHINGTON

May 28, 1941

In reply refer to  
EA 800.51 W 89/1142

My dear Mr. Secretary:

About this time each year it has been customary for this Department to send governments indebted to the United States statements of the amounts due and payable June 15. However, exceptions have recently been made to this in the case of certain countries, and these exceptions have been covered by statements in press releases of this Department that no notices have been sent to the representatives of Czechoslovakia, Estonia, Latvia and Lithuania in view of current governmental conditions in those countries.

Under existing circumstances I deem it undesirable to send notices to the debtor governments now defending themselves against aggression, to some of which we are at present extending aid under the Lease-Lend Act. This would eliminate notices to all countries having payments due

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

- 2 -

due June 15, 1941 except France, Hungary, Italy and Rumania.

Questions as to the payments due June 15 are likely soon to be raised by the press. If notices are to be sent to some countries and not to others, it would probably be desirable to issue an explanatory statement for the information of the public and for the record. A draft of such a statement is enclosed. The alternative would be to send no notices to any of the debtor governments and to inform the press either orally or through a press release that in the existing circumstances it is believed that no useful purpose would be served by the dispatch of the customary notices and that such notices are not requisite under the terms of the debt agreements.

I should be glad to have your advice as to the handling of this matter.

Sincerely yours,

/s/ Cordell Hull

Enclosure:

Draft of  
press release.

## DRAFT OF PRESS RELEASE

PAYMENTS DUE JUNE 15, 1941 ON OBLIGATIONS OF FOREIGN  
GOVERNMENTS TO THE UNITED STATES ARISING OUT  
OF THE WORLD WAR

Statements of amounts due and payable by other governments on their obligations to the Government of the United States arising from the World War have customarily been transmitted to the representatives of such governments at Washington a few weeks before payments are due under the agreements with each country, although such notice is not requisite under the terms of the agreements.

In view of current governmental conditions in Czechoslovakia, Estonia, Latvia and Lithuania, no statements of amounts due from Czechoslovakia have been rendered to that country since December 1938, and no statements have been rendered to Estonia, Latvia and Lithuania since June 1940. In view of the fact that Greece, whose defense the President under the authority granted him by Public Law 11, 77th Congress, has deemed vital to the defense of the United States, is engaged in a war of defense against unjustified aggression, no statement of amounts due and payable by Greece on May 10, 1941 has been rendered.

For similar reasons, it is not contemplated that statements of amounts due and payable June 15, 1941 will be transmitted at this time to the representatives of the Governments of Belgium, Great Britain, Poland and  
Yugoslavia,

- 2 -

Yugoslavia, which are also involved in war against the common aggressors of Europe.

Legislation which would offer Finland an option of postponement of amounts due in the calendar years 1941 and 1942 is now pending in the Congress, and it is hoped that such legislation will be enacted before there is occasion for Finland to consider the payments due June 15, 1941 or for the Government of the United States to communicate with Finland regarding them.

The Department of State has today transmitted to the representatives at Washington of the Governments of France, Hungary, Italy and Rumania statements of amounts due and payable June 15, 1941 on obligations of these Governments to the United States arising out of the World War.

Payments from Germany under its debt agreement of June 23, 1930 fall due on March 31 and September 30 of each year, and payments by Germany in respect of the indebtedness of the Republic of Austria to the Government of the United States fall due on January 1 each year. Statements of amounts due and payable have regularly been transmitted to the German Embassy at Washington in advance of these dates.

JUN 8 1941

My dear Mr. Valles:

Reference is made to your letter dated June 4, 1941, (2A), with which you enclosed a copy of a translation of a memorandum presented to your Department by the Colombian Ambassador, setting forth the request of the Government of Colombia for financial and economic assistance involving credits for public works and agricultural development purposes and cooperation with the Colombian Stabilization Fund.

As you are aware, the question of extending the life of this Treasury's Stabilization Fund beyond June 30, 1941, is now before Congress. Until final action is taken thereon, may I suggest the advisability of postponing any conversations between the Treasury and the Colombian Ambassador with respect to the possibility of cooperation between the American and Colombian Stabilization Funds.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable  
Sumner Welles,  
Under Secretary of State.

HMG:lmj-6/5/41

## PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Rio de Janeiro

DATE: June 9, 1941, 11 p.m.

NO.: 385.

Reference is made to the Embassy's  
 May 26, 10 a.m., no. 331.

The former Governor and Vice Governor of the Yugoslav National Bank have now been removed by the Government of Yugoslavia. Mr. D. Lazarevich is now the Governor and Mr. R. Bichanich is the new Vice Governor. The appropriate authorities of the United States Government have been formally advised of this change by the Yugoslav Minister at Washington, who informs the Department that the Government of Brazil and the Bank of Brazil have also been advised of the change. He states that the Bank of Brazil has now been requested by the Yugoslav National Bank, through its appropriate officials, to effect transfer to the Federal Reserve Bank of New York of the \$11,250,000. This request is being supported by the Yugoslav Minister at Rio and by the Yugoslav Minister here.

You are requested to try to get this request carried through.

HULL  
 (AAB)

EA:FL:MSG Eu RA

EA:MSG

RECEIVED  
 DEPARTMENT OF STATE  
 JUN 11 11 20 AM '41  
 OFFICE OF THE  
 SECRETARY OF STATE  
 JUN 11 11 20 AM '41

June 10, 1941

FROM THE SECRETARY.

TO: Mr. Bell  
Mr. Foley  
Mr. Cochran  
Mr. White

*Copies sent to the above*

TREASURY DEPARTMENT

UNITED STATES COAST GUARD

WASHINGTON

9 June, 1941.

SECRET

Spagent, Hongkong, China.  
Secretary of the Treasury.

Message from A. Manuel Fox.

Fox, Taylor, and Frase arrived Hongkong today. Fox states that confidential letter from Ambassador Gauss, Chungking, intimates that group may wish to visit Shanghai before proceeding to Chungking. This is in keeping with British interest to delay proceeding to Chungking. Fox, however, is writing and wiring H. H. Kung that party is ready to proceed to Chungking at the earliest moment. Fox prepared the following message en route to Hongkong:

"Had talk with Dr. Alfred Sse in Manila. We had opportunity of studying the many memos and reports en route and able to make critical analysis of British-Sino agreements, setting forth points of similarity, dissimilar aspects, and early steps which agreements required board to take. I will forward a copy of this statement as soon as possible. In my talk with Sse, the following outstanding points were discussed:

1. Sse has been asked to visit the United States to aid V. Soong. He expects to stay a considerable time.
2. H. H. Kung is the weak spot in China. Lanier realizes his unfitness and would like retire but his wife against such action. Sse stressed that it is necessary to watch Kung as his decisions are fickle and very changeable and it is necessary to have everything definite and in writing. Madame Kung is the real

driving force.

3. Chiang Kai-shek has done on the whole an excellent job and has held the Chinese together like few can do.

4. Chiang Kai-shek has promised T. V. Soong finance ministry after he has finished satisfactorily business now in-hand in United States.

5. Chinese must compose their differences and present a united front.

6. The Japanese in China can easily be bribed. They have to pay as they go and corruption among the Japanese is increasing. Sze says that for a price materials can be sent through the Japanese lines.

7. Sze is not well acquainted with the cooperative movement, but thought it was doing a good job. Reports are that it is communistic, but this must not be taken too seriously.

8. Sze is of the opinion that we are coming to China at an opportune time and that we can do much good for China. We discussed industrial cooperatives with bankers and others in Manila. We have examined Carlson report and understand State Department criticisms. Its objectives seem good. Its possibilities for increasing available supply of goods real, but its plans require more fundamental basis before additional substantial financial assistance would be warranted. It seems worthy of early and serious consideration on board."

**SECRET**

June 10, 1941

FROM THE SECRETARY.

TO: Mr. Bell  
Mr. Foley  
Mr. Cochran  
Mr. White

*Copies sent to the above*

TREASURY DEPARTMENT  
UNITED STATES COAST GUARD

WASHINGTON

9 June, 1941.

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To : Secretary of the Treasury.

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**SECRET**

June 9, 1941

Dear Jim:

Thank you very much for letting me have your diary on your trip to England, which I enjoyed reading immensely.

Yours sincerely,

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

June 9, 1941

Dear Miss Thompson:

I am very glad to send you a copy of the memorandum "College Men and the War", as requested by Mrs. Roosevelt.

With kind regards,

Yours sincerely,

/s/ Henrietta S. Klotz

Miss Malvina Thompson,  
Secretary to Mrs. Roosevelt,  
The White House.

By Messenger

401

6/28/41

Miss Chauncey

240

Re Secretary is  
handling through  
Mr Graves without  
any written  
reply



nted  
MCH

From: MR. GASTON

R. GRAVES' OFFICE TO

- |              |              |
|--------------|--------------|
| Mr. Hall     | Mr. Powell   |
| Mr. Mack     | Mr. Johnston |
| Mr. Ross     | Mr. Sloan    |
| Mr. Campbell | Mr. Adams    |
| Mr. Wood     | Mr. Olney    |

\* \* \*  
Mr. Jackson

Had a pleasant  
talk with Jackson.

Offered him a  
fontain. He will  
advise me next  
Thursday.

  
6/20

0:

Mr. Gaston

5:20 P.M.

6-10-41

242

Brought in by Mrs. McHugh.  
"The Secretary says will Mr.  
Gaston please speak to him about  
this."

From: MR. GASTON

GARDNER JACKSON  
8 WEST KIRKE STREET  
CHEVY CHASE, MARYLAND

6/9/41

Dear Mr. Morgenthau:-

In the midst of your manifold and heavy burdens in these crucial days please forgive me for posing my personal problem briefly. Were it not for my desire to contribute what I can to the tremendous common effort ahead of us, I would not impose upon you this much.

When I pulled away from John Lewis last fall and pitched in with my nickel's worth at the Hotel Roosevelt headquarters for F.D.R. and H.A.W., it was with the hope that I might subsequently return to the CIO operation under Phil Murray. Because of the nature of my letter of resignation to John (which sprang from me without thought of its effect on my future) and because of John's bitterness it seemed impossible for Phil to do anything about me. I have understood and sympathized with his predicament. In the internal workings of the CIO, especially around headquarters, I unwittingly became by my action of withdrawal a symbol of the struggle within that organization.

Now, after these months during which I have collaborated behind the scenes with various of the CIO forces trying to shake the control you see exemplified in the North American Aviation and Woodworkers situations, I find that the long delay has made it difficult for me to get a job back in the Government where I think I can make the best contribution that's in me in the grave months ahead.

My role, as you know, has been largely that of public relations, promotion and liaison fellow for the efforts to which I have been attached, with a strong emphasis on the civil rights side. My only craft is that of newspapering. In our years in Washington I have been sort of a center of calls from most liberal organizations and individuals for aid and advice.

In the pursuit of the causes that seemed good to me I have been reckless in the dispensing of our limited funds and am now faced with the absolute necessity of getting a moderate income to keep the family afloat. I am terribly anxious to get that income, if possible, while trying to pull my weight in the defense effort.

My cronies down in the Department of Agriculture -- Milo Perkins, Paul Appleby and the others -- have worked out a job for me pushing the school lunch program in the field. It's an undertaking in which I'm definitely interested. But it will require pulling up stakes here and moving perhaps to California. In addition to the financial problem involved in our old house here (in which we now have a slight equity) there is the more compelling problem psychologically of the associations and relationships we have here. It is through them that we have our chief value for the struggle to which we all dedicate ourselves.

The President, I think, has been told in a vague way by Jim Rowe about my predicament and has indicated his desire to have my energies utilized. You know me well enough to see just what kind of a bird I am and where, in any number of spots, I might function. I may say that the terrible events of the last two years have made me a much soberer, middle-aged individual than you used to see. If you could spare the time, I'd welcome a conversation with you and would hope that you might mention it to the President. But I constantly don't want to be presumptuous.

Yours sincerely,

Gardner Jackson

Hon. Henry Morgenthau, Jr.,  
2211 Third St.,  
Washington, D.C.

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE July 9, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

**CONFIDENTIAL**

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£114,000
Purchased from commercial concerns	£ 14,000

Open market sterling held steady at 4.03-1/2. Transactions of the reporting banks were as follows:

Sold to commercial concerns	£ 4,000
Purchased from commercial concerns	£ 2,000

The discount on the Cuban peso widened further to 1-3/16%, as compared with 13/16% on Saturday.

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

Canadian dollar	11-7/8% discount
Swiss franc	.2321-1/2
Swedish krona	.2385
Reichsmark	.4005
Lira	.0526-1/4
Argentine peso (free)	.2368
Brazilian milreis (free)	.0505
Mexican peso	.2070

In Shanghai, the yuan was 1/32¢ lower at 5-11/32¢. Sterling was quoted at 3.90, up 1/2¢.

There were no gold transactions consummated by us today.

No new gold engagements were reported.

In London, the price fixed for spot and forward silver was unchanged at 23-3/8d, equivalent to 42.44¢.

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 34-3/4¢.

We made three purchases of silver totaling 200,000 ounces under the Silver Purchase Act, all of which consisted of new production from various foreign countries, bought for forward delivery.

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE June 9, 1941

TO Secretary Morgenthau  
FROM Mr. Hase  
Subject: The Business Situation,  
Week ending June 7, 1941.

Summary

(1) The BLS all-commodity index has continued to advance, rising 0.2 point in the week ended May 31 to 85.2 (1926 = 100). Basic commodity prices have tended to flatten out in recent weeks, but some indication of a renewed rise appeared near the end of last week.

(2) A growing shortage of farm labor threatens to curtail production of certain canned food products and further increase food prices. Except for California, the production of vegetables for canning is concentrated in States where distinct shortages of farm labor exist. The WPA is said to be making additional efforts to place workers in agricultural employment.

(3) Recent advances in national income have had continued influence in increasing consumer purchases, especially of durable goods. A new study we have made to measure the intensity of consumer demand points to the conclusion that considerable advance stocking up by consumers is taking place.

(4) The urgent need for increased production of steel plates for shipbuilding and freight cars foreshadows cuts in the output of steel sheets and strip for automobiles, refrigerators, and other civilian goods. Two more freight car building shops have had to close down due to lack of steel, but an OPM order granting a special preference rating to railroad equipment builders' steel requirements is reported to be imminent.

- - - - -

### All-commodity index rises further

The accentuated rise in commodity prices which began the middle of March was continued in the week ended May 31, when the BLS all-commodity index rose 0.2 point to 55.2 (1926 = 100). The subgroup "petroleum products" showed the largest advance, increasing 5 percent in that week, while no other subgroup index gained as much as 2 percent. Prices of basic commodities, on the other hand, have tended to flatten out in recent weeks. (See Chart 1, upper section.) Near the end of the week, however, prices of wheat, cotton, and a number of other basic commodities again turned strongly upward.

The following influences on individual commodity prices last week deserve special mention (see Chart 1, lower section):

(1) A threatened collapse of Japanese-Dutch Indies trade negotiations stimulated buying and price increases at the end of the week for import commodities from the Pacific area, with advances in prices of silk and tin. Burlap and cocoa prices have also increased, in response to uncertainties over the Far East situation.

(2) Large quantities of foodstuffs, said to total 246 carloads, are reported to be en route to the Atlantic seaboard for shipment to Britain before June 10. The Department of Agriculture continues to buy heavily of various products. Purchases of foodstuffs by the Department of Agriculture in the week ending May 31 are listed in Table 1. Increases in the prices of lard and cottonseed oil doubtless are in part the result, directly or indirectly, of these purchases.

### Farm labor shortage threatens higher food prices

A growing shortage of farm labor, which threatens to handicap the production of various canned food products needed for aid to Britain and for increased civilian and military demand, may have an important influence in raising food prices. Defense activity, together with the draft, has reduced the supply of farm workers far below normal in many areas. This has reportedly made it difficult for canning companies to contract for the usual acreages of tomatoes, string beans, and certain other vegetables which require considerable hand labor, and prices of these canned products have been rising in recent months. The canning season is now getting under way, and peak operations will soon be reached in some areas.

- 3 -

The relative supply of farm labor on April 1 this year as compared with last year is indicated by Department of Agriculture data showing the reported supply of labor (percent of normal) expressed as a ratio to the reported demand (percent of normal). The farm labor shortage is most pronounced in the Eastern States, in which defense activity is heavily concentrated. In most States the reported supply of farm labor this year is substantially less than the reported demand.

The production of vegetables for canning (except for the important production in California) is concentrated in the general area where a pronounced farm labor shortage exists. The ten leading States in the production of truck crops for canning are shown in the following table, together with the respective farm labor supply ratios:

<u>State</u>	<u>Commercial truck crops for processing, Total farm value, 1939</u>	<u>Farm labor supply, ratio to demand, April 1, 1941</u>
California	\$8,722,000	91
Maryland	4,674,000	74
New York	4,541,000	69
Indiana	4,462,000	77
Wisconsin	4,196,000	80
New Jersey	3,943,000	72
Ohio	2,476,000	73
Pennsylvania	2,446,000	73
Illinois	2,107,000	81
Minnesota	2,046,000	86

#### Aid from CCC and WPA suggested

Two possible sources of additional farm labor for the present emergency are the Civilian Conservation Corps and the Work Projects Administration. A suggestion has been made in the press that CCC workers might be assigned to harvest canning crops where labor shortages exist. The WPA is understood to be making somewhat greater efforts than usual to place workers in agricultural sections.

#### Rise in employment and income continues

The recent increases in employment and income have continued in April, as the following table shows:

- 4 -

	<u>April 1940</u>	<u>April 1941</u>	<u>Percentage increase</u>
National income (billions of dollars, annual rate, adjusted)	72.4	80.3	↑ 10.9
Factory payrolls (BLS, 1923-25 = 100)	97.9	134.4	↑ 37.3
Factory employment (BLS, 1923-25 = 100)	103.2	122.3	↑ 18.5
Non-agricultural employment (BLS, thousands)	34,882	37,617p	↑ 7.8

The increase in the number of workers employed, which has been more largely concentrated in manufacturing, has accounted for about one-half of the 37.3 percent in earnings of factory workers, the rest being due to increased wage rates and increased hours worked. Thus, consumer purchasing power has been augmented both by wages of the newly employed and by increased earnings of those already employed.

The impact of this new buying is apparent in the reports of sales of durable household goods, as the following table shows. Of course, the buying derived from higher incomes has been reenforced by anticipatory buying against the day when priorities and shortages will interfere with the normal supply of consumer goods.

	<u>April 1940 (units)</u>	<u>April 1941 (units)</u>	<u>Percentage increase</u>
Ironers	11,984	21,789	↑ 81.8
Washers	135,179	213,611	↑ 58.0
Ranges	43,308	65,692	↑ 51.7
Refrigerators	339,693	482,498	↑ 42.0
Vacuum cleaners	140,223	165,672	↑ 18.1

The increase in buying of durable goods is also evidenced by the FHA mortgages selected for appraisal, which show a substantial increase over last year. (See Chart 2.) Although a decline is reported for the week ended May 31, this is largely the result of holiday influences, and the final figure still shows a continued wide margin over the holiday week of the preceding year.

- 5 -

### Consumer demand shows substantial advance buying

Indications of the expanding volume of consumer purchases, such as those given above, may not fully measure the intensity of consumer demand, since they do not take into account the influence of changes in price levels. If consumers buy the same number of refrigerators, for example, after prices have advanced 10 percent, it obviously indicates a stronger demand for refrigerators than if that number had been bought at the lower price.

We have constructed an index to measure the level of consumer demand for selected items, taking into account the effect of variations in price levels. (See Chart 3.) The index provides a useful measure of the intensity of actual consumer demand. It may also be used to indicate whether consumers are buying more heavily than usual in relation to purchasing power (indicated on the chart by an index of "potential demand" based on national income payments).

It will be noted that the index of consumer demand rose very sharply last fall, far exceeding the current purchasing power of consumers, and has continued to rise. The buying has been most noticeable in automobile sales and in rural retail sales, but has also appeared in various other products. Two conclusions may be drawn from this study: (1) advance stocking by consumers has been taking place on a substantial scale, apparently on the fear of restricted future supplies and higher prices; (2) this is likely later to be replaced in some degree by an offsetting curtailment of consumer buying.

### Production problems confront steel industry

The urgent need for rapidly increased production of steel plates for shipbuilding, railroad freight cars and other requirements is one of the outstanding problems now confronting the steel industry. Inasmuch as current demand far exceeds the normal production facilities of the country's plate mills, some sheet and strip mills are now rolling plates. Furthermore, the OPM has indicated that additional shifts in production from sheets and strips to plates are in the offing. These shifts will reduce the amount of steel available for such products as automobiles and refrigerators. The extent of the cut is not yet known but more light may be shed on this when a survey of the conversion possibilities of the industry's sheet and strip production facilities is completed.

- 6 -

Further evidence of the extreme need for additional plate production appeared recently, when 2 more shops building freight cars had to close down due to lack of steel plates, thus bringing the number of closed shops to 4. In view of this situation, it is reported that the OPM will issue an order during the current week giving railroad equipment manufacturers a special preference rating in connection with their requirements for steel.

In addition to making changes in existing steel production facilities, the OPM has advised the Iron and Steel Industry Defense Committee that the Government desires to consider a plan for enlarging steel ingot capacity by about 10,000,000 tons per year in the shortest possible time and has requested assistance of the committee in that connection.

#### Steel output near capacity

After declining moderately in the Memorial Day holiday week, steel operations last week were scheduled to rise 0.6 point to 99.2 percent of capacity. Operations during the current week, however, have again been reduced to 98.6 percent of capacity.

As will be seen in Chart 4, both the important Pittsburgh and Chicago steel districts have been operating recently at slightly in excess of theoretical rated capacity, while several other districts have made an even stronger showing. Only the Wheeling district has failed at least to approximate rated capacity operations, and in that case the tonnage involved is not large.

#### New orders lower

Our index of new orders showed a steep decline for the week ended May 31 to 169.0 from 224.4 in the preceding week. New orders for steel and textiles both showed a very substantial reduction while the total excluding steel and textiles was off somewhat. (See Chart 5.) Since there is no real shortage of new business, in view of the defense program, the current decline in orders has much less significance than it would have under normal conditions.

According to a report from the New York Cotton Exchange, the domestic cotton goods market was still unsettled in the last week in May, following the action of the OPACS in placing a ceiling on combed cotton yarn prices. Buyers expressed

- 7 -

uncertainty about differentials between various cotton products. Trading volume increased again last week, however, so that many mills in the major print cloth, sheeting and osnaburg divisions are sold up through October.

Weekly business indexes higher

The New York Times index of business activity during the week ended May 31 rose 0.6 point to a new record high at 129.0. This was the sixth consecutive gain in the index from the mid-April low.

The gain in the index during the week mentioned was very largely due to a sharp rise in the adjusted index of paper-board production, although four other components of the index also showed gains. The principal offsetting factor was a greater than seasonal decline in electric power production. The adjusted index of lumber production also showed a substantial drop, and the adjusted index of miscellaneous freight carloadings declined moderately.

Barron's index of business activity during the week ended May 31 moved ahead at a faster pace than the Times index and reached a new high at 134.6 as compared with 133.1 in the previous week.

Preliminary data for the week ended June 7 reveal a contra-seasonal rise in steel ingot production and a sharp rise in automobile production to a level slightly above the previous high for the year attained just before the Memorial Day holiday week. However, the preliminary figures on automobile production may be revised downward because of labor troubles at the Ford plants at the end of the week.

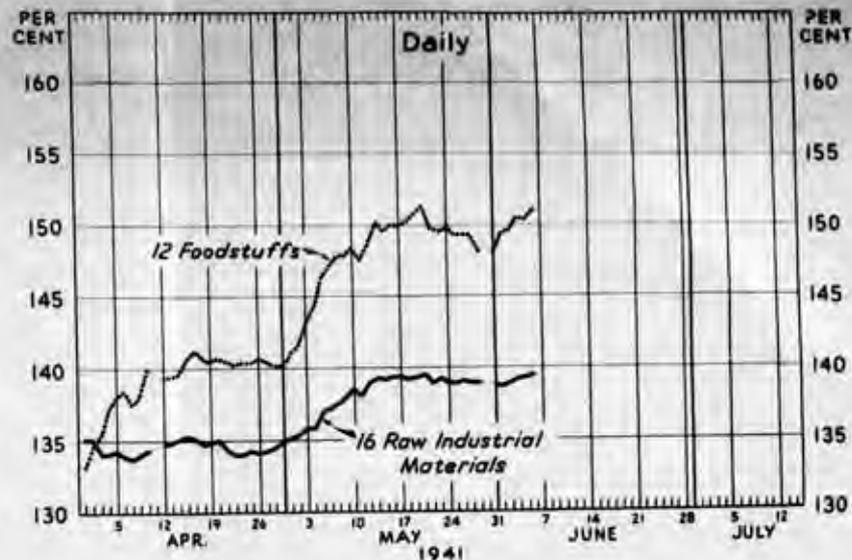
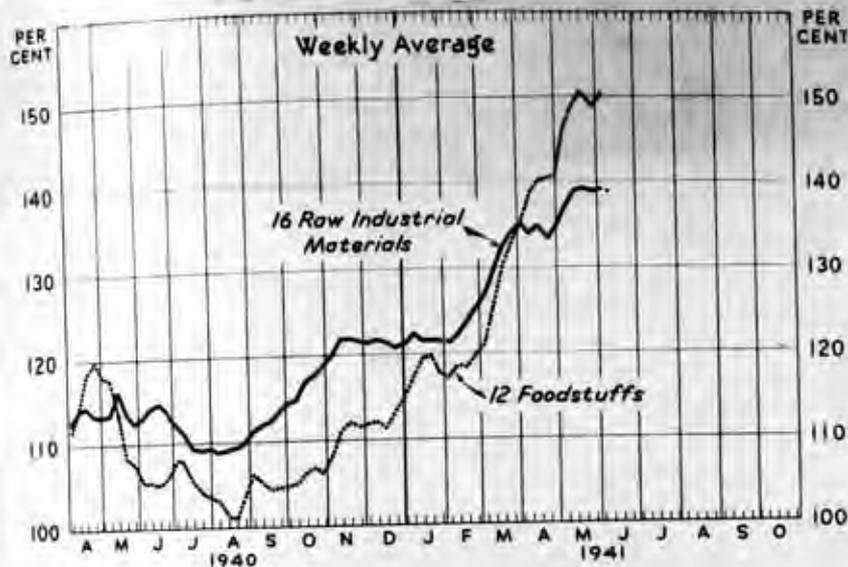
Table 1

A summary of foodstuff purchases made by the  
Department of Agriculture  
Week ended May 31

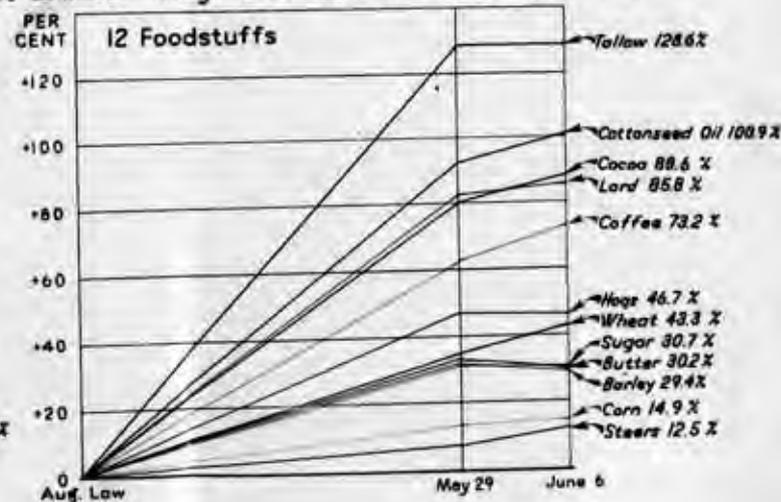
<u>Commodity</u>	<u>Quantity</u>
<u>Vegetables and fruit:</u>	
Apples, fresh	65,115 Bu.
Beans, dry	23,030,000 Lbs.
Oranges, fresh	46,200 Boxes
Tomatoes, canned	
Immediate delivery	419,596 Cases
Future delivery	635,800 Cases
<u>Dairy and poultry products:</u>	
Cheese, American	2,353,569 Lbs.
Eggs, dried	157,000 Lbs.
Eggs, frozen	2,137,920 Lbs.
Eggs, shell	35,600 Cases
Milk, dry skim	400,000 Lbs.
Milk, evaporated	392,800 Cases
<u>Other food:</u>	
Lard	4,260,000 Lbs.
Pork meat products	
Canned	170,632 Lbs.
Cured and frozen	1,230,000 Lbs.
Syrup, cane	10,000 Cases
Wheat, cracked	900,000 Lbs.

# MOVEMENT OF BASIC COMMODITY PRICES

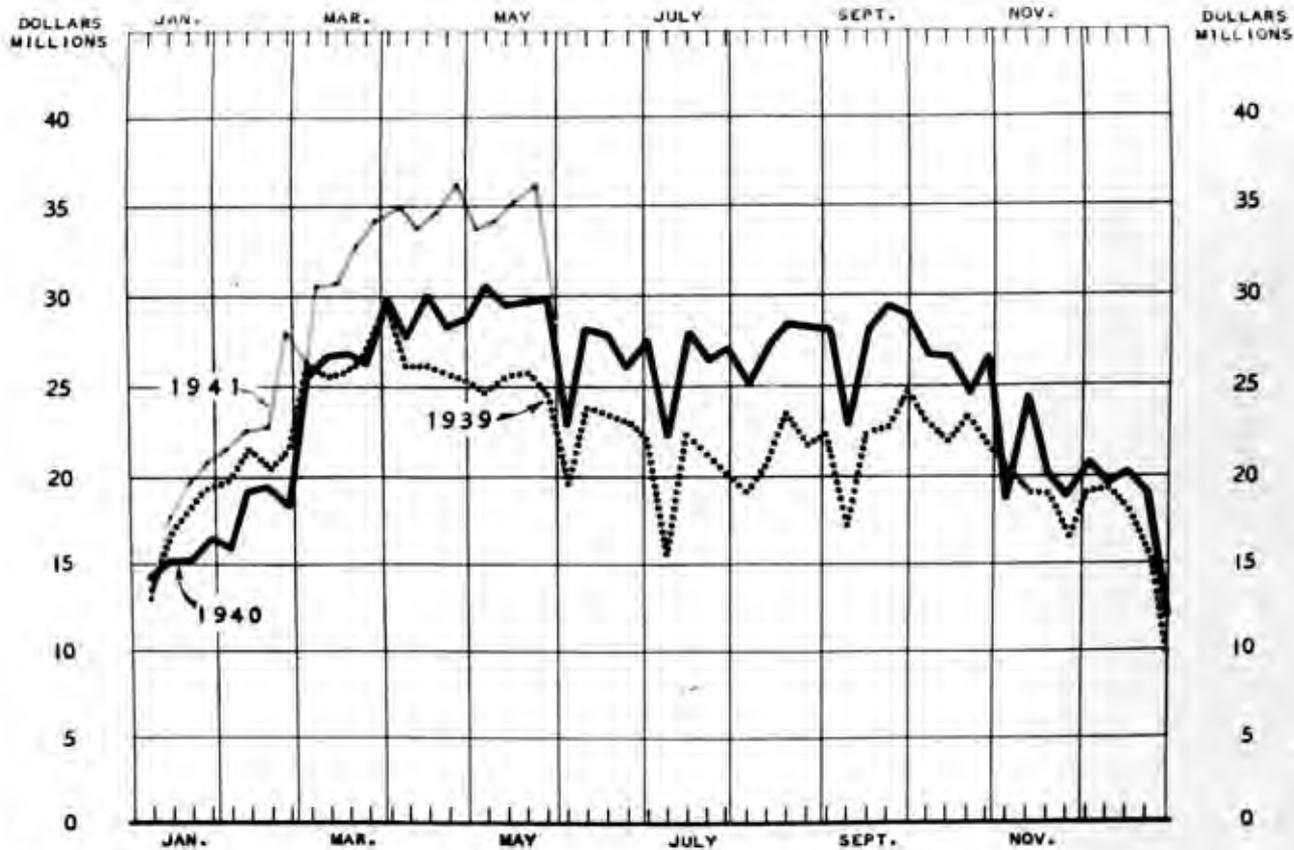
AUGUST 1939 = 100



Percentage Change for Individual Commodities, August Low to May 29, and to June 6, 1941



MORTGAGES SELECTED FOR APPRAISAL, F.H.A.  
Weekly

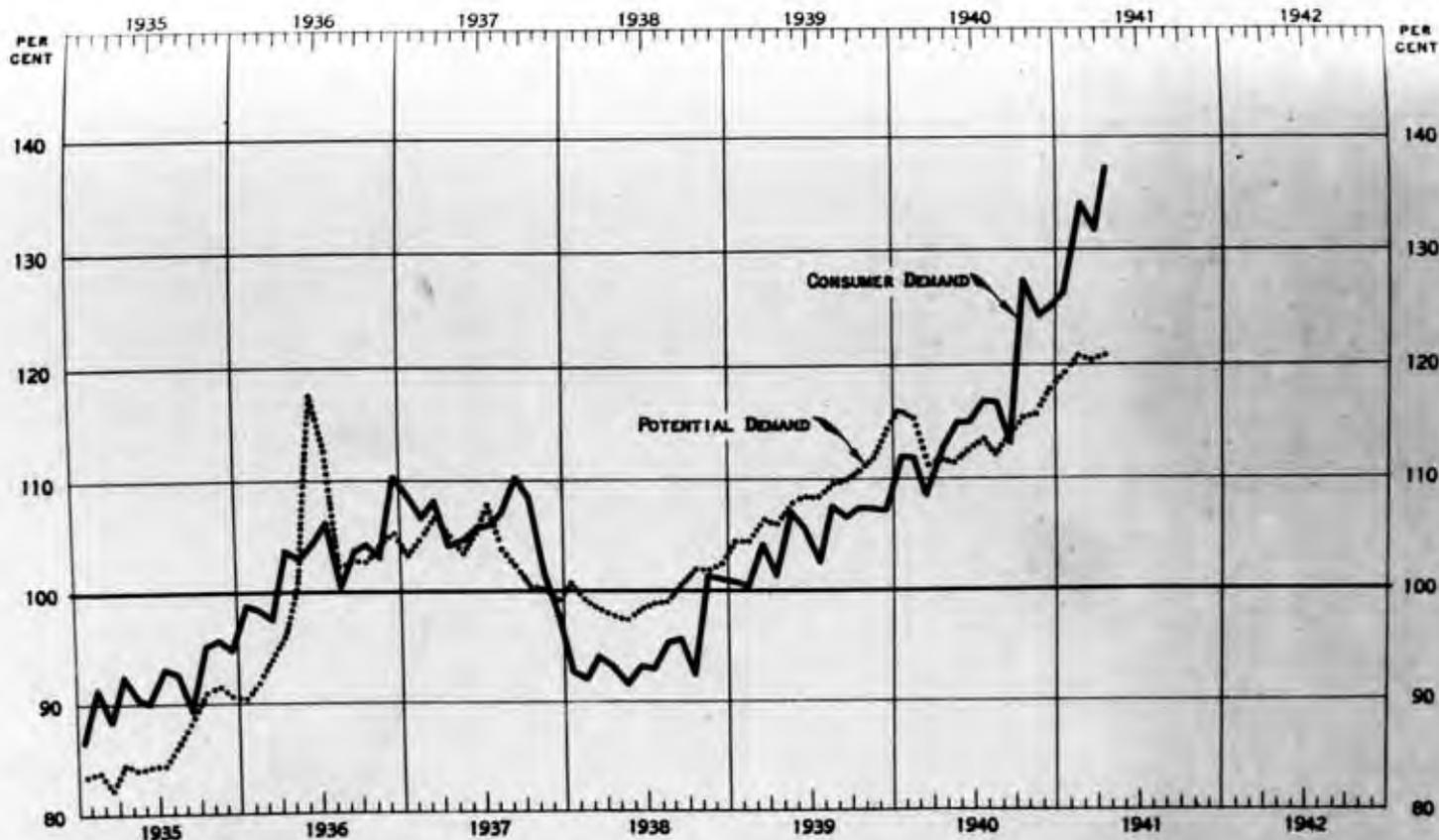


Office of the Secretary of the Treasury  
Division of Research and Statistics

C - 260 - B

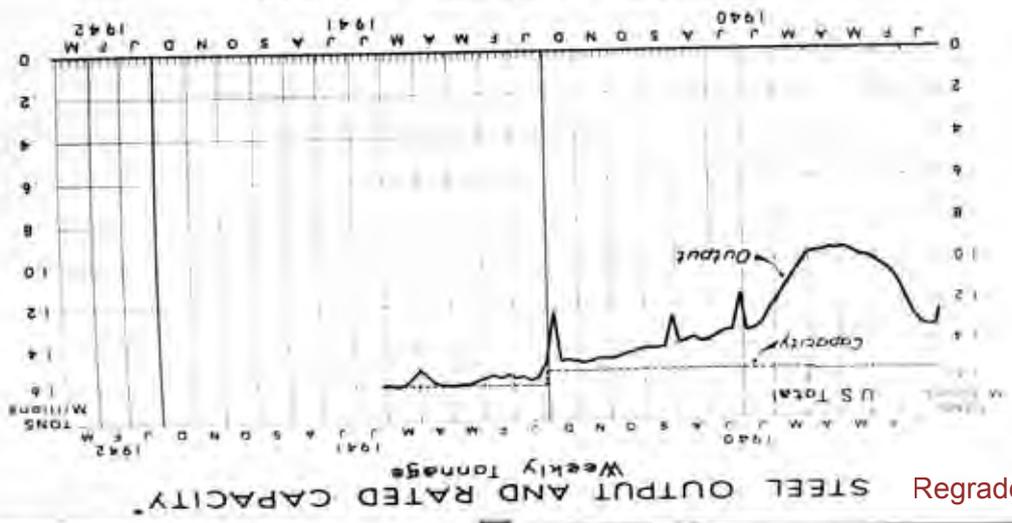
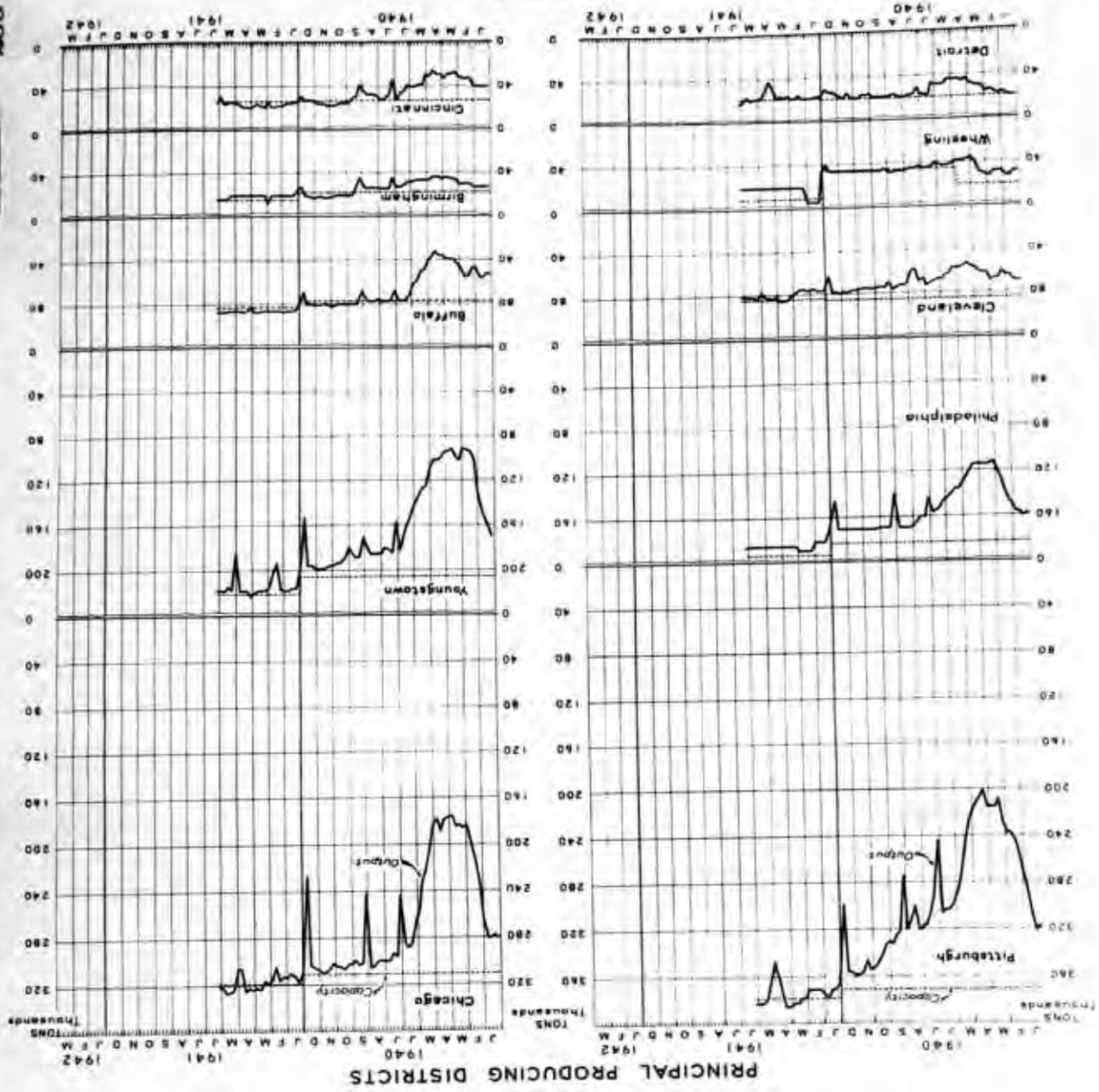
Chart 2  
254

INDEXES OF CONSUMER DEMAND AND POTENTIAL CONSUMER DEMAND  
1935 - 1939 = 100, SEASONALLY ADJUSTED



BASED ON DEPARTMENT STORE SALES, RURAL RETAIL SALES, AUTOMOBILE SALES, AND SALES OF BEEF AND VEAL, PORK, BUTTER, CHEESE, OLEOMARGARINE, CIGARETTES AND CIGARS. ADJUSTED FOR THE INFLUENCE OF PRICE CHANGES.

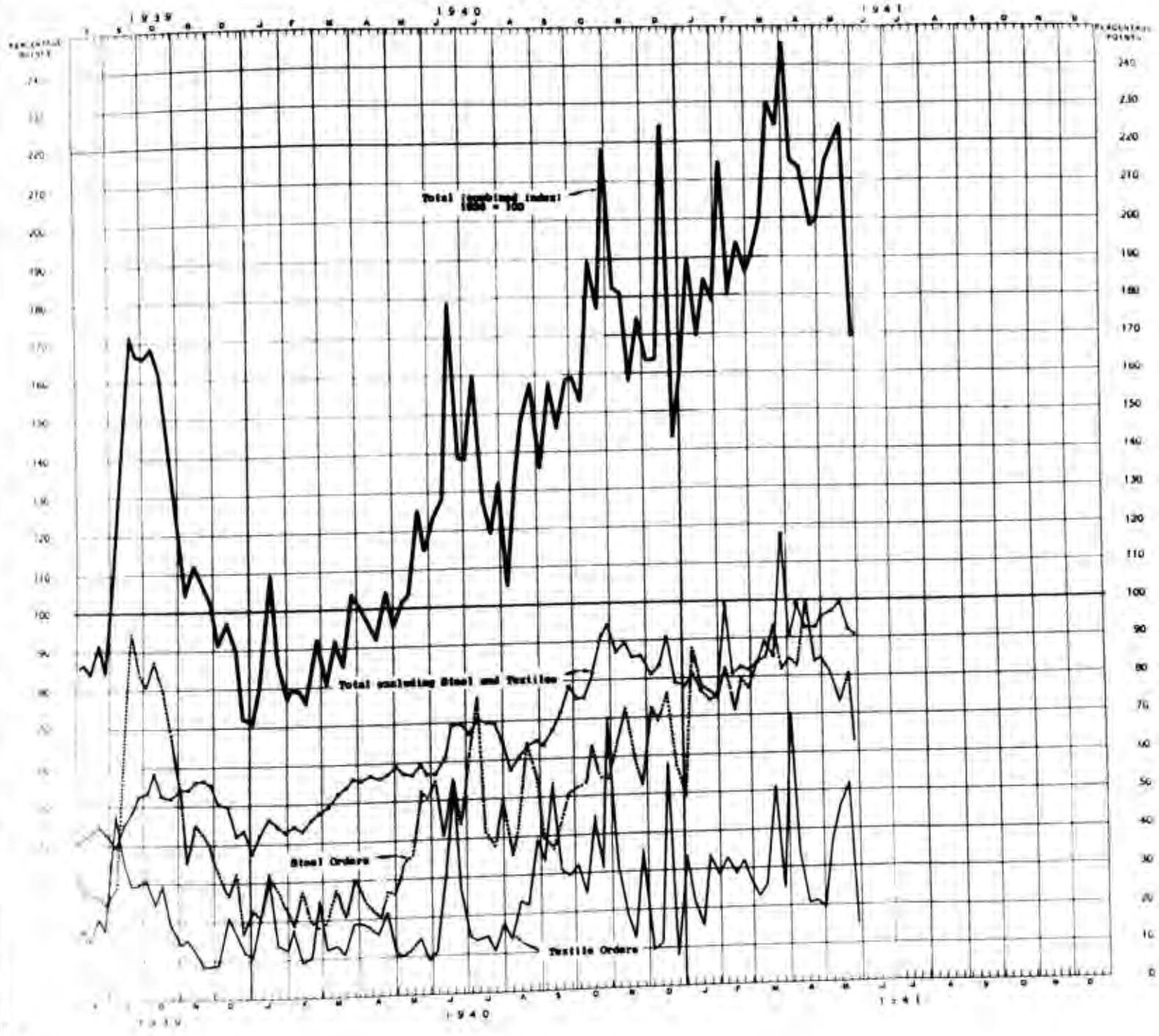
Based on new data



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### INDEXES OF NEW ORDERS

Combined Index of New Orders and Selected Components



TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

DATE June 9, 1941

TO Secretary Morgenthau  
FROM Mr. Haas

According to the attached tables and chart, Work Projects Administration employment declined to 1,464,000 persons during the week ended May 28, 1941, from the 1,474,000 employed during the preceding week. This represents a decrease of 96,000 persons from the number employed at the end of April.

Attachments

**WORK PROJECTS ADMINISTRATION**  
**Number of Workers Employed - Weekly**  
**United States**

Week ending 1940-41	Number of Workers (In thousands)
November 6	1,783
November 13	1,786
November 20	1,807
November 27	1,822
December 4	1,832
December 11	1,855
December 18	1,872
December 25	1,878
January 1	1,880
January 8	1,887
January 15	1,894
January 22	1,895
January 29	1,895
February 5	1,892
February 12	1,893
February 19	1,885
February 26	1,867
March 5	1,806
March 12	1,764
March 19	1,736
March 26	1,708
April 2	1,662
April 9	1,634
April 16	1,607
April 23	1,586
April 30	1,560
May 7	1,519
May 14	1,497
May 21	1,474
May 28	1,464

Source: Work Projects Administration

WORK PROJECTS ADMINISTRATION  
Number of Workers Employed - Monthly  
United States

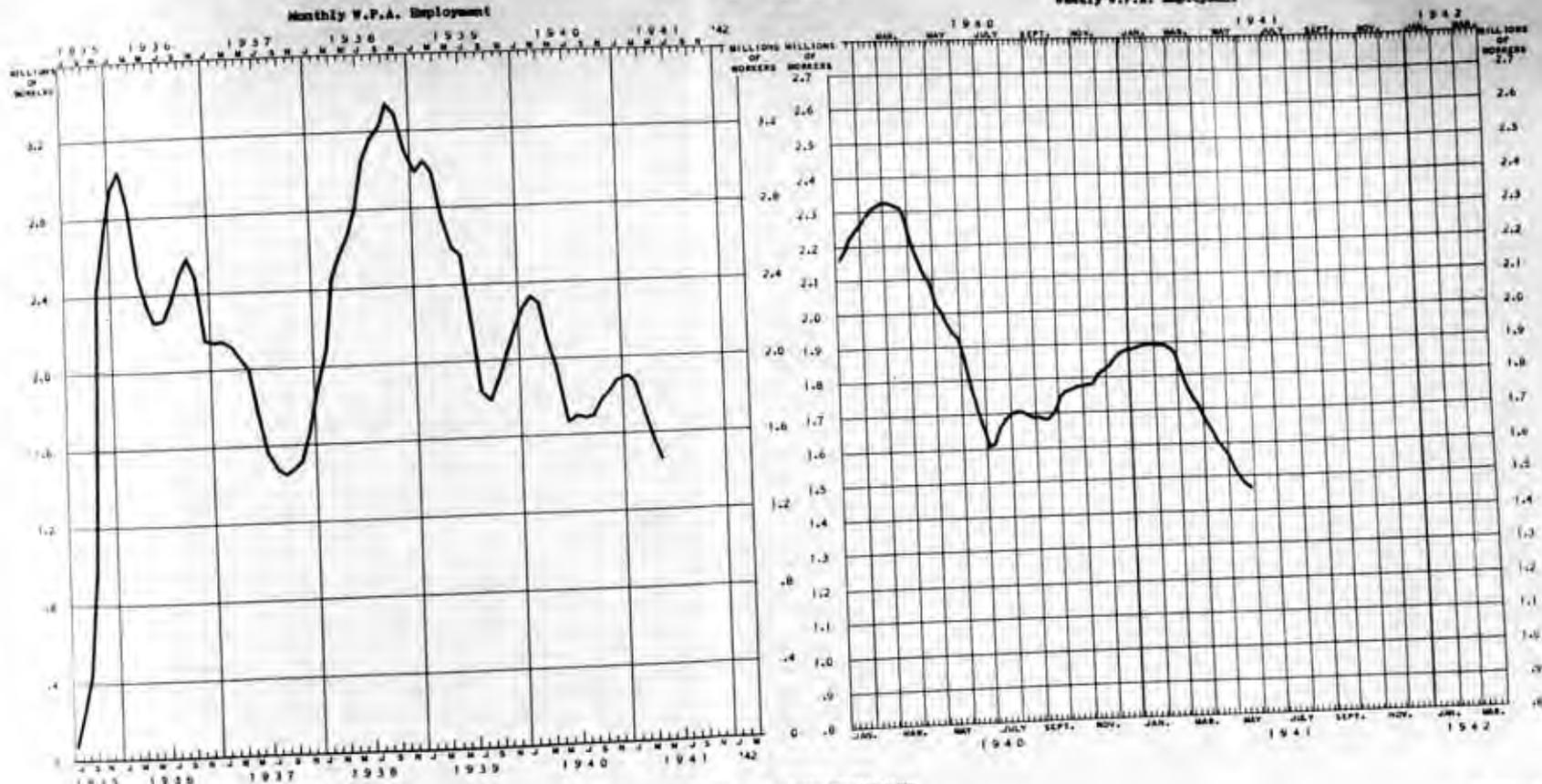
	Number of Workers (In thousands)
1938	
July	3,053
August	3,171
September	3,228
October	3,346
November	3,287
December	3,094
1939	
January	2,986
February	3,043
March	2,980
April	2,751
May	2,600
June	2,551
July	2,200
August	1,842
September	1,790
October	1,902
November	2,024
December	2,152
1940	
January	2,266
February	2,324
March	2,288
April	2,092
May	1,926
June	1,665
July	1,701
August	1,691
September	1,704
October	1,779
November	1,821
December	1,878
1941	
January	1,895
February	1,867
March	1,708
April	1,560
May	1,464

Source: Work Projects Administration

Monthly figures are weekly figures for the latest week of the month.

They include certified and noncertified workers.

WORK PROJECTS ADMINISTRATION  
Number of Workers Employed  
United States



SOURCE: WORK PROJECTS ADMINISTRATION

Office of the Secretary of the Treasury  
Bureau of Economic Warfare

2-271-C

PERSONAL AND  
SECRET.

BRITISH EMBASSY,  
WASHINGTON, D.C.

June 9th, 1941

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,

*Halifax*

The Honourable

Henry Morgenthau, Jr.,

Secretary of the Treasury,

Washington, D.C.

Telegram from London dated 6th June, 1941.

1. Naval.

M.T.B. 215 Night of June 2nd/3rd intercepted auxiliary schooner, reported to be Turkish, north of Cyprus. She was set on fire, heavy explosion followed. Believed carrying petrol and had false papers.

2. Government dredger sunk, possibly by mines or torpedo, entrance to Lagos harbour on June 4th.

3. On June 4th German tanker was intercepted by Maradale O.B.V. in 43 degrees 38 minutes north, 28 degrees 15 minutes west.

4. In position 43 degrees 32 north, 23 degrees 56 minutes west at 2030 June 4th, Nelson and Neptune intercepted a German supply ship. Ship scuttled and finally sunk by Neptune. Sixty eight prisoners including 32 naval personnel. Of the latter two stated they were from Bismarck. Prisoners state they left a French port a fortnight earlier in connexion with Bismarck's operation.

5. Armed boarding trawler Northern Sky shot down HE 111, 220 miles west of the Faroes a.m. June 5th.

6. Nine aircraft bombed Alexandria night of June 4th/5th. No naval damage.

7. East Coast convoy south of Aberdeen twice attacked by aircraft on June 5th. One ship on fire, assistance sent. One tanker damaged.

8. Military.

Iraq. Under orders from Bagdad, Iraqi forces left Qurna on June 3rd. Euphrates bridge at Qurna is efficient, railway between UR and Samawa has been repaired.

9. Ethiopia. Our forces have crossed the river of Omo Lingah; in order to engage enemy artillery opposing crossing, they were obliged to man handle their guns up escarpment east of river.

10. On June 2nd Italians attacked and dispersed patriots operational centre near Gisma.

11. Royal Air Force.

June 5th. Two formations of 3 and 6 Blenheims, the former escorted by 12 fighters, attacked shipping with inconclusive results.

12. Mediterranean. On June 3rd/4th, heavy bombers successfully attacked Benghazi harbour and Maritza aerodrome Rhodes. On June 4th Lockheed set fire to two petrol cisterns at Beirut.

13. German Air Force. June 5th/6th. About 30 aircraft attacked shipping off the east coast of Scotland. Now known 3 more enemy aircraft were destroyed on night of June 4th/5th making total of 9.



PERSONAL AND  
SECRET.

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Very sincerely yours,

*Halifax*

The Honourable

Henry Morgenthau, Jr.,

Secretary of the Treasury,

Washington, D.C.

Telegram from London dated 7th June, 1941.

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1. S/M Upright at 2.0 a.m. May 28th landed a party four miles west of Punto Stillo light, Calabria, who blew up railway line.
2. A.M. June 6th. Outward convoy attacked by U-boat 120 miles west of Cape St. Vincent. Two ships of 3,400 tons and 1,400 tons, torpedoed. Later at 0618 convoy bombed by Focke-Wulf. One ship reported sunk at 1400, further but unsuccessful torpedo attack on same convoy made 80 miles west off Cape St. Vincent.
3. Coastal aircraft night of June 4th/5th made reconnaissance of Narvik and Kirkenes. No unusual activity observed. 3,000 ton merchant vessel in Vest Fiord near-missed.
4. Norway. There are indications of continuous troop movements northward from Oslo to Trondhjem and Mosjoen. Believed tanks, estimated at six divisions are at present north of Trondhjem.
5. At 1900/June 6th two battle cruisers and Prinz Eugen were still at Brest.
6. Eight bomber command aircraft attacked convoy of eight or nine ships and escort vessels off IJnsiden a.m. June 7th. Two ships of 5,000 tons each bombed and hit from 100 feet, claimed total losses.
7. Night of June 4th/June 5th. Wellingtons from Egypt made successful attacks on Benghazi Harbour and Derna aerodrome and Kattaneos aerodrome at Rhodes.
8. On June 5th three Blenheims from Palestine set fire two hangars Aleppo aerodrome.
9. Syria. Modern French bombers reported arrived Syria via Rhodes. Believed Italians have offered Anti-aircraft equipment to the French in Syria.
10. Iraq. Remainder of Indian battalions arrived Mosul by air on June 4th, 300 already having flown there. One British battalion was proceeding to Mosul from Hab-baniya via Bagdad June 6th.
11. Libya. Northern column and part of southern one have now crossed River Omo in advance to Gima.
12. French West Africa. On June 4th single aircraft, believed French Glenn-Martin bomber from Conakry, made reconnaissance of Freetown and aerodrome Sierra Leone at 1500 feet. On being engaged by Anti-aircraft fire aircraft replied with machine guns.
13. German Air Force. Night of June 6th-June 7th about 50 aircraft operated against coastal shipping and 17 inland. One destroyed by fighter.

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MILITARY INTELLIGENCE DIVISION  
WAR DEPARTMENT  
Washington, June 9, 1941

TENTATIVE LESSONS BULLETIN  
No. 117  
G-2/2657-235

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.

This document is being given an approved distribution, and no additional copies are available in the Military Intelligence Division. For provisions governing its reproduction see Letter TAG 350.05 (9-19-40) M-B-M.

NOTES ON THE GERMAN INVASION OF GREECESOURCE

These two sketches appeared in the authoritative German newspaper, Völkischer Beobachter, the first on April 18 and the second on April 21, 1941. Intended propagandistic effect should not be overlooked in either case.

CONTENTS

1. THE BREAK-THROUGH INTO GREECE
  - a. The Terrain
  - b. Enemy Situation on the Day of Attack
  - c. The Decisive Tank Thrust
  - d. Capitulation of the East Macedonian Army
2. ON THE BRITISH AIR FIELD AT LARISSA

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NO OBJECTION TO PUBLICATION IN SERVICE JOURNALSNOTES ON THE GERMAN INVASION OF GREECE1. THE BREAK-THROUGH INTO GREECEa. The Terrain

The few roads that lead into Greece run through deep narrow mountain valleys, and there are no other routes over which an invading force can pass. The points at which these approach roads debouch from the mountains are, however, on Greek soil, and at the time of the German march into Greece they were blocked by strong fortifications of all kinds. Figuratively speaking, the Greeks had their barrier forts arranged like stoppers at the end of long, narrow bottlenecks. These stoppers had to be pushed out if the way was to be cleared southward to the Thracian and Macedonian plains, towards Salonika, and to the Aegean. The fight to accomplish this end was the first phase of the campaign in the southeast.

b. Enemy Situation on the Day of Attack

The Greek defense of the mountain exits had been developed into a system representing a continuation of the Metaxas Line. This defense system, organized in the years 1938 to 1940, when our West Wall was built, was a modern system consisting of armored works, concrete bunkers, field fortifications, and searchlight and alarm stations. All these were built in accordance with the latest military experience.

The works were located deep in the rock, and the fact that their checkerboard arrangement enabled one bunker to cover the other made the capture very difficult. In and behind the line of fortifications was the Greek Macedonian Army of approximately 50,000 men - about four active divisions and one reserve division under the command of General Bakopulos.

Nearly all of the Greeks were under 23 years of age. Since all of them had been in the army at least since the spring of 1939 and in the Metaxas line for at least six months, they were well acquainted with the works, operation of the equipment, and localities. In addition, they had been given plenty of practice in the use of the arms of the fortifications. There were very strong fortifications on both sides of the passes. There were no Englishmen found in the first line, but the best of the Greek forces were located in the fortifications.

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At 5:30 A.M. on April 6, 1941, German divisions set out over all the approach routes to attack Greece. The first works were captured in hand-to-hand fighting, but we soon found that we had in the Greeks an extremely brave adversary. It was not easy for our Stukas and heavy artillery to get to them, particularly on the right wing and in the well placed mountain fortifications. Bunker after bunker had to be taken, because the separate works, which were so connected that they could cover and assist each other with their fire, threatened to stall the German advance at certain points. They offered a good distant view towards Bulgaria and into the German assembly positions.

From all sides - even from the bunkers that had already been crushed - the advancing Jaegers, riflemen, pioneers, and artillerymen continued to receive heavy fire. The mountain fortifications were arranged, like warships, on the principle of the bulkhead system; they were not decisively neutralized even after a considerable part had been destroyed and burnt out. All the openings had to be filled and blocked and the openings to the works had to be blown up before we finally attained success.

The Greeks defended themselves bravely and stubbornly, but they were eventually forced to give way to the numerical superiority of the Germans, who would not allow themselves to be shaken loose once they got a foothold in the fortifications.

The thick fog and rain that came during the first night and the second day of the attack partly blinded the defense and aided the attackers. When storming one fort, we could not be seen by the artillery of sister forts; thus we could deal individually with one fort after another and even push in between works. During the first night, some of the attacking regiments succeeded in weaving themselves through the Greek lines and in capturing important points to the rear of the enemy - particularly bridges that were still intact. Whole battalions, however, were still fighting in the mountains.

The left wing did not appear to be as well garrisoned, and an attack by weaker German forces soon began to make headway. These forces first captured Komotini, then Xanthi; they later reached the coast of the Aegean.

c. The Decisive Tank Thrust

As a result of resistance in Serbia, German forces concentrating against Greece were confronted with an entirely new situation just before the attack. The whole right flank of the armies marching southward was threatened by the Serbs, and in order to avoid the danger of a Serbian thrust in the very region of the

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lines of communications, the German divisions, already deployed, had to be regrouped again a short time before the attack. Tank troops in particular were used for flank protection.

On the same day that they crossed the Greek frontier the mountain Jaegers and the infantry advanced to the attack over the Bulgarian-Serbian frontier. They broke the light resistance of the Serbs on the frontier, pressed on in a westerly direction, made a swing of 90 degrees towards the south, broke through the Greek frontier fortifications, and then made a continuous advance through all of East Macedonia to the Aegean Sea.

While the mountain Jaegers and the infantry were still engaged in a hard fight on the Metaxas Line, Salonika, the Macedonian capital which lay far in the rear of the Greeks, surrendered to our tank and motorized infantry formations. The tank thrust in rear of the enemy cut the Greek supply lines and surrounded their entire East Macedonian Army. Thus a further defense of the Metaxas Line would have been senseless.

Here in the Southeast we repeated what the world had already looked upon with amazement in the West, when our tank troops, advancing over the Aisne in the rear of the Maginot Line up to Switzerland, made useless a further defense of the French line of fortifications and forced the capitulation of the French in Alsace Lorraine and in Burgundy. The tank thrust through Macedonia toward the South, carried out with scarcely any losses, resulted in the decision for which troops had been fighting hard in the mountains for three days.

d. Capitulation of the East Macedonian Army

The East Macedonian Army of the Greeks surrendered at about 1 P.M. on April 9, 1941, after a fight lasting three and a half days.

Article I of the terms of surrender stated:

"The parts of the Greek army fighting in East Macedonia are to lay down their arms. There is to be an armistice at once. Greek officers are to be allowed to keep their swords. The area of the East Macedonian Army embraces the part of Greece from the Turkish boundary up to the Vardar River."

Signing of the armistice marked the end of the first phase of the campaign against the British in Greece and those who allowed themselves to be led by the British. The points at which mountain roads from Bulgaria debouch into Greece were in German hands. The break-through had succeeded.

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NO OBJECTION TO PUBLICATION IN SERVICE JOURNALS2. ON THE BRITISH AIR FIELD IN LARISSA

We curved around the air field of Larissa, from which the British and Greeks took off as late as yesterday. This morning the first German machine landed here a few minutes after the occupation of the city. Before landing, we observed that our pursuit planes were already on the field.

Ammunition was quickly unloaded, for we knew that the tanks, pressing forward, would be thankful for a fresh supply of ammunition. In the meantime, we were able to explore briefly the air field which the enemy had lost.

We opened a creaking door that led to the quarters of flying personnel. On the tables there was bread that had been cut perhaps only a few hours before; there were also knives, utensils, tin cans, letters, newspapers, packs, and various articles of equipment. English signs on the walls indicated that it was the British whose meal had been disturbed.

It was a queer scene which the enemy had just left. There had apparently not been sufficient time to take along report pads, paper supplies, regulations, and propaganda leaflets from the offices. Drawers and boxes had been broken open in an effort to save certain documents, but a number of mail bags had been left unopened. The sleeping quarters presented a gloomy picture - one that could have been created only by chaotic flight.

Our ammunition was now unloaded and automobiles and motorcycles took it at top speed to the tanks, which had passed through Larissa some time ago. We took off again to bring additional supplies up to the front on the same day.

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RESTRICTED

G-2/2657-220; No. 412 M.I.D., W.D. 12:00 M., June 9, 1941

SITUATION REPORTI. Western Theater.

Air: German. Extremely limited offensive activity.

British. Unimportant activity on the 7th and 8th. Last night small attacks were made on Essen and Dortmund.

II. Mediterranean and African Theaters.

Ground: Minor activity around Tobruk and in the Sollum area.

Air: Axis. A second heavy attack was made on Alexandria on the night of the 7th-8th. Raids on Malta and Tobruk.

British. Repeated raids on Derna and Bengazi. Gom'ut and Capuzzo, both in Libya, were attacked.

III. Syria: Free French and British forces estimated at 1 free French Division (incomplete) and 2 British Divisions have moved into Syria, apparently in 4 columns, as follows: 1 column N from Palestine, objective Beirut; 2 columns N from Trans-Jordan, objectives Damascus and road net east of coastal mountains; 1 column NW from Iraq along Euphrates, objective Aleppo. Defense forces estimated at 49,000 in five or six weak divisions, with uncertain morale. Only slight resistance reported encountered. Germans reported to have moved out of Syria. Invaders appear to have air superiority.

RESTRICTED

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Paraphrase of Code Calligram  
Received at the War Department  
at 8:00, June 9, 1941

London, filed 14:25, June 9, 1941.

1. British Air Activity over the Continent.

a. Night of June 7-8.

Eight planes from the Royal Air Force bombed shipping and docks at Bergen. One vessel of 400 tons displacement was struck.

2. German Air Activity over Britain.

a. Night of June 8-9.

German planes operated over the East Coast of Britain in the area Lowestoft-Norwich and the Isle of Wight and Farns Islands.

b. Night of June 7-8.

It is now known that 25 long range bombers were involved in the operations of this night previously reported.

a. Day of June 7.

The Germans employed 150 fighters, 25 long range bombers and 10 reconnaissance planes in their attack on this day which has previously been reported.

3. Aircraft Losses British Theater.

a. No British losses for their operations during the night June 7-8 were reported.

b. During the German operations on the night of June 8-9 one plane was shot down.

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-1-

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4. Axis Air Activity, Other Theaters.

a. Eastern Theater. During the night of June 7-8 a successful attack was made on the harbor of Alexandria by 44 German planes.

5. Since no British operations in other theaters were reported there are no losses.

During the German raid on Alexandria Harbor one plane was shot down by antiaircraft fire.

LHM

**Distribution:**

Secretary of War  
State Department  
Secretary of Treasury  
Under Secretary of War  
Chief of Staff  
Assistant Chief of Staff, G-3  
War Plans Division  
Office of Naval Intelligence  
Air Corps  
G-3

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# CONFIDENTIAL

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Paraphrase of Code Cablesgram  
Received at the War Department  
at 06:42, June 9, 1941.

Cairo, filed 14:30, June 7, 1941.

## Part 2.

### 1. Summary of Iraq situation continues.

2. The most zealous of the followers of Rashid Ali was from among the young people in the vicinity of Baghdad. Elsewhere he had no large personal following nor did he have the leadership required to attain popularity. His former harsh treatment of the southern tribes told against him and he was completely lacking of support at Mosul. Increasingly what support he had from the people cooled off. In his overthrow of the government he was able to secure a following because he personified the accumulated Anti-British feeling widespread throughout Iraq.

3. When the Iraq Minister of War came back from Ankara to Baghdad with the advice that Rashid resign, a split appeared among the cabinet members which spread to the Army. Junior officers were satisfied with the situation as it was but their elders were of two minds and the prestige of Rashid Ali was undermined.

4. To further complicate his situation, he found himself facing financial troubles. Before the overthrow of the government the British blockade had already made the business situation in Iraq very unsatisfactory. The dinar, the Iraq unit of value, had been tied to the pound sterling. An inflation of Iraq money followed the announcement by the British that the dinar was no longer guaranteed in sterling. Even the British now drop the claim that Rashid Ali was being bribed by the Nazis. If so, it was on a minor scale. The

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treasury was empty and he had no means to pay the army. On the other hand, funds were available to his opposition.

5. Rashid Ali had planned to transfer the government to Mosul but the followers of the Regent Abdul Ilah, who had a large following in that area, made difficulties about doing so.

FELERS

**Distribution**

Secretary of War  
State Department  
Secretary of Treasury  
Assistant Chief of Staff, G-2  
War Plans Division  
Office of Naval Intelligence  
Assistant Chief of Staff, G-3

- 2 -

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**SECRET**  
By authority A. C. S., G-2  
Date JUN 10 1941 (R) Initials

**Receipt of Code Sublogram  
Received at the War Department  
at 06:42, June 9, 1941.**

Cairo, filed 14:30, June 8, 1941.

1. Syria. A joint expedition of British and Free French troops entered Syria at 02:00, June 8. Reports covering the first four hours state that the advances are proceeding satisfactorily without opposition.

2. Liban. There is renewed Axis activity by patrols and planes in the neighborhood of Sallim.

3. Alexandria. Two different formations of bombing planes at midnight and at 03:00 on the night of June 7-8 and again on the night of June 8-9 heavily bombed Alexandria with minor damage to military targets and severe destruction in native quarters.

The morale of the Egyptian people continues good, but it cannot be expected to do so if the attacks are continued.

**FELINE**

**Distribution:**

Secretary of War  
State Department  
Secretary of Treasury  
Under Secretary of War  
Chief of Staff  
Assistant Chief of Staff, G-2  
War Plans Division  
Office of Naval Intelligence  
G-3

**SECRET**

INFORMATION COPY

June 10, 1941

This morning I had breakfast with Mrs. Roosevelt at 8:30 at the White House on the portico. She asked me whether or not all young people could get jobs today. She said she had asked Lubin to give her the facts on it.

All day last Saturday I had been thinking about this question of how we should take care of the unemployed and train them for national defense. On either Saturday or Sunday I called up Harry White and told him that after reading his report, which I thought was inadequate and did not get down to the kernel of the problem, I thought we should think of this thing in three pools. The first pool would be the unemployed - the WPA. The next would be a training pool in which we would put United States Employment Service, NYA, CCC and the Studebaker Bureau of Education. This pool would train the people who are necessary for industry. The final pool would be industry itself.

Weeks ago Peter Odegard told me that the America First Committee would wait until England fell, and that would be the signal for them to go to work, and try to get their men in Congress next election so that they will have control of Congress, and then run Lindbergh for President. Knowing that if one wants to be realistic, there is a possibility that England might go under, what are we doing to prepare the country to withstand such a shock? After all I went through with the experiences of Huey Long and Father Coughlin, I know that they can sow the seed of dissension amongst the unemployed, and that if every man and woman who are able to work in this country had a job, neither Father Coughlin nor this America First Committee could get very far with that group of people. After all, it is a very large and important group in this country.

- 2 -

Ever since Saturday and Sunday, the thought has been going through my mind as to what we can do to strengthen the country from within to withstand the kind of shocks that we may have to take if England should go under. If England should go under, that would be a tremendous blow to the President and his whole power would be weakened.

After seeing Mrs. Roosevelt this morning, I had another talk with Odegard, which was recorded by the stenotypist. All day long I kept arguing with myself as to whether I could, in view of my statement that I wanted to save a billion dollars, recommend that every able-bodied man and woman in this country get a job.

At supper, I was surprised that Harry White had not taken up the suggestion I had made. He did not hand me his five-page report that he brought last evening, but it ought to be attached to this record to show that when he came to supper he had not kept up with me. I don't know whether he did not believe it or what, but at the supper meeting neither he nor Coe brought up the question. It was entirely my own recommendation and at no time was I pushed by anybody. In fact, I think they all were breathless when I said I had arrived at the point where I felt that in order to make this country sufficiently strong against Fascism and Nazism we would have to put every able-bodied man to work and also every woman, doing the jobs which are necessary in case we get into the war, such as building strategic highways, erecting bridges, increasing electric water power, etc.

Of course, this has been a tremendous transition which has taken place within me, but I feel that with the very black days which are ahead of us, we have to take care of the unemployed so that there is one less group for the Nazis and the Fascists to appeal to. At the same time, if we give these people good jobs at living wages, they will become a very important group who are not only satisfied with this kind of government, but will be amongst the best advocates to maintain it. I expect to make this recommendation to Mrs. Roosevelt at lunch tomorrow.

June 10, 1941  
9:25 a.m.

RE AMHERST GRADUATION ADDRESS

Present: Mr. Odegarde  
Mr. Kuhn  
Mr. Klotz

H.M.Jr: Mrs. Roosevelt is very enthusiastic about the speech. She wants a copy as soon as possible for the I.S.S. Bulletin.

Kuhn: International Student Service.

H.M.Jr: Yes. I don't think she would want it in the bulletin unless she thought it was good, would she?

Odegarde: I wouldn't think so.

H.M.Jr: Before I get on that, I want to get this thing off my chest. No one has told her what she is to say tomorrow night on the radio. Would somebody please send her some suggestions?

Kuhn: Yes, we did send some.

H.M.Jr: Well, it hasn't gotten to her. The way to get it to her is to give it to Mrs. Klotz and Mrs. Klotz will give it to her. Nobody has told her what to say. That is number 1.

Mrs. Klotz has already gotten a message to her about this young woman. She thought she would

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like to have it. Then she was told that Irving Berlin had to leave the White House tonight at nine thirty because he was going to have a rehearsal on the steps of the Capitol tonight.

- Kuhn: That is the Army song and they are not doing it at the Capitol, they are doing it at the War College, and I thought they were doing it before the dinner, not after. It is not our song. He spent the whole evening at my place last night.
- H.M.Jr: She only had two suggestions. She said one thing we can not do at this moment in the fate of the western world - she doesn't like the word "in." She says, let's put it some other way.
- Odegarde: Why not say, "In the history of the Western World"?
- H.M.Jr: Well, something. "We fought eighteen months to win a victory by - and then we promptly washed our hands of all the responsibility we, as a democratic nation, should assume." Then she has written here, "Ours is the only disinterested - " Here we came back. We are disinterested. We, of all people, should have shown the way, but instead of that we went back--
- Kuhn: That is a very good line.
- H.M.Jr: We instead of that went back to our own reconstruction and washed our hands of the thing. She said if you could work that in.
- Kuhn: Easy. It is very good.
- H.M.Jr: Otherwise she had no suggestions. Now, I am

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sending this off to Henry at 11:00. I explained to you how this came - my little outline that I gave to Ferdie, how it came to me. Do you know the history of it?

Klotz: Ferdie told me some of it.

H.M.Jr: You see, Mrs. Roosevelt came for lunch and Henry, knowing her great interest in youth and its problems, unburdened himself the way he never had to his mother or me, and talked all of his doubts. I don't know whether I have told you this or not.

Klotz: No.

Odegarde: Bob told me something about it.

H.M.Jr: Well, then I waited a time and Henry and I went for a long walk and I tried to answer his doubts and those things which I answered I subsequently wrote on a little piece of paper and gave them to Ferdie, but there is where - how my - and she was saying, "Well, what happened after I left?" and I said - well, my talk and now this, but I said, "We have you to thank for bringing out in Henry his doubts." And this is another thing which is just a little thing which she is - she is sending me over her St. Paul speech, incidentally. She has read, which I haven't, very, very carefully, Cudahy's interview. She takes it very seriously. I think this is interesting in view of what we are doing. She says, "Now, one thing in the thing is really understandable: When Hitler said, 'You still have unemployed,' you see." So she said - of course, this isn't for this, but she gave it to me. She said when people talk and Hitler says well, his standard of living is high and so forth and so on, the thing that she uses and which is so effective is, "Well, all I can say is that I support an

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orphan in China. It cost me \$20 a year. I support an orphan in Finland. It costs me \$6 a month. I support an orphan in England and the rate is still higher."

Odegards: \$60.

H.M.Jr: "And then I support one in the United States," which is true, "and it costs me \$6 a week." So she said, "That is my answer to the different costs of living." She says, "That is my own personal experience." And she says, "All of this goes down very, very well."

Kuhn: Of course, the Egyptian pharaohs had no unemployment in their time, either, as one Peter Odegards pointed out.

H.M.Jr: Well, I am in the throes between now and noon tomorrow on this recommendation which we are laying before her and I am getting around more and more that we must give every person a job in this country and there are plenty of things to do but we can't get strong - I mean, between now and noon tomorrow I have got to make up my mind. We can't face a Fascist world unless every able-bodied person in this country has a job. I am gradually getting to that point.

Klotz: That is the idea.

H.M.Jr: I am gradually getting to it, but of course things that we can do with those people, the roads we have to build and the thousand and one things that we have to do which takes years to do, I am gradually coming around. I don't see how we can face the Fascist world alone. It isn't just arms, it is the - she said she had this letter in answer to this Youth Congress, that they say they can't get jobs, and she is asking Lubin whether it is true or isn't true. It is in this thing we

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are facing, which is years - have we arrived at a time we have got to give every able-bodied man and woman a job in this country? How important is that?

Odegard:

I think it is tremendously important, quite apart from the economic angle. I don't think the income and the actual groceries side of it is as important as the fact that the individual sense of significance, the sense of being a part of something that is greater than himself, is the real problem, so far as unemployment is concerned. A man who is unemployed is literally told that this society has no place for him. "You are shut outside," and the devastating effect of that on his morale, on his own sense of personal significance, in my judgment, is a most terrifying and the most serious aspect of the whole problem of unemployment; and I am not so sure of that, stating it in terms of a job, as a job simply for groceries, but stating it as a job to do in connection with a larger objective. I think that is true.

H.M. Jr:

Well, you put it far more beautifully than I can, but let me argue with you just a minute. Maybe I am a little more crass about it, maybe not. I don't know, but this is what I am thinking about. I am laying - these are the things that I am checking off on the side, why we should, you see. I think one of our troubles in this country is that we don't - we are not willing to face the really unpleasant things. We have kidded ourselves about North Africa, we have kidded ourselves about Viche and so forth and so on. There is all this hoping for the impossible. We have written off Viche, the Mediterranean, and so forth. Now, the next thing I am going to say is, following what you told me about America first, I think you at least have to say, "What do we do if England falls?" I am not writing it off.

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Here is a game of checkers.

- Odegarde: That is right, it is one of the continued things.
- H.M.Jr: And as you said, and it made a great impression, if England falls, that is the signal for America first. Then if they go to town where is the fertile soil? It is amongst the unemployed. I went all through the Huey Long, Father Coughlin, the Reverend Mr. Smith, and it is very, very vivid in my mind. If these people are employed, there is practically no fertile soil for them to sow the seed in. Is that right?
- Odegarde: It is certainly much, much less fertile.
- H.M.Jr: Well, they can't sow it there anyway. They may sow it amongst--
- Odegarde: Sow it at the top.
- H.M.Jr: At the top. Well, I am not afraid of the top. I am afraid of the bottom. The top part doesn't - we can take care of them with the taxes.
- Kuhn: In Germany it was sown among the barbers and waiters and little employed people.
- H.M.Jr: Oh, well, if you are going - in Germany it was sown on an empty belly, on the rickets and so forth. I mean, that is - I mean, then the inflation and - sum it up on poverty.
- Kuhn: Yes.
- H.M.Jr: What?
- Kuhn: Yes.

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- H.M.Jr: I mean on dire poverty.
- Odegarde: When I was in Germany in '32 there were six million people unemployed and there was nothing for them to do. They were on the dole. They were fed, they had housing of a sort. And you can put people on the dole in the United States and keep them from starving and keep them out of the rain and the storm, but you don't solve the problem of unemployment or the problem of morale that way. It is only as these people are given something to do which makes them - even if the relief is pushed up as high as their wage standards would be.
- H.M.Jr: Is that the economic conference you were at in Germany?
- Odegarde: Yes.
- H.M.Jr: Is that the one?
- Odegarde: Well, I went to the Congress of the Reichswirtschaftsrat.
- H.M.Jr: Is that the agricultural economy thing in Germany?
- Odegarde: Yes, I think so.
- H.M.Jr: What is the name of this man in England who married this rich girl?
- Kuhn: Leonard M. Elmhurst?
- Odegarde: Willard Straight.
- H.M.Jr: Is that the same meeting?
- Odegarde: I don't know.
- H.M.Jr: The reason I am asking is that I was trying to

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bring up the message Dr. Warren brought back to me from Germany and I placed it in '32 and he is checking me. I was telling them last night to look up the message he brought back and the question of high interest rates and the influence it had on me, Farm Credit, trying to counteract, to eliminate that as an argument, you see, in this country, and Warren, I think, brought it back in '32.

So to come back to this thing, you think it is very important?

Magarde: I think it is tremendously important, as I say again, more from the psychological than the purely economic standpoint.

H.M.Jr: Let me tell you the way my mind is working. What I have done is, you see we are presenting this to Mrs. Roosevelt tomorrow noon. Are you going to be here?

Magarde: Yes, I will be here until Thursday.

H.M.Jr: I would like you to come to lunch tomorrow noon. Let me just give you the way my mind is working. We are only having - I put it up to her and she approves - people at the White House so that nobody can talk. That will be Lubin and Lauch Currie and nobody else except Treasury people. I am looking at this thing as three pools of individuals in this country. The unemployed will be given work to do through WPA. Everybody that can work, men and women. That will be number one. The second pool will be the training pool for industry, which will be the United States Employment Service, NYA, CCC--

Magarde: Office of Education.

H.M.Jr: And Office of Education. They will all be there

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under one head. Now, I am putting the employment service there because they should know - industry will go to them and say, "Well, we need so many people," and they will go and say, "All right, how many do you need?" "Well, we need 25,000 machinists," and then they go and circulate WPA. "We need 25,000. We would like volunteers." They train them, and then the third pool is industry, you see. Now, in order to even talk about it, we couldn't have anybody present whose head might be lopped or might get a new boss. But the interesting thing is that the President gave that job last June and July to Hopkins. He played with it for a month and dropped it. He never did anything about it. Hopkins stayed with it for one month. He was given that - the story that happened, the President first started out and said, "Henry, you and I are going to run this defense show." I had the engines and the tools and so forth. I said, "Fine, Mr. President." Then the next thing, "Henry, you, Harry, and I will run this thing." And Harry was to do all the training of unemployed. Hillman came over to see me and had lunch with me and said, "Mr. Morgenthau, I am going on the Hill for five hundred million dollars to train people and I want to know how should I do it," and he sketched the whole thing with he working under Hopkins. He never went on the Hill and the thing just - Hopkins lost interest. The whole thing was there and of course the next step was, the President put on the Defense Council and I was on with the Director of the Budget as an ex-officio member of that first - the one that Knudsen and rest were on, and I had the order here and I took my pen and drew it through my name. I said, "It is wrong and I don't want to be on it." I just drew a line through my name and said, "I don't want to be on it."

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- Odegarde: Is that the National Defense Advisory Commission?
- H.M.Jr: Yes. So we are going back and - of course, I started trying to save money and I am ending up this way.
- Kuhn: The inception of this was the billion dollar economy, wasn't it?
- H.M.Jr: Yes.
- Odegarde: I am not so sure, Mr. Secretary, that the two are incompatible.
- H.M.Jr: I am not, either. I have got to do a little mental gymnastics, but my mental gymnastics that I am going through are that the figures that we have got are that it is going to take nine million more men and women in two years. Well, if that is right, then WPA will dry up.
- Kuhn: Yes.
- H.M.Jr: They will dry up. Is that what you are thinking?
- Odegarde: Well, they will dry up - WPA will dry up, yes. The problem will be unemployables.
- H.M.Jr: The unemployables. Well, that is something else again. But the employables ought to dry up inside of a year. So if, during this year - certainly the next twelve months will be as difficult - I don't want to say they are going to be the most difficult, but if during the next twelve months with these various things that might happen and we have the employables on a good, sound footing and in a good mental state, then we can get over that hump.
- Odegarde: I think so. I think you have much less to worry about in morale.

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- Kuhn: How many are unemployed now?
- H.M.Jr: Three or four million.
- Odegarde: There are all sorts of estimates.
- Klots: Five.
- H.M.Jr: I am using the Industrial Board figures, three and a half million. Three, four, or five million.
- Kuhn: I don't think it can go very much below that, because the number of unemployables is between two and three million.
- Odegarde: But they are not on WPA.
- Kuhn: No, I am talking not about the number in WPA.
- H.M.Jr: The unemployables is another thing.
- Odegarde: There is a possibility, isn't there, that WPA even in its present set-up may become a very important segment of the defense program? For example, they have done work of very substantial character in preparing landing fields and so on.
- H.M.Jr: Well, this thing that we are preparing, everything that they do will be for defense, strategic roads and that kind of stuff. I mean, we are in terrible shape on roads. We can't just move troops up and down the Atlantic border. From Richmond to Boston, the whole plans are laid and have been laid for four years by MacDonald. You try to move any troops - all these cities, Baltimore and all those, have to be by-passed. You can't move any troops up and down the Atlantic Seaboard.
- Odegarde: You would never get them through Baltimore.

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H.M.Jr: You would never get them through Baltimore, and those things are the things that these people should be doing. I mean, there is plenty of useful work. Why, I went all through that thing with MacDonal and the work to do - I forget how many millions of roads and bridges would have to be built that the Army will certify to just to move troops. That would keep three or four million men busy, but it takes years to do it, and now is the time to start.

Are you busy tonight?

Odegarde: No.

H.M.Jr: Well, keep it open, will you please?

Just a second, there is one thing here. I thought what I would do - I showed this to Gaier and Gaier said he had some suggestions, and I said to write them out and give them to you. You are going to show this to Gaston, aren't you?

Kuhn: Is it ready now to show to Gaston?

H.M.Jr: Yes.

Kuhn: I didn't know whether you wanted to do it yet.

H.M.Jr: And show it to Harry White and ask him to show it to some of the younger men in his place. He has got some men that are just out of college a couple of years. Let them see it.

In the first place, I want to name Admiral King by name and then what would you think of my sending this up to him, mail it, make sure it is in nautical language? I am not quite sure it shouldn't be in nautical language.

Kuhn: I don't know. Herbert Gaston can tell us.

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H.M.Jr: He wouldn't know, either. Is that what you mean?

Kuhn: Yes.

H.M.Jr: Where is King?

Kuhn: "I learned that the Navy always acts on what the Admirals call--"

H.M.Jr: Didn't I say I was out with the fleet?

Kuhn: You said you were out with the United States Atlantic Fleet.

H.M.Jr: And then I say with an admiral--

Kuhn: King, Commander in Chief - he is that, isn't he?

H.M.Jr: He is the Commander in Chief. What I was thinking of was this: If I could just have this page done over, I thought I might mail it up to him and I would say I would like to know, one, whether this language is Navy language, and 2, as a fighting man, how does the thing appeal to him.

Kuhn: I will have it done over.

Odegarde: There is one other thing--

H.M.Jr: Don't you think it would be interesting?

Odegarde: Yes, I think it would be very interesting to get his reactions.

H.M.Jr: Take this letter:

"My dear Admiral King:

I am sending you herewith my proposed speech to

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the graduating class of Amherst on Saturday, April 14. You will see in my talk that I refer to a conversation that I had with you and I would like you to let me know, after reading it, whether or not I have used 'Navy talk.'

I also would very much appreciate your reaction to the whole speech. What effect, in your opinion, would it have on the enlisted men in the Navy?

I want to take this opportunity to tell you again how much I enjoyed my trip with you and particularly the opportunity afforded me to become acquainted with you personally.

Yours sincerely."

(The Secretary's address was delivered by Lieutenant Stephens to Admiral King at Bolling Field, Anacostia, without a letter of transmittal.)

Odegarde: Incidentally, you will have some Navy people in your audience.

H.M.Jr: I am going to phone him and find out how to get this letter to him, you see. Inasmuch as we are using Navy language, I want to have it - now, what you didn't use, and I don't know, maybe you did it advisedly, we had in there about calculated risk. You can say, for example, Admiral Raeder must have sat down and figured what is the calculated risk of sending the Bismarck out. Well, he figured it and he figured wrong. Did you leave it out on purpose?

Kuhn: Yes. I didn't think it strengthened your argument, but it can be done.

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H.M.Jr: No.

Kuhn: What I could do and what I thought of doing was that you were in the operations room during this Bismarek-Hood thing.

H.M.Jr: No.

Kuhn: You don't want to tell them that?

H.M.Jr: No, but I think just - Oh, I think it would be a compliment to him, sending it up there.

Klotz: It may be you are burdening him.  
(The Secretary held a telephone conversation with Senator Carter Glass.)

Klotz: I couldn't hear what he said.

H.M.Jr: He said, "that man from Connecticut, that mouther." He wouldn't even name him, you see, Danaher. I love this thing. Before the Lend-Lease he would keep saying, "Why don't they vote? Why don't they vote? All this argument. Let's vote! Let's vote!"

Klotz: He is marvelous.

H.M.Jr: You say you thought King would think it was a nuisance?

Klotz: Yes. You are asking for his opinion and he has got to sit down and think about it. I don't know.

H.M.Jr: Well, I would like to know what effect it would have on those men.

Klotz: That is different, if you want it.

H.M.Jr: Yes, I would. I would like very much. Here

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he is. What effect would a thing like this have on the enlisted men?

Odegarde: Do you know Admiral King?

Klotz: No.

Odegarde: It might have a different effect on different people, but I should think the normal person's reaction would be that he likes to be asked his opinion of something like this.

H.M.Jr: Oh, yes.

Odegarde: And unless Admiral King is different--

H.M.Jr: No, no, he will like it.

Kuhn: Mr. Secretary, you have some little checks in the margin.

H.M.Jr: I didn't do those. Somebody else must have done it. This is Peter Odegarde's copy. His checks are not mine.

Odegarde: No, no, my copy went to--

H.M.Jr: They are not mine.

Kuhn: I can disregard them?

H.M.Jr: They are not mine.

Kuhn: Do you have any other--

H.M.Jr: I can't find anything. I have sent one up to my wife and to Bob and one to Henry now and as soon as you can get a clean copy to Mrs. Klotz mentioning King I want to send it up to him and there is nothing major. There will be little - whatever may come up, you see.

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Kuhn: And that thing that Mrs. Roosevelt suggested, which I am going to insert--

H.M.Jr: Yes, but when I send it to King I want it to have his name in. I will find out this morning.

Odegarde: You are not afraid that this may get out before you deliver it? I think it will--

H.M.Jr: Where?

Odegarde: Oh, this I.S.S.

H.M.Jr: I told Mrs. Roosevelt I wasn't going to send it to her until the last word was finished. I won't send her that until it is finished.

Kuhn: "It is better to die on our feet than live on our knees." That got in all right.

H.M.Jr: The funny thing, Gaier or--

Klotz: Gaier. G-a-i-e-r.

H.M.Jr: That is the one thing he picked out.

Odegarde: He didn't like it?

H.M.Jr: No, he liked it, that Passionata or whatever the name is.

Kuhn: She is not the inventor of it.

H.M.Jr: I think it is--

Klotz: You can't use it too much these days.

Kuhn: It is a good saying.

Odegarde: We need a good deal of that sort of thing. We need the "Don't Tread on Me" note in our Defense Savings Bond copy, too.

June 10, 1941  
9:55 a.m.

HMJr: Hello.

Carter  
Glass: Hello, Mr. Secretary.

HMJr: How are you?

G: I'm just fairly well.

HMJr: Well, I hope you are not -  
anything wrong?

G: No, not especially.

HMJr: I called up - I wondered  
if I could come and see you  
and find out just how we  
were going to procede.

G: Well, I can't tell until  
after the meeting of the  
Banking and Currency Committee  
this morning.

HMJr: I see.

G: I'm going to substitute the  
House Bill for the bill that  
I introduced on the question  
of devaluation and I think we  
ought to promptly pass it.

HMJr: I see. Well, that sounds good.

G: Taft and this Connecticut mouter  
always want to rewrite everything  
that's done in the Committee.

HMJr: Well, Senator, I'm at your  
disposal and any time - I'd little  
bit rather not doing it tomorrow  
morning, but any time after two  
o'clock tomorrow I'm available.

G: All right, I'll try and get you.

HMJr:

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HMJr: Yes, but I mean - I can come up to see you tomorrow, but I mean I little bit rather not testify tomorrow morning.

G: Yes, all right.

HMJr: But any - I'm free to run up to see you any time you say at your office or at your apartment.

G: All right, sir, I'm perfectly willing to run down to see you.

HMJr: Oh no. It's a privilege, I like to come and see you.

G: Very well, I'll communicate with you first thing.

HMJr: Thank you.

G: Goodbye.

June 10, 1941  
10:05 a.m.

GROUP MEETING

Present: Mr. Graves  
Mr. Haas  
Mr. White  
Mr. Thompson  
Mr. Foley  
Mr. Schwarz  
Mr. Cochran  
Mr. Kuhn  
Mr. Odegarde  
Mrs. Klotz  
Mr. Bell  
Mr. Gaston

H.M.Jr: Dan, while we are waiting for the people to drift in, have you had any chance to talk with Harold Graves about extending this "F" bond or "G" bond above fifty thousand?

(Mr. Haas entered the conference.)

Bell: I talked to him and talked to Haas and talked to Bob Rouse this morning, and I think it is the consensus that we should not extend it. We are afraid that if we do extend it, that it will draw other bonds, marketable bonds, out of portfolios to be sold at a premium, and people will put their money in this bond.

(Mr. Graves and Mr. Thompson entered the conference.)

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Bell: That is what we were afraid of at first in extending that limit to a hundred thousand, you may recall. We had some discussion of it.

(Mr. Foley entered the conference.)

Bell: We think maybe we had better leave it alone and try to work it through some other means like preferential allotment. Even that is a little difficult.

(Mr. Schwarz entered the conference.)

H.M.Jr: What about your tax certificate?

Bell: I am ready to talk to you about that. I have those replies from the Federal Reserve Banks. They are not so good. Some say that we probably won't get any volume of subscriptions. Maybe the first year won't go very well. They think maybe the second year it might go better. They are not against it, but they are not enthusiastic about it.

Foley: Mr. Secretary, instead of a tax certificate, I wonder if consideration could be given to a provision in the law to permit twelve periods of payment of the income tax instead of quarterly payments as the law now provides? I think if a fellow could pay his income taxes out of earnings so he won't have to make savings in order to effect the payment, it might suit the convenience of the little fellow a little better.

I know in the case of some of my boys where they have been able to pay their taxes out of their regular salary check without having to anticipate the payment by saving in anticipation of it, it has been a pretty convenient thing to do; and now that the income tax

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payments are going to be so much larger so that you won't be able to do that if you have to pay in four installments, it would be a little more suitable for them if the payments could be arranged the first of every month, for instance.

- H.M.Jr: The first of every month?
- Foley: Or the fifteenth of every month, and have it in twelve installments if that is what the taxpayer wants to do, instead of quarterly.
- (Mr. White entered the conference.)
- H.M.Jr: You mean that they pay monthly.
- Foley: Instead of quarterly.
- Bell: Would you give them a discount?
- Foley: I would have it the same as you have it now for your four installments instead of one installment.
- Gaston: You would have them begin on the due date of the taxes and then to make those payments?
- Foley: Yes.
- Graves: That would be a very difficult administrative --
- Foley: That is the only objection to it, Harold, and now that you have more taxpayers than you have ever had before, particularly small taxpayers, it seems to me the administrative difficulties might be adjusted to suit the convenience of the taxpayer rather than to have a tax certificate where a fellow accumulates against the time in the future when he will have to pay.

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- Haas: When would the first payment start, Ed, for the year --
- Graves: In March.
- Haas: I thought maybe the beginning of the year.
- Foley: No, start on the fifteenth of March, then pay on the fifteenth of April, fifteenth of May, fifteenth of June and right straight through instead of the four payments.
- H.M.Jr: We are talking, if you don't mind, about two separate things. We could do yours, but that has got nothing to do, I don't think, with doing that - the money that you are earning now, to save some of that to pay the income tax on your present earnings.
- Bell: That is right.
- Foley: That is right.
- H.M.Jr: I mean, that is the thing.
- Bell: Save out of your present earnings to pay your tax on these earnings, not wait until next year and pay it out of next year's earnings.
- H.M.Jr: We could pay it - still do it monthly, but the question that I wanted to push is a little bit different than what you are talking about.
- Foley: I think that is entirely correct. What I am talking about is a --
- H.M.Jr: Is something else.
- Foley: Another phase of the same problem; namely, the convenience of being able to meet income tax payments.

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H.M.Jr: But my thing, I think it is like the chicken and the egg, I think mine comes first.

After all, I am getting - how much do I get this month from the Treasury? Six hundred twenty-five?

Klotz: Twice.

H.M.Jr: Six hundred twenty-five? I get that every two weeks. Should the Government make it easy for me to take a certain percentage of that six hundred twenty-five and lay it aside now, regardless of how much I would pay when it comes due, and that is the proposal, what we are earning now, and that is the thing that has --

Bell: The tax is on the six hundred twenty-five you get this month and not on the six hundred twenty-five that you drew --

H.M.Jr: That is the difference. You get the point.

Foley: Yes.

H.M.Jr: Let's say we wanted to do it. What, out of all of this stuff now which has been running for two or three weeks, seems the best way to do it if we wanted to do it?

Bell: I think the best way to do it is a discount certificate. We have some old forms of certificate indebtedness that we think we could rearrange and print up pretty fast and put it on a discount basis, and we have the authority in the law to issue discount certificates.

Gaston: They would be non-transferable and available only to the amount of the man's taxes and no more?

- 6 -

- Bell: We thought we ought to limit it to about twenty thousand dollars tax a year, or five thousand dollars a quarter, and make them not registered but inscribe the name of the taxpayer on the certificate so that when he turns in his tax return, he can attach the certificates to the return and then the collector will turn those over to the Federal Reserve Banks in payment of the taxes and they will be redeemed and credited as tax receipts.
- Gaston: Discounted at about two and a half percent or something like that.
- Bell: That is a little high. We thought about ninety-nine point forty beginning in June. That gives us six tenths of one percent for the nine months.
- White: Is there any possibility of graduating - of graduating the discount rate?
- Bell: Yes, it will start at - oh, you mean as to taxpayers?
- White: Give a small taxpayer, let us say, four or five percent, up to a few hundred dollars and then graduate that very sharply so that a large taxpayer will not be getting much more than he would be getting on any short term investment, because they are very investment-conscious whereas the small taxpayer, the amount he would save would be trifling compared to what the inconvenience of buying a tax bond - or if you offered him a large return, it would not only have the advantage of really helping him out and making defaults later much smaller, but it would also have the very important advantage of taking out of circulation purchasing power which would otherwise be spent; and

- 7 -

during the first year, you might mop up as much as a billion dollars or two billion dollars that way.

Bell: Oh, I doubt that.

White: Which wouldn't be increasing each time, but it would be --

H.M.Jr: Well, Harry, if I understand it, let's say that we could get this thing started the first of July. I suppose that would be the earliest, wouldn't it?

Bell: That is right.

H.M.Jr: Well, you would sell during the month of July certificates to meet the tax on the fifteenth of March. Would you sell it just in July?

Bell: Probably sell it in July and August and then in September you would sell the certificates to meet the taxes in June, and then in December for September and so forth.

H.M.Jr: All right.

Now, do I understand that we are limited to any one person, he can only buy five thousand dollars worth?

Bell: I would limit it to an annual tax of say twenty thousand. That isn't set, but I do think we ought to limit it. Anybody that has been paying a tax or is now going to pay a tax in excess of twenty thousand dollars, you don't have to tell him how to invest his money or how to save. He has been used to that. But the small fellow, I think we can take care of him.

- 8 -

H.M.Jr: Let me just argue with you a little bit. Take General Motors that just paid us in round figures a hundred million dollars, wasn't it?

Bell: Yes, a hundred and ten or twelve million dollars.

H.M.Jr: A hundred million dollars. That money of General Motors invariably was in the banks.

Bell: Yes, sir.

H.M.Jr: Why shouldn't we let General Motors buy a hundred million dollars worth of these certificates?

Bell: Well, there are other securities which they can buy, Treasury bills --

H.M.Jr: Well, but --

Bell: Smaller return, but Treasury bills are now getting around to a little under an eighth, and that is a --

H.M.Jr: Well, we would be bearing it cheaper than an eighth, wouldn't we?

Bell: No.

H.M.Jr: But I mean on this proposal.

Bell: No, sir. We pay a little better than a half for the nine months.

H.M.Jr: You mean under your proposal?

Bell: Yes.

White: Dan is right. Those large concerns have to figure very closely. They don't let any

- 9 -

possibilities of investment go and their anticipation of payment of taxes is a factor which plays a role in their determination of what kind of securities to invest, et cetera.

Bell: And also dividend payments.

Gaston: I don't think for the small taxpayer you ought to consider it as a nine months' proposition, because he has the privilege of paying from March to December, and that makes the equivalent of a payment about August 1. Consequently, you can figure on a full year's discount on the small taxpayer.

White: I think that is an important point, and I think that ought to be stopped if you provide this other measure. If you provide a way in which a man can and should set aside out of his current income to pay taxes when they fall due, then you don't have to give him a whole year and it would have the advantage of moving up funds for the Treasury a full year and taking that out of circulation.

That is an additional point. It is necessary so long as you don't encourage or make it easy for a man to set aside out of his current income, but once you do, I don't see any justification for allowing either a corporation or an individual the privilege of paying in four quarterly payments. That was all right in normal times. It didn't matter. But I don't think it should be permitted now, and I think it would be a wise move both from the point of view of saving the Government money and from the point of view of taking funds out of circulation and also from the point of view of having greater ease of administration.

- 10 -

H.M.Jr: To do what?

White: Not to permit them to pay as we are now permitting to pay their taxes in four installments over the following year.

In other words, a tax payable for this year, 1941, our income tax, we will be able to pay in March, 1942, in June, 1942, and I think in September, 1942. I have forgotten whether it is three or four payments in the following year. And it seems to me that that is something that might well be stopped now.

H.M.Jr: How?

White: Make everybody pay their full tax when it is due, on March - you can even move that date up a month, if you like, so that on March 15 --

H.M.Jr: Well, that is just the opposite of what Ed Foley is saying.

White: Well, that is, except that his point is met if you permit and encourage them and make it easy for them to take their taxes - to allow for their taxes out of current payments now, set them aside now.

Foley: The reason I said what I said, Mr. Secretary, is, I was thinking of my own situation.

Here I am paying my taxes in installments that are now due and here we are talking about an arrangement whereby I can save to pay next year's taxes when I haven't paid my own taxes for this year; and I think that if it could be made easier out of current

- 11 -

earnings to pay taxes already due, you have gone one step toward making it a little easier for the little fellow to meet his tax payments.

H.M.Jr: Well, that is the whole plan. The whole plan is to start now to encourage the man to take out of his current earnings and set it aside now, enough money to pay his taxes in '42.

I mean, that is my only interest so that he won't find in '42 he has spent it and he hasn't got the money.

Gaston: What Ed says is a good argument for Harry's scheme, which I like very much, of decreasing the interest rate as the payment - the discount rate as the payment increases.

There are several arguments for giving advantage to the small taxpayer that you don't give to the large taxpayer.

One is the expense of collection on the small taxpayer and the desirability of taking his savings out of consumption, and the fact that he normally pays in the - at the last date in the four year installments.

White: This idea of moving the tax up a year has a dual advantage, Mr. Secretary. It has to be examined.

H.M.Jr: If you don't mind, I find myself doing now just what I said I wouldn't do.

I am not going to have these arguments in

- 12 -

my office. I haven't got the time, Dan. They should take place in your office.

Bell: Well, we have already had a number of conferences on it.

Foley: I think that is right, but this is a pretty big problem, Mr. Secretary.

We have all got different ideas.

H.M.Jr: And that is just what I am not going to do any more.

White: Well, except that we might not have heard of it unless it came up here. At least I wouldn't have heard of it.

Foley: This is the first time I have had a chance to say my say.

H.M.Jr: All right, that is all right --

Bell: What am I supposed to do, circularize the Treasury?

Foley: No, but I think when these things come up in here, Dan, "Very well," the Secretary may say, "take this up in your room."

H.M.Jr: I don't want to shut anybody off, but I just haven't any more got the time to sit for two hours and be patient, and therefore it is terribly important - I have been waiting now, Harold, what is it, a month?

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- Graves: About, a little over a month.
- H.M.Jr: It is over a month, and I would like this discussion to take place, everybody to have a chance to air their feelings, and then come in with a majority or minority report, and then I am going to listen to it, but I can't do this any more, so I am going to stop now, but please, Dan, let them go into your room for a half a day--
- Bell: In the hall?
- H.M.Jr: No, this is important, and Harold brought this up at least a month ago and have the first, second, and third airing in your room, and Sullivan should be there and Blough should be there, and then come to my room, you see. Will you do that? It is at least four or five weeks since Harold first brought it up.
- Gaston: We did discuss this thing at one of those Friday economic conferences several months ago.
- H.M.Jr: But you can see - I mean, when White and Foley are apart, you can see there is something wrong. (Laughter)
- Foley: We haven't had a chance to get together. (Laughter)
- H.M.Jr: That is the point.
- White: You had better begin changing your mind now, Ed. (Laughter)
- H.M.Jr: So get together, boys, and I am waiting. And you people run up a flag on me. I can't do it any more, but I will bring up these things that I am waiting for here, and then if I

- 14 -

find you are not prepared, I will throw it into somebody's lap and then come on back.

Is that right, Herbert?

Gaston: Yes, very good.

Bell: Well, this other thing has been interfering with it. We have been ready for a couple of weeks to discuss the thing.

H.M. Jr: Well, what I am going to do at eleven o'clock with Jones, is this. I will simply say, "Now, look, Jesse, you have got your bill through. It is fine, and I am just going to tell you from now on that I consider it is entirely your responsibility to decide what loans you want to make or those you don't want to make and how much you want to make, and I am going to ask you - I know it will be difficult for you to do this - to make up your own mind without referring it to the Treasury." And then this afternoon when Sir Edward Peacock comes in, I am going to say exactly the same thing to him.

(The Secretary held a telephone conversation with Admiral King.)

Kuhn: I think they will have it ready in fifteen minutes. Where does it have to go?

H.M. Jr: Anacostia. Get it and give it to Stephens and I will tell him to take a car and go over there. You have just got to change the one word.

Where were we?

Oh, that is what I am proposing to say to Mr. Jones.

- 15 -

- White: It would be nice if he could inform you how much the amount of the loan is so we could keep track of what they are--
- H.M.Jr: Oh, well - I will say, "As each transaction is completed, if you would let us know how much these loans are, we would like it."
- Cochran: Then would they approach us at all on these, the British?
- H.M.Jr: No. We will wash our hands of it.
- Foley: That is good.
- H.M.Jr: Wash our hands of it. That was the - you know, they originally wanted me to let them have a man to pass on each one. Now, I am passing on each one myself.
- Cochran: That is right.
- H.M.Jr: I don't want to do it any more.
- Any doubts, Dan?
- Bell: I guess not. The only thing that is worrying me is that you have got a responsibility to Congress in those figures that you presented and if there is a private loan of the character that was just proposed or there is a sixteen million dollar loan against forty-seven million dollars in assets and of course it is in favor of the British because they have that many dollars to pay back in the future, whereas if they get their loan of Jones of thirty million dollars, they get more dollars to liquidate the American commitments and of course they have to pay back more. Somebody ought to watch that.
- H.M.Jr: The point is this. I would much rather - if

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I had to go before Congress and say, "Well, after all, gentlemen, their assets were so much," I couldn't pass on each loan. The responsibility is the British Treasury's to get as much as they can out of it. Now, they have gone through various avenues of private bankers to Mr. Jones, and I take it that they are not throwing away any money, but if I pass on each one and then we don't get the last dollar out of it, then it is my responsibility.

- White: I think with one modification, which would probably be implicit in this, and that is that if Mr. Jones is having the same kind of difficulty that he apparently was having with respect to this loan, in other words, where they were going to the private investors without giving serious consideration to the larger investment, that you ought to get in the picture at that time, if he reports to you that they are not coming to him for lease loans and they are making these loans--
- H.M.Jr: That is something else. But whether they lend them twenty or twenty-one or nineteen million dollars, I don't want to pass on it.
- White: So long as Jones is satisfied that he has had an opportunity to bid on it.
- H.M.Jr: I am going to tell him this afternoon that the only advice I am going to give them on every transaction, it is the height of folly if they don't go and find out how much can Jones let them have.
- Cochran: Should we give them any advice about cutting off entirely from complete sales? I am thinking of the Tinkham letter.
- H.M.Jr: No, I am going to wash my hands of this thing

- 17 -

entirely. I am not going to be in the position of telling them every time what they should do. Now, I am in a very untenable position, and I am going to get out of it. All I want to know is after the thing is through. I mean, I have given this thing - if you don't mind, I have had lots of time, and I have made up my own mind, and I am not really asking for advice in this case. I very seldom say that.

Bell: Well, I think it is right to get out of that, and I would like to see you get away from this--

M.M.Jr: I don't want to go through the motions of saying what do you think, when I have already made up my mind. I have made up my mind, and I want to get out of this thing. You can't work with Jones. Jones is a one-man show. Why not recognize it? And I am not going to be bothered week in and week out on every deal, is Jones undercutting me? is he trying to do me dirt? is he trying to do this? I mean, life is too short. Why not recognize it? I mean, Jones won't work with anybody. He is a one-man show, and you might just as well recognize it. He has got the authority. Why have everyone worrying - friends of mine in this room - am I getting the worst of this or that? And let the British take care of their own dollars, because that is their responsibility. They can take good care of them.

Now, if Jones says the British aren't coming, he can come to me and say, "Well, I never heard of this deal," but that is something else again.

Has anybody got anything else that needs to be decided this morning?

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- Bell: This is a statement we worked up on the relief of the three or four hundred million dollars.
- H.M.Jr: Supposing we do this right after Jones leaves?
- Bell: All right.
- H.M.Jr: See? After Jones leaves.
- Gaston: There is one thing I would like to bring up if you have a minute or two. I would like to try something new in regard to the German propaganda films. We have one now. It is called "The Bismarck." I think we ought to release it. We could probably find some grounds for holding it up. It is a Ufa film, but what I would like to do, and this is John Wiley's suggestion, I would like to invite in a number of first string columnists, show them this picture in confidence, and then suggest to them that they see the film when it is released, go to these German theaters and see it, and they will be prepared to handle it, to discuss it, and it is a film - this particular one is a film that is very susceptible to that sort of treatment, because you can handle it in a good way with counteracting.
- H.M.Jr: How long a film is it?
- Gaston: It is about a two-hour film. I think you might like to see it.
- H.M.Jr: I would like to see it before I pass on it.
- Gaston: But this is a type that I - a device that I think we might use on a number of those propaganda films as they come up.
- H.M.Jr: Herbert, I don't care who the men are that you

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invite here, see. You can't trust them any more than Winant, who told me yesterday that he was promised by Henry Wallace that the men that he picked wouldn't talk, and he went up there and every word that he said was repeated to another Senator and the third Senator told what he said. Now, you can not invite a group of columnists into this office, Treasury, and show them a film that one, two, or three won't say they saw it in the Treasury.

- Gaston: That raises a question whether any damage would be done by that.
- H.M.Jr: Well, I don't want it.
- Gaston: The Army took one of our films and showed it to a whole group of newspaper correspondents.
- Schwarz: Including
- H.M.Jr: I don't want to do it, if you don't mind. I turn the idea down.
- Gaston: Right.
- H.M.Jr: That isn't our job, and I don't - I don't want it.
- Gaston: What is distinctly our job is to decide whether we have grounds for the exclusion of the film.
- H.M.Jr: I would like to see it, and Mrs. Klotz, we will fix up sometime in the next day or two. Have you got the picture in town?
- Gaston: Oh, yes.
- H.M.Jr: But I don't want to get into that picture. I just don't want it. I mean, that isn't - if and when they have a fellow in charge of

- 20 -

propaganda, let him do that, but I don't want to get in on it. You can't do that thing half way.

- Gaston: It is distinctly in the propaganda field.
- H.M.Jr: Well, we are doing an entirely different thing. You have asked me, and if you don't mind, I say no.
- Gaston: No, right.
- H.M.Jr: But I would like to see the picture.
- Gaston: It is available any time you would like to see it.
- White: Can some of us act as ushers?
- H.M.Jr: On the picture? Oh, yes, anybody in the room is invited. We will do it some--
- Bell: Take tickets.
- H.M.Jr: We will fix it up.
- Cochran: Archie left with me that colored picture of the Burma Road this morning, it is a film of thirty minutes, sixteen millimeter, if you want to see it.
- H.M.Jr: Anything else?
- I want to see you a minute, Odegarde, please.

June 10, 1941  
10:22 a.m.

HMJr: Hello.

Admiral King: Good morning, Mr. Secretary.

HMJr: How are you?

K: I'm very well, thank you, very busy, etc. as usual.

HMJr: Admiral, I wondered if this afternoon you have a little time. I attempted to write out an address for Amherst, some young men who have doubts about this whole thing.

K: I see.

HMJr: And I bring in parts of some conversations I had with you on shipboard.

K: Yes.

HMJr: I wondered if you were free at this afternoon to give me a little time, I'd like to get your reaction personally as to how you think this might effect....

K: Well, I wish that I could, Mr. Secretary, but I'm right on the point of starting back now. They called me in here in a hurry and I'm to be back here Thursday.

HMJr: Well, could I do this? Could I get into your hands, possibly you could read it, then give me a call?

K: I'd like to do that very much, Mr. Secretary. Could you have that sent over at once please to Anacostia?

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HMJr: When are you leaving?

K: Well, I hope to be in the air at eleven o'clock.

HMJr: You hope to be in the air at eleven?

K: Yes.

HMJr: I don't know whether we could get it there by eleven, but we'll make the effort. Hello?

K: I may be later than that so I suggest that you do that, Mr. Secretary.

HMJr: All right and then possibly you could read it on the way up.

K: Yes. That would fit in very nicely.

HMJr: And then if you would give me a ring on the phone I'd appreciate it.

K: All right, sir, I'll be glad to do it.

HMJr: That will be very nice.

K: All right.

HMJr: But I really would like to get your reaction.

K: Well, I'll be very glad to give you that.

HMJr: Fine.

K: That will be the way to do it.

- 3 -

HMJr: We'll try to be almost as good as the Navy and get it to you.

K: I'm sure it will be there. I may be later than that.

HMJr: I'll see if I got a man by the name of Garcia, Junior around here to carry the message.

K: I see. All right, Mr. Secretary.

HMJr: All right.

K: Glad to hear from you.

HMJr: Thank you.

K: Goodbye.

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE June 10, 1941

TO Secretary Morgenthau  
 FROM Mr. Cochran

## STRICTLY CONFIDENTIAL

At 11 o'clock this morning the Secretary of the Treasury received the Secretary of Commerce. Messrs. Bell, Foley, White and Cochran were present.

Mr. Morgenthau told Mr. Jones that he is receiving Sir Edward Peacock this afternoon. He added that he would like to speak to Sir Edward Peacock along the following lines. Now that Mr. Jones has received the required legislation from Congress, the British representatives should approach Mr. Jones directly in any instance where they desire to obtain a loan against British direct investments in the United States. The responsibility for passing on such transactions would be that of Mr. Jones. Mr. Jones agreed to accept this responsibility, but with the condition that he would be free to call upon the Secretary of the Treasury and members of his staff for support and assistance. (Mr. Jones thought that the British might get out of hand unless they realized that the Treasury was still interested.) Mr. Morgenthau and Mr. Jones agreed that their basic desire was to see that the British do not dissipate their resources in this country, but obtain the maximum amount of dollars possible in order to meet their commitments in this country.

The foregoing outline of the approach to Sir Edward Peacock was agreed upon by the two Secretaries. Mr. Morgenthau stressed the point that he could not look into every transaction which the British proposed to enter. Unless some system such as the above is adopted, there would be chance for confusing triangular conversations such as took place this past week in the case of the Coates thread deal. Mr. Morgenthau considers it undesirable for the British to approach consummation of a deal with private bankers and then come to the Treasury in a rush at the last minute to obtain approval of the Secretary to the transaction under reference. He believes that British interests would best be served by the plan which he has suggested. The point was made that the Secretary of the Treasury, with the assistance of the British, made known to Congress the various holdings of the British in the United States at the time the Lend-Lease Bill was under consideration. It is now the duty of the British themselves to handle these assets in the manner most likely to procure a maximum of dollar exchange to pay for their commitments in this country. Mr. Jones agreed to inform the Treasury of the results of any transactions upon which he passes.

Copy to Mr. Jones 6/11/41  
 as per attached copy  
 of transmitted letter

JUN 11 1941

Dear Jesse:

In accordance with the understanding reached at our meeting yesterday, I have pleasure in attaching a memorandum of our conversation. Will you kindly inform me of any point which you may think is not satisfactorily covered?

Sincerely yours,

Secretary of the Treasury.

Enclosure:  
Copy of memorandum  
of June 10, 1941

The Honorable

Jesse Jones,

Secretary of Commerce.

HMS:lsp-6/10/41



THE UNDER SECRETARY OF THE TREASURY  
WASHINGTON

June 10, 1941

MEMORANDUM FOR THE SECRETARY:

The Secretary conferred today with Mr. Jesse Jones regarding his financing requirements for the next three months and the refunding of \$211,000,000 of RFC securities maturing on July 11.

The Secretary told Mr. Jones that it was his thought that we would offer a RFC note for about the same terms as in the past for \$300,000,000 for cash, and offer at the same time to exchange the maturing security of July 20 for the same note issue. There was some discussion as to whether the issue should not be divided so that Mr. Jones could get an average of 1 per cent. The Secretary told him that he would be glad to look into this, but his present thought was that we might put the whole issue in January 1944. Mr. Jones said this would be satisfactory to him.

Mr. Jones then left with the Secretary a letter dated June 10 regarding the purchasing by the RFC of approximately \$50,000,000 of PWA securities as contemplated by the President's Budget Message covering the fiscal year 1941. Mr. Jones told the Secretary that the RFC stood ready to include this purchase whenever the PWA gave them the clear sign. This would complete the program as contemplated by the President's Message.

I told the Secretary that I was familiar with the transaction and that I would handle it with PWA.

*swb*

FEDERAL LOAN AGENCY  
WASHINGTON

EDSON H. JONES  
FEDERAL LOAN ADMINISTRATOR

June 10, 1941

Dear Henry:

The \$350,000,000 which the President directed the RFC to make available for the Treasury during the current fiscal year has been provided, except for part of the funds to be furnished PWA through the purchase of securities to enable PWA to pay the Treasury \$50,000,000. Of the total amount, approximately \$300,000,000 was made available through retirement of the Corporation's stock and purchase of stock of the Federal Home Loan Banks.

The RFC has paid PWA \$6,516,666.67 for securities on commitments made since July 1, 1940; and in a letter to Mr. Carmody, dated April 30, 1941, RFC offered to purchase for \$43,500,000 the remaining securities held by PWA, except approximately \$10,000,000 of issues not regarded as transferable. Mr. Carmody acknowledged the letter under date of May 5, 1941, stating that there were some aspects of the PWA bond situation to which he desired to give additional study.

This is to advise you that the RFC is ready to conclude the purchase of the PWA securities, thereby completing the program.

Sincerely yours,

Administrator

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

COPY

## FEDERAL LOAN AGENCY WASHINGTON

JESSE H. JONES  
FEDERAL LOAN ADMINISTRATOR

June 10, 1941

Dear Harold:

Referring to your letter of May 12th, our lawyers are not in agreement that the RFC has the authority to make a loan to a dummy corporation for the purchase of the electric system of Puget Sound Power & Light Company.

It would seem to me much better for the Bonneville Dam to be incorporated, with authority to borrow and pledge its revenues. There would then be no question of RFC's authority to make the loan.

However, the President, the Secretary of the Treasury, and you should give serious consideration to the matter of diverting \$100,000,000, or more, from defense purposes to the acquisition of public utilities which are already in existence and serving their customers at what I am informed are fair rates.

Inasmuch as the market already exists for all of the power that can be created during the next few years, it may be advisable to defer the purchase of these utilities.

I shall be glad to discuss it further with you at your pleasure.

Sincerely yours,

(Signed) Jesse H. Jones  
Administrator

Honorable Harold L. Ickes  
Secretary of the Interior  
Washington, D. C.

*Handed to me  
by Jones June 12, 1941.*

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE June 10, 1941

TO Secretary Morgenthau  
FROM Mr. Cochran

## STRICTLY CONFIDENTIAL

At 11:30 this forenoon the Secretary received the attached statement from Under Secretary Bell entitled, "Dollar Relief for British Treasury". Messrs. Foley, White and Cochran were also present at the conference.

In explaining this table, Mr. Bell stated that the \$228,000,000 under heading I constituted definite relief which should be found acceptable to the British. The total of \$210,000,000 under heading II might be disputed by the British, since they could figure that some of the relief involved was already expected by them through the Lend-Lease system. Our rebuttal would be that as late as March 15 they included these items in their estimates of sums which they would be obliged to pay. The Secretary agreed that it is preferable to grant relief of the type represented by the \$210,000,000 than to achieve this end through deferring contracts. He agreed, therefore, that Mr. Bell should consult Mr. Hopkins' office on the attached table. If it is found acceptable to that office, the Treasury would then endeavor to have the British accept this as fulfillment of the Secretary's undertaking to arrange for them relief to the extent of from \$300,000,000 to \$400,000,000.



C  
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YDOLLAR RELIEF FOR BRITISH TREASURY

## I. Already provided and which can be immediately provided:

## 1. Plant and Equipment (RFC)

(a) Already purchased .....	\$ 48 M	
(b) Can be purchased .....	<u>52</u>	\$ 100 M

## 2. Supply contracts:

(a) Already taken over by the War Department .....	50	
(b) Entered into by the British after March 11, 1941, which can be taken over by the War Department .....	<u>78</u>	<u>128</u> \$ 228 M

## II. In addition to the above, relief can be given by taking over the following payments under Lend-Lease which the British had originally contemplated meeting out of their dollar resources:

(1) Oil to be purchased in the United States during the next six months .....	\$ 33 M	
(2) Oil to be purchased from American sources outside the United States .....	30	
(3) Merchandise inside the United States ....	132	
(4) Shipping services .....	<u>15</u>	<u>210</u>
Total .....		\$438 M

Additional relief could be given on same basis as (3) and (4) above.

June 10, 1941

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June 10, 1941

June 10, 1941

Dear Felix:

I am sending you herewith a copy of the memorandum "College Men and the War", which I spoke to you about at lunch today.

Yours sincerely,

(Signed) Henry

Honorable Felix Frankfurter,  
United States Supreme Court.

By Messenger

June 10, 1941  
3:30 p.m.

RE AID TO BRITAIN

Present: Mr. Phillips  
Mr. Peacock  
Mr. Cochran  
Mr. Bell  
Mr. Foley  
Mrs. Klotz  
Mr. White

H.M.Jr: You asked to see me so maybe you have something on your mind. Would you care to talk first?

Peacock: Well, I have, sir, if you would like me to begin.

H.M.Jr: Please.

Peacock: I can put it in a very few words. Sir Frederick has been going into what he requires from Gifford and me in order to cover his needs, and we have gone into the figures pretty carefully and it is quite clear that under present conditions we can't provide him with the sum he wants. We certainly can't provide him in time, and unless conditions change we probably couldn't provide him at all.

I have in the last three months worked very hard at this problem of direct investments and I have acquired a very large amount of

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information on the subject, but I haven't accomplished very much in the way of producing cash. Conditions are not moving in our favor, and so we have been looking at the thing as realistically as we could to see whether there was any alternative.

Now, if I may revert to past history for the moment, I feel that we have accomplished something worthwhile. With your help, this Viscose thing, which took an unpleasant turn the other day - I am glad that is over - has really, I feel, done a lot of good.

H.M.Jr: No question about it.

Peacock: I feel that in that sense I have been an instrument at doing something that was useful.

H.M.Jr: Definitely.

Peacock: But I can't get on with very much further good, enough to meet Sir Frederick's requirements. Under those circumstances, we have been wondering whether the time hasn't come when - to look into the possibility of in some other way meeting the requirements, because after all, what is wanted, and I know what you want is, that we shall see to it that Sir Frederick is in a position to pay all his bills; and we feel that we ought to explore some other way of providing him with the funds and providing him in a sure way, so that there is no doubt and question as there is at the present time as to whether the amount is going to be available at the time, when it is required.

So I asked to come to see you. I feel that I may come and consult you and ask for your help and advice and I am here today for that purpose. That is the story.

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H.M.Jr: Well, have you any suggestion of your own?

Peacock: Well, yes. A change has taken place, or is taking place, rather, in the matter of the RFC bill. They are having it amended, and it appears to us as if it had been amended with a view to opening the way for people like us to borrow some money, and so I had in my mind the possibility of exploring that as a possible way out.

H.M.Jr: Well, what I wanted to say is right along the same line. Mr. Jesse Jones was here this morning. I said that, talking for the treasury, now that his bill had passed and he had the authority from Congress to lend to England on their securities, that I would like to take this position; namely, that from now on if the English government had any properties or securities which they owned in this country and they wanted to either sell them or borrow against them - I was going to suggest this this afternoon to you gentlemen - that before you sold or borrowed on them, that you would consult with Mr. Jones to see at what price he could either buy or borrow and that the responsibility being yours, you naturally would sell or borrow from wherever you could get the most money, that in the future I didn't want to be consulted on each transaction because you can't have too many people in this picture and the responsibility for lending is Mr. Jones' and not mine. The responsibility for paying the bills which you have obligated yourself to in this country is yours.

Mr. Jones was entirely agreeable to this procedure. He said he would like to feel that he could call on any of us here for advice and help, that in case he had any difficulties with you, meaning the English, he would like to call us in for help, but

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he would be very glad to proceed on that basis. I made it very clear to him, and I would like to make it very clear to you that the difference is this, that in the future, unless Mr. Jones specifically asks us or you, I don't want to be in the position that we are going to pass on every transaction. I just can't do it. I mean, I haven't got the time.

My past experience with the English Treasury has been so highly satisfactory that I feel confident that certainly you are not going to waste your assets and that you are going to try to get every dollar possible. If you can't get it from one source, you will try to get it from another.

But I don't want to go through another Viscose deal and so if that procedure is agreeable to you, it is agreeable to Mr. Jones. That doesn't mean that you can't drop in, but I don't want to on every transaction - "Well, we can get twenty million, do you think that is enough or can you get us twenty-two or should we do business with X, Y, Z, or should we see -" I am just taking it for granted that in each case you will give Mr. Jones a chance to say, "Well, I can buy or borrow so much," and then I should think that that would be a distinct advantage to you, because you know that it gives you a bargaining power.

You are not at the mercy of one group or several groups, and as I say, it doesn't mean that you can't drop in and discuss the broad principles, but we don't want to be - and I explained that originally - it is your money, it is your nation's money, your obligations, and I think it is up to you people to make the best bargain you can and nothing has happened in the past that makes me think you

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are going to waste your assets.

Is that stated, Dan, about the way I stated it to Mr. Jones?

Bell: Yes, sir.

H.M.Jr: Is that about right?

Bell: That is about right.

H.M.Jr: Just about the same way? Have I overlooked anything?

Bell: No, sir.

H.M.Jr: Well now, is that agreeable to you gentlemen? Isn't that an easier way to do?

Phillips: Yes. It is understood that if we do run into trouble, you would be good enough to listen to us?

H.M.Jr: Always.

Peacock: That --

H.M.Jr: We are always here. We are a friend in court, but I don't want to go through the agony of another deal any more than you do.

Peacock: Quite so. I perfectly understand that, sir, and we will certainly explore this other avenue, but I do very much value your permission to come here --

H.M.Jr: Any time. As we say in this country --

Peacock: I will certainly not trouble you over minor things.

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- H.M.Jr: Oh no, it isn't that. I think if I can be - well, the responsibility for each deal, if that is lifted off my shoulders I may be of more service in other ways to you.
- Peacock: There may come times when we will just have to come and have a talk with you.
- H.M.Jr: Any time that you call up and give me twenty-four hours' notice, I will see you; and if is it is an emergency, I will see you in twenty-four minutes, and Phillips knows that after a number of years, that he can call up and say, "Can I drop over, there is something you have got to see," that I have always found time. Is that right?
- Phillips: Yes.
- H.M.Jr: And there is no change on any of this, but it is just this one thing which I have always right from the beginning - I didn't want to be in the position that I have got to place a value on every one of these businesses and I haven't changed.
- Well, that is that. Now, on Phillips' own problem, we are making headway.
- Phillips: Yes.
- H.M.Jr: On what we call here the three to four hundred million. We hope to have something this week, don't we?
- Bell: We hope to have it tomorrow. I don't know whether we can get it through in view of the pending report there. Hopkins and his crowd are spending all their time on that report, but that ought to get out tonight or tomorrow.

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- H.M.Jr: But I am trying terribly hard to get you something this week and then after we have that, if that can be done to your satisfaction, then we can take another look at your balance sheet, so to speak, and then what we call the six hundred fifty million dollar plan can come after that.
- Phillips: Yes.
- H.M.Jr: But we want to get this - what we call here the three to four hundred million dollar one straightened up first. We think we are pretty well on the way, aren't we?
- Bell: Yes, sir. I think so.
- H.M.Jr: Now, what other unfinished business is there?
- Peacock: May I take the opportunity of a personal matter?
- H.M.Jr: Surely.
- Peacock: I want to get this business on to the point where I know that provision has been made that - I have had three SOS messages from the Bank of England in the last two weeks. They are in a rather difficult position over there in one way or another. They are denuded of most of their directors, so I have promised the moment I can feel honestly that this thing is on its way, I would try to return home.
- H.M.Jr: Only for a short time, I hope.
- Peacock: He said that that would be it, but I would like to add that for some considerable time, Carlyle Gifford, whom you know, has been cooperating with me and he has been invaluable. He knows the whole thing thoroughly

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and he would, of course, carry on and in certain respects he can carry on better than I can, because he knows the procedure here and all that kind of thing better than I do, so that there wouldn't be any break in it.

H.M.Jr: Well, I think with this new arrangement which we have here which we have been talking about, I should think that after you have seen Mr. Jones you will know whether you will or won't be on a satisfactory basis. I am sure you will be.

His attitude is, he would like very much to help you.

Peacock: Well, we will explore it and give him every opportunity.

H.M.Jr: But any time that I can help - your cause is still before me every minute. I don't lose sight of it day or night.

Phillips: Well, sir, I think that is all.

H.M.Jr: All right.

(Mr. Phillips and Mr. Peacock left the conference.)

Bell: There is probably only one thing in there that you mentioned that you didn't cover this morning with Jones, and that was the securities. You brought securities in with the direct investments. Did you understand that when he made his statement, that Jones was in a position to buy or lend on that?

Cochran: He put that in this afternoon which he didn't have this morning.

Bell: But I don't think that is important.

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H.M.Jr: What is that, Dan?

Bell: You see, they are selling their investments, their security investments at the present time.

H.M.Jr: This morning we talked about --

Bell: Only about the direct investments.

H.M.Jr: Well, they don't bother me with their securities.

Bell: I just wondered if they got the impression now that you are willing for them now to go to Jones and get a loan, but I take it you are willing for them to work that out.

H.M.Jr: Sure.

Bell: O.K.

H.M.Jr: Just as long - I have said it right from the beginning, I don't want to be in the position that I am appraising the value of every one of these securities.

White: Did you raise the question of --

Foley: Not yet. I will as soon as I get a chance.

H.M.Jr: Dan, this tonight isn't one of those must things. We are just having a little rehearsal for lunch tomorrow.

Bell: I told Mrs. Klotz that I would come. I had this engagement which would make me a little late, I am afraid.

H.M.Jr: Oh no. You will get it tomorrow, but I am trying to talk myself out tonight.

Bell: You will get tired.

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Cochran: You gave us a cablegram from Fox on China.

H.M.Jr: Well look, Merle, unless these things are important - I read that Fox one - unless it is something that is really important --

Cochran: Well, we don't need to bother you with it.

H.M.Jr: No. I can't.

Cochran: All right, we will --

H.M.Jr: I mean it is - the old brain just won't take it.

Cochran: All right, sir.

H.M.Jr: I mean, it has got to be something that is out of the ordinary. I can't take any more.

Cochran: All right. No, we don't need to bother you with it.

(Secretary held telephone conversation with Mr. Harry Hopkins as follows:)

June 10, 1941  
3:50 p.m.

HMJr: Hello.

Operator: Mr. Hopkins.

HMJr: Hello.

Harry Hopkins: Henry?

HMJr: That's my name.

H: I want to get your advice about something.

HMJr: It's cheap.

H: The Danish ships - we are going to buy them out of lend-lease - we going - buy the ships outright. Pay about \$17,000,000 for 34 ships.

HMJr: Yeah.

H: Now, the Danish Minister..

HMJr: How many million, pardon me?

H: 17.

HMJr: Right.

H: The Danish Minister then put up to the Maritime Commission that he thought he ought to get 2½% interest. Now, not interest you see, we just put that on the price. Now, I don't know whether we want to give that any breaks or not....

HMJr: No.

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H: I know the money is frozen promptly and then you'd dole it out to him as he needs it.

HMJr: No, it would be a bad precedent, Harry.

H: It'd be a bad precedent.

HMJr: Well, we got, I don't know, 4 or 5 billion, if we begin to pay interest on the stuff, it would sink me.

H: Well, I think he was thinking of a way of getting some money. Are they in trouble?

HMJr: No, no. We....

H: Have they got dollar exchange here?

HMJr: Now, what we do every month - we've given him the amount of money that he says he needs to run the various Embassies and Legations in North and South America.

H: Yeah.

HMJr: And we've given him every dollar he has asked for.

H: So, he's in no trouble for money?

HMJr: None what so ever.

H: Yeah, all right, I get you.

HMJr: Okay?

H: Yeah.

HMJr: Our boys gave Oscar a memo for you on what I call the 3 to 4 hundred million.

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H: Yeah, Oscar was telling me something about it.

HMJr: And when you get a breathing spell will you take a look at it?

H: Yeah, I'm going to try to do it this afternoon.

HMJr: That would be wonderful, Harry. Now, wait a minute. Most important of all, how are you feeling?

H: Better, Henry. Little tired, but I'd say definitely better.

HMJr: Taking your medicine?

H: Yeah.

HMJr: Be a good boy.

H: I am.

HMJr: All right.

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- H.M.Jr: Do you agree with me on that? Two and a half percent interest.
- Bell: I take it what they wanted was two and a half percent on the investment from some day back when the ships were locked up. It is not on the seventeen million --
- Foley: No, because they can invest that. They can take their seventeen million and invest it.
- H.M.Jr: Nuts.
- White: This is for the record. It may be important some day or it may not be, but if it is, do I read this thing correctly --
- H.M.Jr: How do I know how you read it?
- White: I mean, do I interpret it correctly?
- H.M.Jr: That is better. You have done so much Chinese I don't know if you can read English any more.
- White: "Mr. Morgenthau and Mr. Jones agreed that their basic desire was to see that the British do not dissipate their resources in this country, but obtain the maximum amount possible when realization thereon is undertaken."
- We wonder whether this might not be taken to mean that you are worrying that they are not getting their money's worth from what they sell here. It appears that you are worrying about them and not about raising the dollars necessary to pay their debt. There is kind of a different slant in this than I think you intended, if I think you interpreted it properly.
- Do I make myself clear?

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- H.M.Jr: Argue with the counsel. (Laughter) Is there anything to what he says or not?
- White: Read it over again with that in mind. It seems as though you are working for the British instead of the Americans.
- Foley: As I gather, what we were doing here was reporting a conference this morning and I think that this sets forth what went on here in the room.
- H.M.Jr: Are you satisfied?
- Foley: Yes, I am satisfied. I think maybe --
- Bell: You are thinking about the word "dissipate" and the interpretation on the other side. I think it means --
- White: It sounds as though you are worrying how they spend their money when what you are worrying about is whether they will have money enough to take care of the Americans.
- Bell: Of course, the interpretation of it is that he is worrying they won't get enough dollars to pay off the American contractors. You might change the word.
- Foley: Well, we can say, "The basic desire was to see that the British realize the maximum amount of dollars --"
- White: "To meet their obligations --"
- Foley: "... in this country."
- White: That is different.
- H.M.Jr: How would you change it?

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- Foley: He would change "the British do not dissipate their resources in this country" to "that the British realize the maximum number of dollars."
- White: "In order to meet their obligations."
- Cochran: I think they used that phrase, "dissipate or waste." When you were talking with Jones that phrase was used.
- Foley: I think it was, but Harry is thinking of the record rather than reporting it accurately.
- H.M.Jr: So that they will receive the maximum amount of dollars, how is that? Will you do it that way?
- Cochran: I am quite happy about that.
- Foley: He has almost got that. He has got, "that the British do not dissipate their resources in this country but obtain the maximum amount possible when realization thereon is undertaken."
- White: You can't talk me out of that other interpretation, Ed.
- H.M.Jr: Fix it up to say, "in order that they will receive," and so forth.
- White: That is the point. Merely to make it appear that you are working for the American Treasury instead of the British Treasury.
- H.M.Jr: Merle, fix it up and then give me a letter tomorrow morning, "My dear Jesse."
- Cochran: All right, fine.
- H.M.Jr: All right. Good-bye.

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Foley: May I bring up one thing?

H.M.Jr: I doubt it.

White: Yes, I think so.

H.M.Jr: Have you two talked it over?

Foley: Yes.

H.M.Jr: And you are in agreement?

Foley: We had lunch. (Laughter)

Bell: We might as well leave.

Cochran: All right, Dan.

Foley: I don't know whether you - whether I made myself clear or not when I told you about the meeting on Friday before Glass' committee. They are meeting not only on our bill, but they are also going to bring up Taft's bill to give effect to the Federal Reserve suggestions.

H.M.Jr: I know.

Foley: I thought if you were going to be away tomorrow and Thursday --

H.M.Jr: Who is going to be away tomorrow and Thursday?

Foley: I thought you were.

H.M.Jr: I am right here.

White: I thought you were making your talk at Amherst Thursday.

H.M.Jr: Saturday.

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Bell: I thought it was Thursday.

H.M.Jr: Saturday. We will have a chance to do this when I am fresh tomorrow morning.

Foley: O.K., that takes care of it then. I was just afraid you were going to be away tomorrow and Thursday and come back here on Friday and we wouldn't have a chance.

H.M.Jr: Ten-fifteen tomorrow morning. For a better name, I will put down, "Foley, et al," and make it ten-thirty.

Bell: Et al?

H.M.Jr: All right. Good-bye.

June 10, 1941

Harold Graves

Secretary Morgenthau

I wish you would talk to me about trying to put on some kind of a program or arrangement whereby each week we can send something to each individual Senator and each individual Congressman to keep them posted on the progress that we are making with our Defense Savings Bonds. I think it is very important; in fact, I think it is sufficiently important that you assign one man who will be thinking of something to send to the Senators and Representatives each week so that they will know what we are doing and the progress we are making.

*given to Perry again on 7-1*

*Trusted ✓*

June 10, 1941

Harold Graves

Secretary Morgenthau

I would like to make a suggestion as to how the Defense Bonds should be advertised on the Texaco Hour. Rather than the usual commercial announcement, I suggest that if we have an artist like Lily Pons sing that either just before or just after she sings, she step out of character and say fifty or one hundred words to the effect that she believes in Defense Bonds and that she hopes all of the listeners do also. My thought is that if each of our special artists did that it would be quite novel and that would be the least objectionable way to get over our message.

I wish you would talk this over with the people who are handling the program, and give me a report on it as soon as possible.

*Followed up*

Followed up at Defense Bonds Staff Meeting  
on June 12, 1941. Group decided this  
suggestion was inadvisable because of  
the added expense which would be incurred.  
Better to have same orchestra all the time  
was unanimous opinion at end of discussion  
on this subject.

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June 10, 1941

Harold Graves  
Secretary Morgenthau

I also would like to suggest that on the Texaco Hour we invite various well known orchestras to play on different evenings so that we don't have the same orchestra every time. Please think that one over.

Followed up at Defense Bonds Staff Meeting  
6/12/41. Werner Josten has informed Mr.  
Monroe he is writing a March, and he will  
let him know when he has finished it.  
When Mr. Monroe hears from him, it will  
then be decided when he should appear on  
the program.

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June 10, 1941

Harold Graves

Secretary Morgenthau

On the Texaco Hour, there is no reason why if they have Werner Josten conduct that he couldn't conduct one of his own compositions, and let the orchestra play something that he composed himself. Please pass this on and then let me know. I would like to have their reaction. Some of his compositions are quite stirring and he could suggest the one which he thought might be most fitting for our program and then we could give it consideration.

June 10, 1941.

Memorandum for the Secretary's Files

I mentioned the attached letter from James Rowe, Jr., to the Secretary during the staff meeting on Thursday, June 5. He said that Rowe had handed it to him just before he went in to see the President the previous day, but that he had had no opportunity to mention the matter to the President. I explained to the Secretary that I had told Rowe that we could not recommend, or even investigate, a candidate for a position now held by an appointee of this administration except on direct request of the President and that I did not think it was our responsibility to take the matter up initially with the President.

I have since discussed the matter over the phone with Rowe and he said he would try to speak to the President himself about it.

*My*

THE WHITE HOUSE  
WASHINGTON

June 4, 1941

Memorandum For: The Secretary of the Treasury

Dear Mr. Secretary:

Collector of Internal Revenue for Iowa

If you have a moment at lunch today could you take up the question of the Collector of Internal Revenue for Iowa with the President?

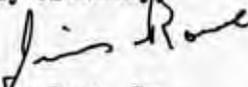
Ed Flynn informs me that he and both Iowa Senators would like to have E. H. Birmingham appointed as Collector, to replace the incumbent, Charles Huston.

Under Secretary Gaston tells me, however, that the President recently sent a note to you asking why Huston had not been reappointed, and he says that therefore it will be necessary to have a formal request from the President, and that the usual investigation of Birmingham will then be made.

Flynn is anxious to get rid of Birmingham as State Chairman and thinks this is the solution. Huston is almost ninety years old. Flynn is quite anxious to get this done as soon as possible.

Will you let me know one way or the other?

Very sincerely,



James Rowe, Jr.  
Administrative Assistant  
to the President

June 10, 1941

Dear Claude:

I am having the matter, mentioned in the note which you handed me at Cabinet, looked into and just as soon as we have the information I will forward it on to you.

Yours sincerely,

(Signed) Henry

Honorable Claude R. Wickard,  
Secretary of Agriculture.

FILE TO NMC

By Messenger 573

THE WHITE HOUSE  
WASHINGTON

I have been told that German people, particularly farmers, in Northwest Ohio are openly Pro Hitler. Auglaize County was mentioned.

I would be interested in knowing about the Bond Sales in that area.

Wickard

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**FIRST REPORT**  
UNDER  
**THE ACT OF MARCH 11, 1941**  
(Lend-Lease Act)

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**FIRST REPORT**  
**UNDER THE ACT OF MARCH 11, 1941**  
**(Lend-Lease Act)**

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**LETTER**  
**FROM**  
**THE PRESIDENT**  
**TRANSMITTING**  
**REPORT**



**UNITED STATES**  
**GOVERNMENT PRINTING OFFICE**  
**WASHINGTON : 1941**

## LETTER OF TRANSMITTAL

*To the Congress of the United States.*

Section 5 (b) of Public Law No. 11, Seventy-seventh Congress, approved by me on March 11, 1941, provides in part as follows:

"The President from time to time, but not less frequently than once every ninety days, shall transmit to the Congress a report of operations under this Act except such information as he deems incompatible with the public interest to disclose."

In compliance with this provision, I am submitting this report.

We have supplied, and we will supply, planes, guns, ammunition, and other defense articles in ever increasing quantities to Britain, China, and other democracies resisting aggression.

Wars are not won by guns alone, but wars are not won without guns. We all know this full well now. Beginning with the outbreak of the war, the American public began to realize that it was in our own national interest and security to help Britain, China, and the other democratic nations.

Beginning with the outbreak of the war, British and French orders began to be placed. But dollars could not be immediately turned into airplanes and ships and guns and ammunition.

In those dark days when France was falling, it was clear that this Government, to carry out the will of the people, had to render aid over and above the matériel coming off the assembly line. This Government, therefore, made available all that it possibly could out of its surplus stocks of munitions. In June of 1940, the British Government received from our surplus stocks rifles, machine guns, field artillery, ammunition, and aircraft in a value of more than 43 million dollars. This was equipment that would have taken months and months to produce and which, with the exception of the aircraft, cost about 300 million dollars to produce during the World War period. Most of this matériel would not have been usable if we had kept it much longer. This equipment arrived in Britain after the retreat from Dunkirk, where the British had lost great quantities of guns and other military supplies. No one can appraise what effect the delivery of these supplies had upon the successful British resistance in the summer and fall of 1940 when they were fighting against such terrific odds.

Since June 1940, this Government has continued to supply war matériel from its surplus stocks, in addition to the matériel produced by private manufacturers. The 50 over-age destroyers which Britain received in exchange for the defense bases were a part of the aid supplied by the Government.

By the turn of the year 1941, the British commitments in this country for defense articles had reached the limit of their future dollar resources. Their striking power required the assurance that their munitions and equipment would steadily and certainly be augmented, not curtailed.

The will of our people, as expressed through the Congress, was to meet this problem, not only by the passage of the Lend-Lease Act, but by the appropriation of 7 billion dollars made on March 27th of this year to carry out this task.

In the ninety days since the Lend-Lease Act was passed, and in the seventy-four days since the funds were appropriated, we have started in motion the vast supply program which is essential to the defeat of the axis powers.

In these seventy-four days, more than 4¼ billion dollars out of the 7 billion dollars have been allocated to the War, Navy, Agriculture, and Treasury Departments and to the Maritime Commission to procure the aid authorized. Contracts have been let for long-range bombers, ships, tanks, and the other sinews of war that will be needed for the defense of the democracies. The balance of less than 2¼ billion is being rapidly allocated.

To be effective, the aid rendered by us must be many-sided. Ships are necessary to carry the munitions and the food. We are immediately making available to Britain 2 million gross tons of cargo ships and oil tankers.

But this is not enough. Adequate shipping for every day to come must be reasonably assured. Since the Appropriation Act was passed, 550 million dollars has been allocated for the construction of new ships under the Lend-Lease Act. Contracts have been let and the new ways required to build these ships are now nearing completion. Allied ships are being repaired by us. Allied ships are being equipped by us to protect them from mines, and are being armed by us to protect them as much as possible against raiders. Naval vessels of Britain are being repaired by us so that they can return quickly to their naval tasks.

The training program of seven thousand British pilots in our schools in this country is under way. Valuable information is being communicated, and other material assistance is being rendered in a mounting benefit to the democracies.

Millions of pounds of food are being and will be sent. Iron and steel, machine tools, and the other essentials to maintain and increase the production of war materials in Britain are being sent and received in larger quantities day by day.

Since September 1939, the war goods sent to Britain have risen steadily. The over-all total exports to the British Empire have greatly increased in 1941 over 1940. What is more important, the increase of those things which are necessary for fighting have increased far beyond our other exports. In the first five months of this year, we have sent more than twelve times as many airplanes to Britain as we did in the first five months of 1940. And as the rate of aircraft production increases, relatively more and more heavy bombers and medium bombers are being sent. At the same time, we have sent more than ten times as many aircraft engines in the first five months of 1941 as we did in the first five months of 1940. For the first four months of this year, the dollar value of explosives sent to the British Empire was about seventeen times as much as for the first four months of 1940. Ninety times as much in dollar value of firearms and ammunition was sent to Britain during the first four months of this year as for the first four months of 1940.

With our natural resources, our productive capacity, and the genius of our people for mass production, we will help Britain to outstrip the axis powers in munitions of war, and we will see to it that these munitions get to the places where they can be effectively used to weaken and defeat the aggressors.

In the report that follows, facts and figures are given to the extent advisable without disclosing military secrets to benefit the axis powers. These facts describe the past and portray the present status of our aid to those nations so gallantly fighting the aggressors. They do not present the most important fact of all—the strong will of our people to see to it that these forces of aggression shall not rule the world.

We have before us a constant purpose not of present safety alone but, equally, of future survival.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,

June 10, 1941.

REPORT UNDER THE ACT OF MARCH 2, 1915  
(L.S. 3989)

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**FIRST REPORT UNDER THE ACT OF MARCH 11, 1941  
(LEND-LEASE ACT)**

**CHAPTER I**

**SUMMARY OF LEND-LEASE LEGISLATION**

**1. THE LEND-LEASE ACT**

Ninety days ago, the Congress enacted the Lend-Lease Act—the Act of March 11, 1941.<sup>1</sup>

The main object of this Act is to promote the defense of the United States by supplying material aid to those nations whose defense is vital to our defense. Unlike prior methods, it focuses directly on the aid to be rendered rather than upon the dollar sign ultimately to be translated into war material.

The material aid which can be rendered under the Act is of several kinds. Guns, tanks, planes and other defense articles in stock or procured from appropriations made prior to March 11, 1941, can be lend-leased or otherwise disposed of after consultation with the Chief of Staff of the Army or the Chief of Naval Operations of the Navy, or both, to the extent of \$1,300,000,000. Defense information—plans, specifications or other information—relating to defense articles turned over can be communicated to those nations resisting the aggressors.

Plants can be erected or expanded, and defense articles can be manufactured or procured on behalf of such foreign nations when Congress authorizes it or appropriates the necessary funds. Ships and other defense articles can be repaired, tested, inspected or put into good working condition for those foreign nations whose defense is vital to ours when Congress provides the necessary funds or contract authorizations.

Protection of our national interest is specifically provided for in the Act by requiring any nation to which defense articles or defense information is transferred to obtain the consent of the President before turning them over to any other foreign nation or anyone not an agent, officer or employee of such government.

Protection and furtherance of our own defense is also assured by the Act by reason of the fact that this Government—particularly the

<sup>1</sup> A copy of the Act is contained in the Appendix.

War and Navy Departments—controls and merges our own production and procurement program with that on behalf of those nations whose defense vitally affects ours. By a fused production and procurement program based on as high a degree of standardization of our own and foreign specifications as possible, we are in a position sooner to have a productive capacity that can outstrip our potential enemies. By reason of the fact that we retain control of the defense plants and of the defense articles until they are manufactured and ready for disposition, we also safeguard our defense. In the event that our own use of the defense articles procured under the Lend-Lease Act will further our national defense more than disposing of them to those countries whose defense is vital to ours, we can so use them.

### 2. THE DEFENSE AID APPROPRIATION ACT

Seventy-four days ago, the Congress enacted the Defense Aid Supplemental Appropriation Act—the Act of March 27, 1941.<sup>2</sup>

This Act appropriated \$7,000,000,000 to carry out those provisions of the organic Lend-Lease Act which require additional Congressional authority or appropriations. In the main these funds were appropriated for: The construction or expansion of plant facilities to manufacture or repair, test, or prove defense articles on behalf of any foreign nation whose defense is vital to ours; the new procurement of guns, aircraft, tanks, vessels, food and other defense articles; and the services and expenses necessary to carry out the Lend-Lease Act.

The organic Lend-Lease Act empowers the President, when Congress appropriates the requisite funds, to execute these powers of plant construction, repairing and new procurement through the Secretary of War, the Secretary of the Navy or the head of any other department or agency concerned. The Appropriation Act contemplates that the President will allocate the necessary funds to those departments and agencies of the Government, such as the War, Navy and Agriculture Departments, the Maritime Commission and the Procurement Division of the Treasury Department, most experienced in procuring the particular defense articles desired.

Power is given to the President by the Appropriation Act to reimburse to the extent of \$1,300,000,000 those departments and agencies which dispose under the Lend-Lease Act of defense articles procured from appropriations made prior to March 11, 1941.

Power is also given to the President to turn over to the War, Navy or any other department or agency of the United States Government any defense article procured out of the 7 billion dollar appropriation if he deems it in the interest of our defense to do so.

<sup>2</sup>A copy of this Act is contained in the Appendix.

### 3. LEND-LEASE PRIORITIES—THE VINSON BILL

The Lend-Lease Act provided for the placement of all orders for defense articles by the War and Navy Departments and such other departments and agencies of the United States Government as are designated by the President. The orders placed by the Army and Navy—by far the major part of the orders to be placed under the Lend-Lease Act—could doubtless have been given statutory priority over all deliveries for private account or for export under the Act of June 28, 1940 (Public No. 671—76th Congress).

To eliminate any doubt on this score and to enable regular defense and lend-lease orders of the other departments and agencies of the Government, such as the Maritime Commission, the Coast Guard, the Procurement Division of the Treasury Department, etc., to have statutory priority, the Congress enacted the Vinson Priorities Bill (Act of May 31, 1941, Public No. 89—77th Congress).<sup>3</sup> At the present time, therefore, all lend-lease orders can be given statutory priority.

<sup>3</sup>A copy of this Act is contained in the Appendix.

CHAPTER II  
OPERATIONS

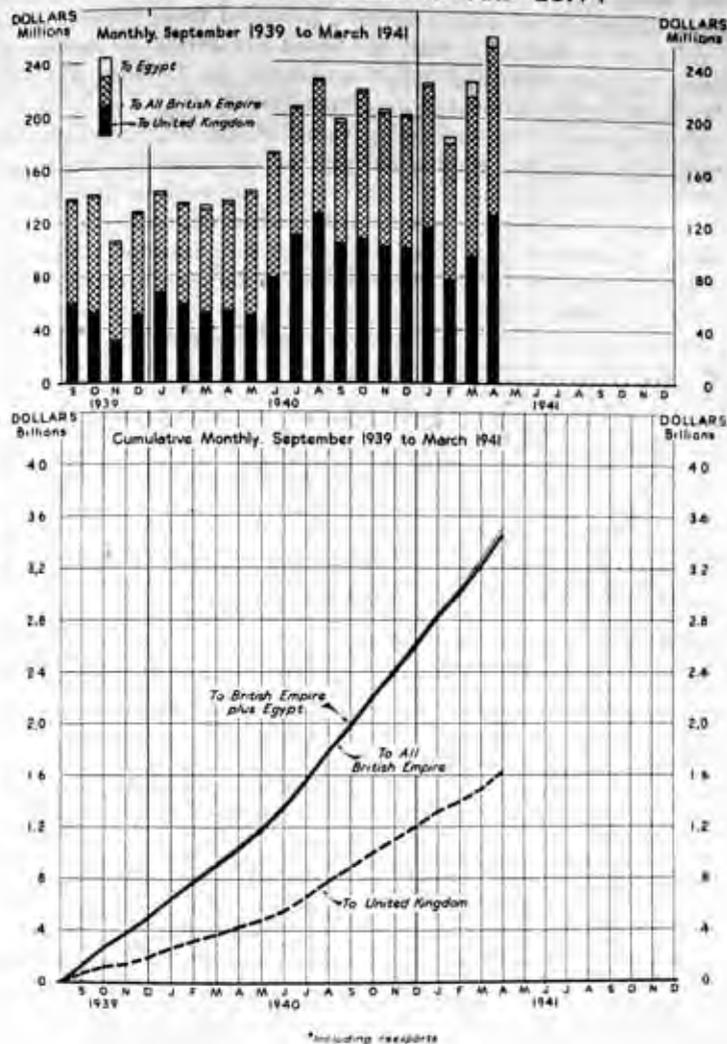
1. GENERAL

It should be noted that lend-lease orders placed now with deliveries coming in the future are the necessary complement to the British orders placed last year, the deliveries from which are the principal source of British exports. These current exports, however, must be maintained and increased by whatever defense articles can be released from Army and Navy stocks, as well as by the release of equipment from the production lines of tomorrow.

Since September of 1939 when the war started, the United States has played an ever increasingly active part in helping the United Kingdom and its allies to secure planes, guns, ammunition, and other implements of war. The total exports from the United States to the British Empire have steadily increased during this period. For instance, the total dollar value of all exports to the British Empire for the first quarter of 1941 was nearly two and one-half times the value for the first quarter of 1939 and over half again higher than the value for the same period of 1940. The following table reflects graphically the increase in United States exports to the British Empire, to the British Empire and Egypt, and to the United Kingdom.

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UNITED STATES EXPORTS\*  
TO THE BRITISH EMPIRE AND EGYPT



## 2. SUMMARY OF LEND-LEASE OPERATIONS

During the period from March 11 to May 31, 1941, inclusive, defense articles of all kinds amounting to a little over \$75,000,000 have been transferred under the Lend-Lease Act. Of this total value, about \$64,000,000 of defense articles, procured from appropriations made prior to March 11, 1941, and about \$11,000,000 of defense articles, procured from appropriations under the Defense Aid Supplemental Appropriation Act, were transferred.

In connection with the dollar value of articles authorized for transfer, it should be emphasized that in all cases this value is an *estimated* value and may in many cases represent an approximate evaluation placed upon a specific article after depreciation, obsolescence, deterioration, etc., have been taken into account. A formal valuation procedure has been established to survey all transfers and determine true valuations.

Summary statements of defense articles transferred as of May 31, 1941 appear on the opposite page.

## Defense articles transferred by departments under the Lend-Lease Act as of May 31, 1941

Department or agency	From appropriations made prior to March 11, 1941	From Defense Aid Supplemental Appropriation Act	Total
War.....	\$34,963,187.38	\$421,777.55	\$35,384,964.93
Navy.....	7,086,246.38	845.39	7,087,091.77
Maritime Commission.....	10,492,908.01		10,492,908.01
Treasury.....	11,930,400.00	2,308,700.49	14,239,100.49
Agriculture.....		7,998,261.67	7,998,261.67
Total.....	\$64,472,741.77	\$10,729,684.10	\$75,202,425.87

## Defense articles transferred under the Lend-Lease Act as of May 31, 1941

Classification	From appropriations made prior to March 11, 1941	From Defense Aid Supplemental Appropriation Act	Total
Ammunition for small arms and artillery, explosives, etc.	\$9,760,361.08		\$9,760,361.08
Ordnance; arms and miscellaneous.....	20,580,109.13		20,580,109.13
Aircraft.....	2,572,570.67	\$1,455,726.16	4,028,296.83
Vehicles.....	3,005,807.00	399,911.45	3,405,718.45
Watercraft, etc.	26,155,193.89	27,000.00	26,182,193.89
Clothing and medical supplies, etc.	616,000.00		616,000.00
Signal and chemical equipment, etc.	1,782,700.00	21,866.10	1,804,566.10
Agricultural products		7,998,261.67	7,998,261.67
Machinery, etc.		242,181.28	242,181.28
Raw materials and metals.....		497,806.82	497,806.82
Miscellaneous.....		86,930.62	86,930.62
Total.....	64,472,741.77	10,729,684.10	75,202,425.87

The Lend-Lease Act coupled with the Defense Aid Supplemental Appropriation Act of March 27th made possible the placement of orders on the basis of requirements submitted by those countries the defense of which the President deemed vital to the United States.<sup>1</sup>

As of May 31, 1941, over \$4,200,000,000 equal to 60 per cent of the \$7,000,000,000 appropriated by Congress for lend-lease orders have been allocated for specific purposes. Over 2,000 requisitions setting forth specific requirements have been received for the procurement of defense articles during the period March 11 to June 1, 1941. All requisitions have been carefully studied by those government departments or agencies best qualified to survey them, and allocations have been made by the President on the basis of such departmental or agency recommendations as were approved by the Division of Defense Aid Reports and the Director of the Bureau of the Budget.

In addition, allocations amounting to approximately \$137,000,000 have been made for facilities necessary to back up the procurement program. The breakdown of the allocations made, by departments and by classifications, are summarized in the following tables:

*Allocations by departments under the Defense Aid Supplemental Appropriation Act, 1941, as of May 31, 1941*

Department or agency	Allocations
War	\$2,300,620,953.00
Navy	589,339,968.00
Maritime Commission	542,354,800.00
Treasury	180,085,893.50
Agriculture	54,880,305.00
Executive Office of the President	25,000.00
Office for Emergency Management	100,000.00
<b>Total</b>	<b>4,277,412,879.50</b>

<sup>1</sup>It should be noted in this connection that lend-lease orders, although based on the requirements of a foreign government, are actually United States Government orders and are treated the same as any other United States defense contract. Defense articles delivered from lend-lease contracts can only be transferred to the custody of a foreign government with the consent of the President.

*Summary of allocations by appropriations under the Defense Aid Supplemental Appropriation Act, 1941, as of May 31, 1941*

Ordnance and ordnance stores	\$880,176,868.00
Aircraft and aeronautical material	1,938,823,489.00
Tanks and other vehicles	318,502,800.00
Vessels and other watercraft	551,414,140.00
Miscellaneous military equipment	119,172,013.00
Facilities and equipment	137,134,818.00
Agricultural, industrial, and other commodities	280,314,087.50
Testing, reconditioning, etc., of defense articles	48,385,880.00
Services and expenses	3,042,005.00
Administrative expenses	445,674.00
<b>Total</b>	<b>4,277,412,879.50</b>

*Statement of allocations by appropriation and purpose under the Defense Aid Supplemental Appropriation Act, 1941, as of May 31, 1941*

Ordnance and ordnance stores:	
Ammunition:	
Small-arms ammunition	\$38,350,000.00
Artillery ammunition	235,139,150.00
Aircraft bombs and pyrotechnics	52,380,000.00
Explosives, propellant powders, and miscellaneous ammunition	4,432,194.00
<b>Subtotal</b>	<b>330,269,344.00</b>

Ordnance material:	
Small arms and infantry weapons	\$1,264,000.00
Artillery material	21,348,550.00
Antiaircraft material	222,003,000.00
Aircraft armament	164,601,250.00
Miscellaneous fire control	5,257,911.00
Torpedo equipment	647,000.00
Mine equipment	8,000,000.00
Miscellaneous ordnance and ordnance stores	15,000,000.00
<b>Subtotal</b>	<b>518,181,711.00</b>

Unclassified ordnance allocations	\$1,734,898.00
<b>Total</b>	<b>880,176,868.00</b>

Aircraft and aeronautical material:	
Aircraft:	
Bombardment	\$1,391,063,000.00
Pursuit, interceptor, and fighter	232,330,000.00
Transport, utility, and other	2,640,000.00
Training	76,800,000.00
<b>Subtotal</b>	<b>1,707,833,000.00</b>

Statement of allocations by appropriation and purpose under the Defense Aid Supplemental Appropriation Act, 1941, as of May 31, 1941—Continued

Aircraft and aeronautical material—Continued.

Aircraft engines, spare parts, and accessories:	
Spare engines and engine parts.....	\$117,025,014.00
Spare propellers and spare propeller parts.....	22,000,000.00
Accessories and other parts.....	10,000,000.00
<b>Subtotal.....</b>	<b>149,025,014.00</b>
General aeronautical supplies and equipment.....	10,231,888.00
Modernization and reconditioning of completed aircraft.....	25,000,000.00
Unclassified aircraft allocations.....	46,073,007.00
<b>Total.....</b>	<b>1,938,823,480.00</b>
Tanks and other vehicles:	
Ordnance vehicles:	
Tanks.....	138,810,000.00
Other ordnance combat vehicles (except tanks).....	80,707,000.00
Miscellaneous ordnance automotive supplies.....	22,397,000.00
<b>Subtotal.....</b>	<b>241,914,000.00</b>
Other than ordnance vehicles:	
Trucks.....	46,004,000.00
Automobiles.....	3,710,200.00
Other automotive supplies.....	2,055,000.00
Miscellaneous automotive supplies.....	8,272,800.00
<b>Subtotal.....</b>	<b>60,042,000.00</b>
Unclassified vehicle allocations.....	16,486,800.00
<b>Total.....</b>	<b>318,502,800.00</b>
Vessels and equipment for vessels:	
Watercraft:	
Combatant.....	12,750,000.00
Naval auxiliary and small craft.....	20,447,000.00
Merchant.....	500,011,800.00
<b>Subtotal.....</b>	<b>542,208,800.00</b>
Equipment.....	4,560,140.00
Unclassified vessel allocations.....	4,645,200.00
<b>Total.....</b>	<b>551,414,140.00</b>

Statement of allocations by appropriation and purpose under the Defense Aid Supplemental Appropriation Act, 1941, as of May 31, 1941—Continued

Miscellaneous military equipment, supplies, and material:

Quartermaster equipment, supplies, and material:	
Clothing.....	\$1,400,303.00
Equipage.....	3,680,804.00
Kitchen, mess, and field baking equipment.....	557,335.00
Fuel.....	5,164,000.00
Provisions.....	600,000.00
Miscellaneous quartermaster supplies.....	9,870,972.00
<b>Subtotal.....</b>	<b>22,318,504.00</b>
Signal equipment, supplies, and material.....	75,502,805.00
Chemical warfare equipment, supplies, and material.....	5,729,800.00
Engineer equipment, supplies, and material.....	9,752,394.00
Aircraft equipment, supplies, and material.....	1,608,420.00
Unclassified equipment.....	4,100,000.00
<b>Total.....</b>	<b>119,172,013.00</b>
Facilities and equipment for production, total.....	137,134,818.00
Agricultural, industrial, and other commodities:	
Agricultural products—Foodstuffs:	
Dairy products and eggs.....	31,658,000.00
Meat, fish, fowl.....	6,055,400.00
Fruits, vegetables, and nuts.....	5,000,000.00
Grain and cereal products.....	3,000,000.00
Lard, fats, and oils.....	3,577,000.00
Other foodstuffs not classified above.....	1,543,000.00
<b>Subtotal.....</b>	<b>51,884,000.00</b>
Agricultural products—Other than foodstuffs.....	3,000,000.00
Machinery, equipment, materials, and supplies:	
Agricultural implements.....	1,258,814.00
Road-building equipment, materials, and supplies.....	2,650,051.00
Electrical equipment, materials, and supplies.....	1,790,480.00
Fire-fighting equipment, materials, and supplies.....	770,000.00
Other.....	2,781,073.00
<b>Subtotal.....</b>	<b>9,257,321.00</b>
Metallic minerals:	
Iron and steel.....	95,314,000.00
Copper and brass.....	15,325,000.00
Zinc.....	20,907,500.00
Lead.....	936,000.00
Other metals and alloys.....	2,712,000.00
<b>Subtotal.....</b>	<b>135,794,500.00</b>

Statement of allocations by appropriation and purpose under the Defense Aid  
Supplemental Appropriation Act, 1941, as of May 31, 1941—Continued

Agricultural, industrial, and other commodities—Continued.

Nonmetallic minerals:	
Nitrates.....	\$500,000.00
Phosphates.....	750,000.00
Subtotal.....	1,250,000.00
Petroleum and coal products.....	2,808,400.00
Miscellaneous and unclassified equipment and materials.....	76,290,380.50
Total.....	280,314,007.50
Testing, reconditioning, etc., of defense articles:	
Servicing of defense articles:	
Vessels.....	26,856,000.00
Stores, etc.....	13,918,880.00
Subtotal.....	40,774,880.00
Unclassified services.....	7,611,000.00
Total.....	48,385,880.00
Services and expenses.....	3,042,005.00
Administrative expenses.....	445,574.00
Grand total.....	4,277,412,870.50

## AGREEMENTS AND ASSURANCES

### Section 4 of the Lend-Lease Act provides as follows:

All contracts or agreements made for the disposition of any defense article or defense information pursuant to section 3 shall contain a clause by which the foreign government undertakes that it will not, without the consent of the President, transfer title to or possession of such defense article or defense information by gift, sale, or otherwise, or permit its use by anyone not an officer, employee, or agent of such foreign government.

### Section 7 of the Lend-Lease Act provides as follows:

The Secretary of War, the Secretary of the Navy, and the head of the department or agency shall in all contracts or agreements for the disposition of any defense article or defense information fully protect the rights of all citizens of the United States who have patent rights in and to any such article or information which is hereby authorized to be disposed of and the payments collected for royalties on such patents shall be paid to the owners and holders of such patents.

Before any defense articles were transferred, the Ambassador or the duly accredited officer of the foreign government receiving the defense articles was required to make the necessary agreement and give the requisite assurances that his government would comply with Sections 4 and 7 of the Act of March 11, 1941. These agreements and assurances provide in substance that no defense article or defense information received by the foreign nation under the Lend-Lease Act will be turned over to anyone not an agent, officer or employee of such government without first obtaining the consent of the President. These agreements also provide that when called upon to do so by the United States they will take the requisite steps and make such payments as are necessary to protect the rights of American patent holders as provided in Section 7.

### Section 3 (b) of the Lend-Lease Act provides as follows:

The terms and conditions upon which any such foreign government receives any aid authorized under subsection (a) shall be those which the President deems satisfactory, and the benefit to the United States may be payment or repayment in kind or property or any other direct or indirect benefit which the President deems satisfactory.

Work has started on the agreements to fix the terms and conditions, under Section 3 (b), upon which the foreign governments receive the aid.

## CHAPTER IV

### ORGANIZATION AND PROCEDURE

On May 2, 1941, the President issued an Executive Order establishing the Division of Defense Aid Reports in the Office for Emergency Management of the Executive Office of the President.<sup>1</sup>

In accordance with this order, the President subsequently, on May 6th, designated by military order an Executive Officer of the Division of Defense Aid Reports to administer the functions described in the Executive Order.

It was specifically provided in the Order of May 2nd that the Division of Defense Aid Reports should provide a central channel for the clearance of transactions and reports; that it should coordinate the processing of requests for aid under the Lend-Lease Act; that it should maintain a system of reports and accounts, approved by the Bureau of the Budget; and that it should serve as a clearing house of information for agencies participating in the lend-lease program.

Although its formal organization was not established until May 2nd, approximately six weeks after the passage of the Lend-Lease Act, defense aid operations were carried on during that interim period by the group which had performed the administrative functions of the President's Liaison Committee for the coordination of foreign and domestic military purchases during the preceding twelve months.

Under the Lend-Lease Act, actual purchasing operations are conducted by the various governmental departments or agencies best qualified to do any specific procurement job. Actual procurement negotiations are carried on by each department operating in its own field in the same manner and in the same way as negotiations are carried out for any defense contract. Up to the present time, the War Department, the Navy Department, the Treasury Department, the Department of Agriculture, and the Maritime Commission have all participated directly as procurement agencies under the Lend-Lease Act. In addition, the Office of Production Management, the Department of Commerce, the Department of State, the Department of Justice, and the Department of Interior have all contributed to the defense aid program in an advisory capacity.

The Division of Defense Aid Reports serves as a channel for the processing of defense aid requests, as a control point for the coordination of such requests, and as a repository for the over-all records and accounts required by law. The work of the Division of Defense Aid

<sup>1</sup> Copy of this Executive Order is contained in the Appendix.

Reports falls normally into six categories—namely, processing of requirements, fiscal accounts, statistical operations, transportation coordination, liaison between governmental agencies and foreign governments, and legal problems. In addition, because of the complex problems which arise, it is becoming increasingly necessary to utilize the services of special analysts and attorneys to devote full time to studying the varied and complicated ramifications of the defense aid program.

The first step in the furnishing of defense aid to a foreign government must necessarily be the determination of specific requirements. In most instances, such a determination requires a series of conferences and negotiations between the military and technical representatives of the department or agency of the United States Government which is best qualified to deal with any specific purchasing program. To expedite this determination of requirements, the War Department, for instance, has instituted a Division of Defense Aid in the office of the Under Secretary of War. In addition, the War Department established Defense Aid Requirements Committees which included in their membership representatives of foreign governments receiving defense aid.<sup>2</sup> In the case of the other procuring agencies, similar steps have been taken to expedite the flow of defense aid and to maintain adequate records of defense aid transactions.

In order that the Division of Defense Aid Reports might adequately perform its functions, every foreign government desiring defense aid under the provisions of the Lend-Lease Act has been requested to submit to the Division formal signed requisitions for specific defense articles or defense services. These requests are prepared on standard requisition forms and submitted to the Division of Defense Aid Reports from which they are forwarded to the procuring agency of the United States Government best qualified to make a recommendation as to whether the specific item should be supplied.<sup>3</sup> When these requisitions are received by a procuring agency, they are studied from the point of view as to whether the items called for can be supplied from stock on hand, whether they can be diverted from existing contracts, or whether they will have to be ordered for future delivery. The recommendation of the Department with respect to every requisition is forwarded to the Division of Defense Aid Reports for further processing and approval.<sup>4</sup>

<sup>2</sup> The detailed organization of War Department defense aid operations is contained in the Appendix.

<sup>3</sup> A standard requisition form is contained in the Appendix.

<sup>4</sup> A standard recommendation form is contained in the Appendix.

If a specific item to be supplied can be released from stock or diverted from contracts placed with appropriations made prior to March 11, 1941, the Division of Defense Aid Reports secures a Presidential directive authorizing the agency in question to transfer the defense articles to the foreign government. If the item recommended to be supplied involves the placement of a new order, it is the responsibility of the Division, if it approves, to secure an allocation of funds so that the procuring agency may actually place the contract. It should be noted, however, that an allocation of funds for the placement of a defense aid contract may not necessarily include the power to transfer the defense articles produced to the foreign government which filed the original requisition.

In order that proper accounting and fiscal reports may be compiled, a fiscal unit was established in the Division and a system for financial defense aid reports initiated, which has the approval of the President, the Secretary of the Treasury, the Comptroller-General and the Director of the Bureau of the Budget. These records reflect every angle of defense aid financial operations, expressed both in terms of dollars and in terms of quantities. Specific records cover the status of appropriations, the acquisition and disposition of defense articles, defense aid services, defense aid facilities, the consideration received from foreign governments, and the receipts for defense articles transferred to foreign governments. Complete financial and accounting reports are received from all the procuring agencies semi-monthly and are used as one of the bases for compiling the operating reports of the Division.

In addition to the standard forms for requisitions and recommendations and in addition to the specified fiscal and accounting reports, individual case histories of requisitions are being compiled. These case histories provide a complete historical record of each specific item, and a controlling system for the coordination of requirements and programs, procurement between purchasing agencies, procurement between foreign governments, and for expediting action on recommendations, the placement of orders and the delivery of goods.

The great mass of detailed information contained in the various operating forms, in the case histories, and in the fiscal reports are summarized by an operations analysis unit. These statistical summaries are compiled on a current basis and are used for controlling internal operations and for providing complete information on defense aid operations.

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## APPENDIX

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THE LEND-LEASE ACT

[PUBLIC LAW 11—77TH CONGRESS]

[CHAPTER 11—1ST SESSION]

[H. R. 1776]

AN ACT

Further to promote the defense of the United States, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as "An Act to Promote the Defense of the United States".

Sec. 2. As used in this Act—

(a) The term "defense article" means—

- (1) Any weapon, munition, aircraft, vessel, or boat;
- (2) Any machinery, facility, tool, material, or supply necessary for the manufacture, production, processing, repair, servicing, or operation of any article described in this subsection;
- (3) Any component material or part of or equipment for any article described in this subsection;
- (4) Any agricultural, industrial or other commodity or article for defense.

Such term "defense article" includes any article described in this subsection: Manufactured or procured pursuant to section 3, or to which the United States or any foreign government has or hereafter acquires title, possession, or control.

(b) The term "defense information" means any plan, specification, design, prototype, or information pertaining to any defense article.

Sec. 3. (a) Notwithstanding the provisions of any other law, the President may, from time to time, when he deems it in the interest of national defense, authorize the Secretary of War, the Secretary of the Navy, or the head of any other department or agency of the Government—

(1) To manufacture in arsenals, factories, and shipyards under their jurisdiction, or otherwise procure, to the extent to which funds are made available therefor, or contracts are authorized from time to time by the Congress, or both, any defense article for the government of any country whose defense the President deems vital to the defense of the United States.

(2) To sell, transfer title to, exchange, lease, lend, or otherwise dispose of, to any such government any defense article, but no defense article not manufactured or procured under paragraph

(1) shall in any way be disposed of under this paragraph, except after consultation with the Chief of Staff of the Army or the Chief of Naval Operations of the Navy, or both. The value of defense articles disposed of in any way under authority of this

paragraph, and procured from funds heretofore appropriated, shall not exceed \$1,300,000,000. The value of such defense articles shall be determined by the head of the department or agency concerned or such other department, agency or officer as shall be designated in the manner provided in the rules and regulations issued hereunder. Defense articles procured from funds hereafter appropriated to any department or agency of the Government, other than from funds authorized to be appropriated under this Act, shall not be disposed of in any way under authority of this paragraph except to the extent hereafter authorized by the Congress in the Acts appropriating such funds or otherwise.

(3) To test, inspect, prove, repair, outfit, recondition, or otherwise to place in good working order, to the extent to which funds are made available therefor, or contracts are authorized from time to time by the Congress, or both, any defense article for any such government, or to procure any or all such services by private contract.

(4) To communicate to any such government any defense information, pertaining to any defense article furnished to such government under paragraph (2) of this subsection.

(5) To release for export any defense article disposed of in any way under this subsection to any such government.

(b) The terms and conditions upon which any such foreign government receives any aid authorized under subsection (a) shall be those which the President deems satisfactory, and the benefit to the United States may be payment or repayment in kind or property, or any other direct or indirect benefit which the President deems satisfactory.

(c) After June 30, 1943, or after the passage of a concurrent resolution by the two Houses before June 30, 1943, which declares that the powers conferred by or pursuant to subsection (a) are no longer necessary to promote the defense of the United States, neither the President nor the head of any department or agency shall exercise any of the powers conferred by or pursuant to subsection (a); except that until July 1, 1946, any of such powers may be exercised to the extent necessary to carry out a contract or agreement with such a foreign government made before July 1, 1943, or before the passage of such concurrent resolution, whichever is the earlier.

(d) Nothing in this Act shall be construed to authorize or to permit the authorization of convoying vessels by naval vessels of the United States.

(e) Nothing in this Act shall be construed to authorize or to permit the authorization of the entry of any American vessel into a combat area in violation of section 3 of the Neutrality Act of 1939.

SEC. 4. All contracts or agreements made for the disposition of any defense article or defense information pursuant to section 3 shall contain a clause by which the foreign government undertakes that it will not, without the consent of the President, transfer title to or possession of such defense article or defense information by gift, sale, or otherwise, or permit its use by anyone not an officer, employee, or agent of such foreign government.

SEC. 5. (a) The Secretary of War, the Secretary of the Navy, or the head of any other department or agency of the Government involved shall, when any such defense article or defense information

is exported, immediately inform the department or agency designated by the President to administer section 8 of the Act of July 2, 1940 (54 Stat. 714), of the quantities, character, value, terms of disposition, and destination of the article and information so exported.

(b) The President from time to time, but not less frequently than once every ninety days, shall transmit to the Congress a report of operations under this Act except such information as he deems incompatible with the public interest to disclose. Reports provided for under this subsection shall be transmitted to the Secretary of the Senate or the Clerk of the House of Representatives, as the case may be, if the Senate or the House of Representatives, as the case may be, is not in session.

SEC. 6. (a) There is hereby authorized to be appropriated from time to time, out of any money in the Treasury not otherwise appropriated, such amounts as may be necessary to carry out the provisions and accomplish the purposes of this Act.

(b) All money and all property which is converted into money received under section 3 from any government shall, with the approval of the Director of the Budget, revert to the respective appropriation or appropriations out of which funds were expended with respect to the defense article or defense information for which such consideration is received, and shall be available for expenditure for the purpose for which such expended funds were appropriated by law, during the fiscal year in which such funds are received and the ensuing fiscal year; but in no event shall any funds so received be available for expenditure after June 30, 1946.

SEC. 7. The Secretary of War, the Secretary of the Navy, and the head of the department or agency shall in all contracts or agreements for the disposition of any defense article or defense information fully protect the rights of all citizens of the United States who have patent rights in and to any such article or information which is hereby authorized to be disposed of and the payments collected for royalties on such patents shall be paid to the owners and holders of such patents.

SEC. 8. The Secretaries of War and of the Navy are hereby authorized to purchase or otherwise acquire arms, ammunition, and implements of war produced within the jurisdiction of any country to which section 3 is applicable, whenever the President deems such purchase or acquisition to be necessary in the interests of the defense of the United States.

SEC. 9. The President may, from time to time, promulgate such rules and regulations as may be necessary and proper to carry out any of the provisions of this Act; and he may exercise any power or authority conferred on him by this Act through such department, agency, or officer as he shall direct.

SEC. 10. Nothing in this Act shall be construed to change existing law relating to the use of the land and naval forces of the United States, except insofar as such use relates to the manufacture, procurement, and repair of defense articles, the communication of information and other noncombatant purposes enumerated in this Act.

SEC. 11. If any provision of this Act or the application of such provision to any circumstance shall be held invalid, the validity of the remainder of the Act and the applicability of such provision to other circumstances shall not be affected thereby.

Approved, March 11, 1941.

DEFENSE AID SUPPLEMENTAL APPROPRIATION ACT,  
1941

[PUBLIC LAW 23—77TH CONGRESS]

[CHAPTER 36—1ST SESSION]

[H. R. 4050]

AN ACT

Making supplemental appropriations for the national defense to provide aid to the government of any country whose defense the President deems vital to the defense of the United States, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That to enable the President, through such departments or agencies of the Government as he may designate, to carry out the provisions of An Act to Promote the Defense of the United States, approved March 11, 1941, and for each and every purpose incident to or necessary therefor, there is hereby appropriated, out of any money in the Treasury not otherwise appropriated, the following sums for the following respective purposes, namely:

(a) For the procurement, by manufacture or otherwise, of defense articles for the government of any country whose defense the President deems vital to the defense of the United States, including services and expenses in connection therewith, as follows:

(1) Ordnance and ordnance stores, supplies, spare parts, and materials, including armor and ammunition and components thereof, \$1,343,000,000.

(2) Aircraft and aeronautical material, including engines, spare parts, and accessories, \$2,054,000,000.

(3) Tanks, armored cars, automobiles, trucks, and other automotive vehicles, spare parts, and accessories, \$362,000,000.

(4) Vessels, ships, boats, and other watercraft, and equipage, supplies, materials, spare parts, and accessories, \$629,000,000.

(5) Miscellaneous military equipment, supplies, and materials, \$260,000,000.

(6) Facilities and equipment, for the manufacture or production of defense articles, by construction or acquisition, including the acquisition of land, and the maintenance and operation of such facilities and equipment, \$752,000,000.

(7) Agricultural, industrial, and other commodities and articles, \$1,350,000,000.

(b) For testing, inspecting, proving, repairing, outfitting, reconditioning, or otherwise placing in good working order any defense articles for the government of any country whose defense the President deems vital to the defense of the United States, including services and expenses in connection therewith, \$200,000,000.

(c) Not to exceed 20 per centum of any of the foregoing eight appropriations may be transferred by the President to any other such appropriation, but no appropriation shall be increased by more than 30 per centum.

(d) For necessary services and expenses for carrying out the purposes of such Act not specified or included in the foregoing, \$40,000,000.

(e) For administrative expenses, \$10,000,000.

(f) In all, \$7,000,000,000, to remain available until June 30, 1943.

Sec. 2. If any defense article procured from an appropriation made before March 11, 1941, is disposed of, under such Act of March 11, 1941, by any department or agency to the government of any country whose defense the President deemed vital to the defense of the United States, the President may transfer, from the appropriations made by this Act to the appropriate appropriation of such department or agency, an amount equivalent to the value (as computed for the purposes of the \$1,300,000,000 limitation contained in section 3 (a) (2) of such Act of March 11, 1941) of the defense article so disposed of, but not to exceed in the aggregate \$1,300,000,000.

Sec. 3. Any defense article procured from an appropriation made by this Act shall be retained by or transferred to and for the use of such department or agency of the United States as the President may determine, in lieu of being disposed of to a foreign government, whenever in the judgment of the President the defense of the United States will be best served thereby.

Sec. 4. No part of any appropriation contained in this Act shall be used to pay the salary or wages of any person who advocates, or who is a member of an organization that advocates, the overthrow of the Government of the United States by force or violence: *Provided*, That for the purposes hereof an affidavit shall be considered prima facie evidence that the person making the affidavit does not advocate, and is not a member of an organization that advocates, the overthrow of the Government of the United States by force or violence: *Provided further*, That any person who advocates, or who is a member of an organization that advocates, the overthrow of the Government of the United States by force or violence and accepts employment the salary or wages for which are paid from any appropriation in this Act shall be guilty of a felony and, upon conviction, shall be fined not more than \$1,000 or imprisoned for not more than one year, or both: *Provided further*, That the above penalty clause shall be in addition to, and not in substitution for, any other provisions of existing law.

Sec. 5. This Act may be cited as the "Defense Aid Supplemental Appropriation Act, 1941".

Approved, March 27, 1941, 10:50 a. m., E. S. T.

## VINSON PRIORITIES ACT

[PUBLIC LAW 89—77TH CONGRESS]

[CHAPTER 157—1ST SESSION]

[H. R. 4534]

### AN ACT

To amend the Act approved June 28, 1940, entitled "An Act to expedite the national defense, and for other purposes", in order to extend the power to establish priorities and allocate material.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2 of the Act approved June 28, 1940 (Public, Numbered 671, Seventy-sixth Congress), as amended, is amended by inserting "(1)" after "Sec. 2. (a)" and by adding at the end of subsection (a) thereof the following:

"(2) Deliveries of material to which priority may be assigned pursuant to paragraph (1) shall include, in addition to deliveries of material under contracts or orders of the Army or Navy, deliveries of material under—

"(A) contracts or orders for the Government of any country whose defense the President deems vital to the defense of the United States under the terms of the Act of March 11, 1941, entitled 'An Act to promote the defense of the United States';

"(B) contracts or orders which the President shall deem necessary or appropriate to promote the defense of the United States; and

"(C) subcontracts or suborders which the President shall deem necessary or appropriate to the fulfillment of any contract or order as specified in this section.

Deliveries under any contract or order specified in this section may be assigned priority over deliveries under any other contract or order. Whenever the President is satisfied that the fulfillment of requirements for the defense of the United States will result in a shortage in the supply of any material for defense or for private account or for export, the President may allocate such material in such manner and to such extent as he shall deem necessary or appropriate in the public interest and to promote the national defense. The President shall be entitled to obtain such information from, require such reports by, and make such inspection of the premises of, any person, firm, or corporation as may be necessary or appropriate, in his discretion, to the enforcement or administration of the provisions of this section. No person, firm, or corporation shall be held liable for damages or penalties for any default under any contract or order which shall result directly or indirectly from his compliance with any rule, regulation, or order issued under this section. The President may exercise any power, authority, or discretion conferred on him by this section, through such department, agency, or officer of the Government as he may direct and in conformity with any rules and regulations which he may prescribe."

Approved, May 31, 1941.

## EXECUTIVE ORDER

ESTABLISHING THE DIVISION OF DEFENSE AID REPORTS IN THE OFFICE FOR EMERGENCY MANAGEMENT OF THE EXECUTIVE OFFICE OF THE PRESIDENT

By virtue of the authority vested in me by the Constitution and Statutes and by the Act of March 11, 1941, entitled "An Act to Promote the Defense of the United States" (hereafter referred to as the Act), in order to define further the functions and duties of the Office for Emergency Management of the Executive Office of the President in respect to the national emergency as declared by the President on September 8, 1939, and in order to provide for the effective administration of said Act in the interest of national defense, it is hereby ordered as follows:

1. There is established within the Office for Emergency Management of the Executive Office of the President the Division of Defense Aid Reports, at the head of which shall be an Executive Officer appointed by the President. The Executive Officer shall receive compensation at such rate as the President shall approve 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 and directions as the President may from time to time prescribe, the Division of Defense Aid Reports shall perform and discharge the following described duties and responsibilities:

a. Provide a central channel for the clearance of transactions and reports, and coordinate the processing or requests for aid under the Act.

b. Maintain such system of records and summary accounts to be approved by the Bureau of the Budget, as may be necessary for adequate administrative and financial control over operations under the Act and as will currently reflect the status of all such operations.

c. Prepare such reports as may be necessary to keep the President informed of progress under the Act; assist in the preparation of reports pursuant to Section 5b of the Act; and serve generally as a clearing house of information for agencies participating in the program.

d. Perform such other duties relating to defense aid activities as the President may from time to time prescribe.

3. Within the limitation of such funds as may be allocated for the Division of Defense Aid Reports by the President, the Executive Officer may employ necessary personnel and make provision for the necessary supplies, facilities, and services. In so far as practicable, the Division of Defense Aid Reports shall use such 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

May 2, 1941.

## MILITARY ORDER

By virtue of the authority vested in me as President of the United States and as Commander in Chief of the Army and Navy of the United States, I hereby designate Major General James H. Burns, of the United States Army, as Executive Officer of the Division of Defense Aid Reports in the Office for Emergency Management, to administer the functions described in the Executive Order establishing said Division, which functions are essentially of a military character, under the direction and supervision of the President as Commander in Chief of the Army and Navy of the United States.

THE WHITE HOUSE,  
May 6, 1941

FRANKLIN D. ROOSEVELT

## WAR DEPARTMENT THE ADJUTANT GENERAL'S OFFICE WASHINGTON

AG 020.1 (8-29-41) M-M

April 10, 1941.

Subject: Procedure Under the Lend-Lease Act.

To: The Chiefs of Arms and Services and the Divisions of the War Department General Staff.

The following letter from the Secretary of War is quoted for your information and guidance:

1. The Act of March 11, 1941 (Lend-Lease Act) imposes heavy responsibilities on the War Department which must be met with promptness and dispatch if the purposes of the Congress and the orders of the President are to be consummated. Strategic results affecting the defense of this country may depend upon the speed with which this Act is administered in the Department. I therefore desire to impress upon all concerned the necessity for prompt action in all matters relating to the Act.

2. Every effort has been made to set up the administration of this Act in the Department so as to apply to the lend-lease program the normal procedure of our procurement agencies. I am confident that our present organization, increased by the augmentation of such personnel as may be necessary, can fully meet the additional responsibilities to be imposed upon it. It appears necessary, however, to set up in the Office of the Under Secretary of War a division to be called the Defense Aid Division with duties as shown in Exhibit 1 herewith and I have, accordingly, directed that such an organization be created. This division will be concerned mainly with the coordination and acceleration of all phases of the lend-lease program within the Department. It is my desire that all papers pertaining to the program be handled in the "immediate action" category.

3. Attached hereto as Exhibit 2 is an outline of the routine which will, in general, be followed within the War Department. The desired budgetary procedure is shown in Exhibit 3.

4. To deal with questions of substance which we can foresee will arise under the Act, Defense Aid Committees, whose functions are set forth in Exhibit 4, will be organized. No new committee has been set up for aircraft inasmuch as the Joint Aircraft Committee, which has heretofore been in operation, is in a position to perform the functions prescribed for the Defense Aid Committees in Exhibits 3 and 4 and, subject to the principles and procedure outlined in such Exhibits, the War Department members of the Joint Aircraft Committee are hereby empowered, in addition to the powers heretofore exercised by them on the Joint Aircraft Committee, to perform with the British, or other representatives concerned, the functions of the Defense Aid Committees.

5. War Department agencies are authorized to issue necessary regulations, not inconsistent with the policies outlined herein, to administer their activities under the Act.

6. Close contacts between the personnel of the War Department and the accredited foreign representatives concerned with transactions under the Act shall be sought and encouraged at all times.

7. The organization heretofore provided for is solely designed to expedite, not to complicate, the work of the existing procurement agencies. It is always subject to change if in the light of experience it does not fulfill its function.

(S) HENRY L. STIMSON,  
Secretary of War.

By Order of the Secretary of War:

J. A. ULIO,  
Brigadier General,  
Acting The Adjutant General.

APRIL 8, 1941.

## OFFICE ORDER:

1. In order to coordinate the functioning of the War Department in its relation to the Act of March 11, 1941 (Public 11, 77th Congress), there is hereby created a division in the office of the Under Secretary of War to be known as the Defense Aid Division.

2. The duties of the Defense Aid Division will be as follows:

a. To maintain liaison on matters relating to the Act of March 11, 1941, with the following:

(1) Such agency or agencies as may be designated by the President to administer the Act.

(2) Other government agencies.

(3) Foreign governments.

(4) Arms and Services of the War Department and the War Department General Staff.

b. To coordinate requests for aid from foreign governments with interested agencies of the War Department.

c. To coordinate the procurement under appropriations provided to implement the Act, in collaboration with the Production Branch and the Purchase and Contracts Branch, Office of the Under Secretary of War; G-4 Division War Department General Staff; and the Office of Production Management.

d. To coordinate the distribution of the items to foreign governments, in collaboration with the G-4 Division, War Department General Staff.

e. To coordinate the activities authorized in Section 3 (a) (3) of the Act, in collaboration with the interested agencies of the War Department.

f. To supply foreign governments with defense information pertaining to defense articles, in collaboration with the G-2 Division of the War Department General Staff.

g. To report to the Administrator of Export Control the defense articles and defense information released to foreign governments.

h. To furnish information concerning the transactions of the War Department to the agency designated by the President for the preparation of the quarterly report required by the Act of March 11, 1941.

i. To coordinate importation of arms, ammunition, and implements of war.

j. To initiate requests for priorities for materials, equipment, and machine tools for foreign orders for military equipment and supplies through the Priorities Committee, Army and Navy Munitions Board, and the Priorities Administrator, Office of Production Management.

k. To clear preliminary negotiation reports for procurement of military equipment and supplies for foreign governments other than beneficiaries of the Act of March 11, 1941.

l. To prepare staff action for the approval of the Secretary of War, on all matters pertaining to the Act.

m. To clear items for export on the basis of military secrecy, in collaboration with the G-2 Division of the War Department General Staff.

n. To maintain the office of record for all transactions of the War Department under the Act of March 11, 1941.

o. To furnish such statistical information as may be required, in collaboration with the Statistics Branch, Office Under Secretary of War.

p. To participate in the functions of the Joint Advisory Board on American Republics.

q. To discharge such additional duties pertaining to the Act of March 11, 1941, as may be prescribed by the Under Secretary of War.

3. To provide personnel for the Defense Aid Division, I hereby transfer the commissioned and civilian personnel of the Army Section, Clearance Committee, Army and Navy Munitions Board, to the Defense Aid Division.

(S) HENRY L. STIMSON,  
Secretary of War.

[EXHIBIT 2]

OUTLINE OF WAR DEPARTMENT PROCEDURE—LEND-LEASE ACT

WAR DEPARTMENT ACTION

1. Requests for assistance received from foreign governments whose defense is deemed vital to the defense of the United States under the terms of the Act, to be referred to the Secretary of War.
2. Referred to the Defense Aid Division, O. U. S. W., for recommendation.
3. Defense Aid Division informally to consult G-4 and, if advisable, other interested War Department agencies and prepare recommendation for signature of Chief of Staff. To obtain the basis for recommendation, Defense Aid Division to route requests through the appropriate Defense Aid Requirements Committee, calling for definite recommendations as to disposition of materiel or placement of orders.
4. Reply of Chief of Staff forwarded to Secretary of War for approval.
5. After approval, forwarded to White House.

WHITE HOUSE ACTION

6. President issues directive to Secretary of War.

WAR DEPARTMENT ACTION

7. Directive turned over to Defense Aid Division for preparation of appropriate instructions to War Department agencies, and submittal to the Secretary of War, through Executive, O. U. S. W. and G-4, for signature, with copy of original action by Chief of Staff (paragraphs 4 and 5 above). Copies of directives will also be furnished to B. O. W. D.
8. War Department agencies concerned in executing approved action, including B. O. W. D., to maintain informal contacts with the Defense Aid Division during process of execution and render report to Defense Aid Division on completion.
9. Defense Aid Division to be office of record for Lend-Lease Act transactions and to prepare such reports as the President and/or the Secretary of War may prescribe.

[EXHIBIT 3]

OUTLINE OF BUDGETARY PROCEDURE UNDER LEND-LEASE ACT

WAR DEPARTMENT

Upon receipt of approved expenditure programs or requests for services in the Defense Aid Division of the Office of the Under Secretary of War, they will be transmitted to the Budget Officer of the War Department who will make application for allocations to the War Department of the necessary funds for the approved purposes.

Upon receipt of such allocations, the Budget Officer of the War Department will make apportionments to agencies within the War Department in accordance with the approved expenditure programs or requests for services, informing the Defense Aid Division of this action.

The existing accounting methods within the War Department will be utilized in accounting for Lend-Lease funds.

The preparation of expenditure programs and requests for services, as well as the administration of any funds set up for administrative expenses, will follow present procedure.

In case future appropriations are required for Lend-Lease purposes, the normal estimating cycle will be completed.

## DEFENSE AID COMMITTEES

## REQUIREMENTS COMMITTEES

There will be created within the War Department committees to be known as the Defense Aid Requirements Committees.

The function of these Committees within the War Department will be the determination under the Defense Aid program of materiel requirements as to type, quantity and destination. In carrying out this function, the Committees will follow such policies as may be prescribed, from time to time, by the Chief of Staff, subject to such redetermination, if any, as may later be made by the President.

In performing their function, the Committees may be compelled to plan for the diversion of materiel to uses not contemplated at the time of the placing of the orders.

In dealing with this problem, the Committees may propose plans for somewhat distant objectives. However, recommendations for actual diversion should normally be made only sufficiently far in advance to permit arrangements to be made for the effective use of the diverted materiel at the completion of production.

The Committees will be organized for each of the following supply arms and services, i. e.,

Ordnance  
Chemical  
Signal  
Engineer  
Quartermaster

In order to provide continuity and unity of direction to these Committees, they will include a nucleus of personnel which will have membership on all the Committees. This nucleus will be composed of the following:

G-4 War Department, Chairman  
Representative of the Under Secretary of War  
Representative of the Clearance Committee of the Army and Navy Munitions Board, and  
Representative of the Foreign Supply Service (in case of the British, the Chairman of the British Supply Council).

United States and foreign representatives of the arm or service concerned and of the user of the items under consideration shall be members of the respective Committees. In appropriate situations the Training Division or War Plans Division of the War Department General Staff will be represented. The Committee decisions will be signed by the senior representative of each concurring group. Minority views, if any, will be submitted by the senior member of any non-concurring group. These will be submitted to the Chief of Staff to assist him to consult with the President under the provisions of the Lend-Lease Act.

## FACILITIES COMMITTEE

Under the Lend-Lease Act and pending War Department appropriations, there is approximately \$1,300,000,000 provided for new facilities and a committee consisting of six general officers has been selected under the authority of the Under Secretary of War to control the facilities program. To consult with this Committee appropriate representatives of the British Supply Council will be appointed with opportunity to present their dissenting views, if any, on matters relating to the necessity for and priority of additional facilities being created, to the Under Secretary of War.





(Form LLA 3—Continued)

2a. It is recommended that the following items on the requisition not be supplied:

Quantity

Description

2b. Reason for nonsupply of requisitioned items:

3. Allocation of funds is requested in the amount of \$ \_\_\_\_\_ to cover new order(s) to be placed under this requisition for which funds have not yet been allocated by the President. It is suggested that this allocation be made from funds appropriated under Section \_\_\_\_\_, entitled \_\_\_\_\_ of the Defense Aid Supplemental Appropriation Act, 1941.

4. Authorization (is) (is not) requested to transfer material and/or services procured to fill this requisition to the Government of \_\_\_\_\_

(Approved) \_\_\_\_\_

(Signed) \_\_\_\_\_

(Title) \_\_\_\_\_

(Title) \_\_\_\_\_

(Dept.) \_\_\_\_\_

(Dept.) \_\_\_\_\_

(Date) \_\_\_\_\_

(Date) \_\_\_\_\_

Government of the United States

16-51001 U. S. GOVERNMENT PRINTING OFFICE

Detail Sheet No. \_\_\_\_\_ Req. No. \_\_\_\_\_

Quantity \_\_\_\_\_ Description \_\_\_\_\_

**DETAIL SHEET FOR FORM LLA 3**

SOURCE	QUANTITY	DELIVERY SCHEDULE (Columnar Quantities)								REQUISITION VALUE
		1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		
		1st	2nd	1st	2nd	1st	2nd	1st	2nd	
1. From stock on hand procured from appropriations made prior to March 11, 1941.										
2. From orders placed under appropriations made prior to March 11, 1941.										
Supplier _____										
Contract No. _____										
Supplier _____										
Contract No. _____										
2. From new orders to be placed.										
4. Totals										

1 (a) Requisitionment (will not) be requested to cover procurement from Source 1 (check as kind). Approximate amount \_\_\_\_\_

2 (a) Requisitionment (will) (will not) be requested to cover procurement from Source 2. Approximate amount \_\_\_\_\_

3 (a) Funds to cover procurement from Source 3 (check) (have not) been allocated by the President. Allocation letter number \_\_\_\_\_ dated \_\_\_\_\_

U. S. GOVERNMENT PRINTING OFFICE 16-51001

JUN 10 1941

Dear Mr. Currie:

I have your letter of May 21, 1941, advising that you have been endeavoring for some time to work up an aircraft program for China under the Lend-Lease Act, and requesting to be advised as to whether I thought it proper for the United States to take over under the Lend-Lease Act a portion of the old British contracts for China and to reimburse the British for these contracts.

I am in sympathy with what you are trying to do and I think we might very well take over a portion of the British contracts for China if the British are willing to assign them. I understand that the Vultee planes available under British contract are in process of being turned over to China.

Sincerely yours,

(Signed) H. Morgenthau, Jr.  
Secretary of the Treasury

Honorable Lanchlin Currie,  
Administrative Assistant to  
the President,  
The White House,  
Washington, D. C.

ORIGINAL FORWARDED TO ADDRESSEE  
FROM OFFICE OF THE SECRETARY

DWB:cc  
6-10-41

By Messenger 5 <sup>30</sup>

*DWB*  
*9/10/41*

THE WHITE HOUSE  
WASHINGTON

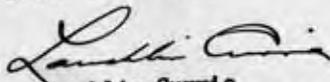
May 21, 1941.

Dear Mr. Secretary:

For some time I have been endeavoring to help work up an aircraft program for China under Lease-Lend. The most promising possibilities seem to lie in attempting to induce the British to release some planes from their program. I think their willingness to do so would be increased if the release could be from some of their old commitments rather than from some of their new programs under Lease-Lend.

Do you think it would be proper for us under Lease-Lend to take over a portion of these old contracts for China and to reimburse the British for them?

Yours sincerely,



Lauchlin Currie  
Administrative Assistant  
to the President

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

C  
O  
P  
YDEPARTMENT OF STATE  
WASHINGTON

June 10, 1941

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 the American Embassy, Berlin, dated May 27, 1941, regarding German economic conditions and plans.

## Enclosure:

Memorandum,  
May 27, 1941.

COPY

Air Mail PouchEMBASSY OF THE  
UNITED STATES OF AMERICA

Berlin, May 27, 1941.

Strictly confidentialMEMORANDUM  
for Treasury from Heath

From the entirely reliable but cautiously discreet contact mentioned in my memorandum of May 13, 1941, I learn that Goring has ordered the preparation of plans of autarchic continental economic organization and development, under German domination, not only for war conditions but also for peace time. My informant remarked ironically that this was a splendid example of German foresight. The plan contemplates abundant access to Russian agricultural products and raw materials.

My informant asserted that he was more convinced than when he had last talked to me (my memorandum of May 13) that at least as a purely economic proposition Germany with supplies from North Africa and Russia could stand a war and blockade of several years. He asserted that whatever the dissatisfaction of France was with the occupation, the German authorities had been quite successful in the absorption of unemployment, and that the French factories were working for Germany. Whether Germany could continue to exert wise and effective political domination of unoccupied Europe was another story, and of course the standard of living at best would be a very low one under blockade conditions.

A less degree of optimism as regards Germany's ability to maintain bearable economic conditions in a blockaded Europe was expressed by Vice President Puhl of the Reichsbank in a recent conversation. Puhl spoke of Germany as able to maintain the continent in a bearable economic condition for two or three years, but I thought he gave an intimation of some doubt as to the effect of continued short rations over such a period. In this conversation I remarked that the German papers recently were crowing over the fact that Britain's military and civil expenses were equal to 90 per cent of the whole national income, and stated that my own rough calculation showed that German central and local government expenditures, plus semi-governmental collections for labor dues, charity, social insurance premiums, etc., amounted to about nine-tenths of Germany's estimated national income (see my telegram No. 1907 of May 14, 7 p.m.) He thought this was a little high but said, not for quotation, that it was something of this order.

(Signed) Donald R. Heath  
Donald R. Heath  
First Secretary of Embassy

LRE/hu

Approved (S) Leland Morris  
Leland Morris  
Charge d'Affaires a.i.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, BERLIN.  
TO: Secretary of State, Washington.  
DATED: June 10, 1941 - 9:40 p.m.  
NO.: 2291.

It is announced in Berlin that an agreement reached between the German and French Governments provides, among other things, that exports from occupied to unoccupied France with the exception of a few undisclosed categories of goods and payments between the two areas in both directions may not be made without a special permit. This relaxation does not apply, however, to traffic in non-French currency or gold.

Made public after the announcement of Vichy's stand with respect to Syria, this concession by (\*) indicates apparently that the German Government is following the policy of making progressive specific concessions as Vichy shows, under the general collaboration agreement, that it is living up to the obligations in actual practice.

MORRIS.

(\*) Apparent omission.

eh:copy  
6-17-41

EH

GRAY

Berlin

Dated June 10, 1941

Rec'd 4:15 p.m.

Secretary of State,  
Washington.

2288, June 10, 3 p.m.

FOR TREASURY FROM HEATH.

Am leaving today for the States en route my new post  
at Santiago, Chile. Expect to be in Washington around  
the first week of July.

MORRIS

WWC

Copy of Letter from A, Mexico City, June 10, 1941

Things are not getting better here, in fact it seems that the Cardenas faction in the Government is continuing to make steady headway.

No change whatever has taken place and the crowd which ran the country during the last presidency is getting stronger and stronger.

Lombardo Toledano, who appeared to be down and out six months ago, is back in full force.

Strikes are getting more frequent and the red and black flag which had somewhat disappeared on closed establishments is to be seen again quite often.

Financially things are keeping on the same way. There was some news in the papers, undoubtedly officially inspired, that the Government had a superavit of twenty millions. Such and similar news are only published when the contrary is the case, therefore we can figure that a continuous overdraft is going on heavily on the Bank.

It is generally believed, and I agree, that the action of the United States in taking over the North American Aviation Plant, and if followed up by similar actions, will have a very strong and healthy effect on the situation here.



June 10, 1941

**Mr. Foley****Secretary Morgenthau**

In connection with my testimony before Senator Glass, I have just received a memo from Merle Cochran which gives me the impression that our \$50,000,000 Stabilization Loan to the Argentine is definitely off because they have not given us an extension notice prior to June 30th. Please consult Merle Cochran and let me know about it because if it is off, I would like to know before I testify up on the Hill.

I also want to know how much, if any, money China has drawn on us for.

*See memo from Mr.  
Foley filed in diary  
under date 6/10/41*

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 10, 1941.

TO Secretary Morgenthau  
FROM E. H. Foley, Jr.

The Argentine stabilization arrangement provides for Argentina giving us thirty days' notice of a request for an extension. Since this notice requirement is for our convenience we, of course, can waive it.

I understand that the Argentine Ambassador told Dan Bell that it would be embarrassing to Argentina to have to give us this notice at this time but they were doing everything possible to have the legislation guaranteeing the arrangement approved in Argentina before June 30. It is my information that Dan Bell told the Ambassador that under the circumstances we would waive the notice requirement. I agree with this action.

While the Chinese stabilization arrangement has been signed, sealed, and delivered, China has not drawn any funds under it. China has, however, requested us for an extension of this stabilization arrangement for one year beyond June 30, 1941, and we have replied saying that we are deferring action on their request until the passage of the legislation now pending before the Senate Banking and Currency Committee. You will recall that under the old stabilization arrangement, collateralized by gold, we own a little over \$19 millions of Chinese yuan.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE June 10, 1941

2.

TO Secretary Morgenthau  
 FROM H. D. White  
 Subject: A Program to Utilize Effectively the Available Labor Supply

## A. Defense Training

1. Complex Organization -- The present organization of defense training is extremely complicated. There are at least six agencies participating in administration, and there is great dispersion of authority and responsibility.

OPM, Hillman

Final authority resides here. Under Mr. Hillman, a number of officials, notably Mr. Reeves, are attempting to coordinate the whole program. In addition, this office administers one of the programs.

Federal Security Agency, McSherry

Four of the operating organizations are in this agency. Recently McSherry has been set up to coordinate at this level.

Operating Programs, Office of Education, N.Y.A., C.C.C., W.P.A., and U.S.E.S.

The NYA and the Office of Education have been designated to administer certain defense training programs. The NYA is recommended to receive \$60 million for this purpose and the Office of Education about \$95 million. To some extent the two agencies are competitive.

In addition the CCC as a regular agency overlaps the NYA. Furthermore, some of the "regular" projects of the NYA appear to overlap the "defense" projects of the NYA.

The WPA (\$875 millions now recommended for fiscal 1942) is carrying out a number of defense projects. The amount of defense training being received by WPA personnel is small, only 34,000 now being enrolled.

The U.S.E.S. furnishes data about the skills in the unemployed population. This organization is becoming important to the defense training and labor supply program. The U.S.E.S. is under the Social Security Board but the operating organization of employment offices is administered by 48 different States.

2. Overlapping -- It is natural that the administrative set-up briefly sketched above should result in considerable confusion, bureaucratic conflict and reduced efficiency of operation.

#### Leadership

Although the O.P.M. is ultimately responsible for defense training, a great deal of leadership, often at cross purposes, appears to be exercised by the Federal Security Agency, the N.Y.A. and the Office of Education.

#### Budgetary Control and Administration

The N.Y.A. and the C.C.C. offer alternative programs for youth and split the money available for youth training between them. Likewise the N.Y.A. organized on the basis of production projects and the Office of Education interested in utilizing the school system for defense training are in conflict. In addition to these programs, a section of the O.P.M. runs a "within-industry" training program. The determination of whom to train and what to train for is now being made by several heads rather than one head.

#### Overlapping in the Field

The N.Y.A., the C.C.C., and the U.S.E.S. have local offices and local officials. So has the W.P.A. The Office of Education, though it has no local offices, works through the local school systems and advisory groups of local citizens.

One or two examples will serve to show the inefficiency which is resulting. At Greensboro, North Carolina, the W.P.A. is offering classes sponsored by the Office of Education in welding, machine operations, and sheet-metal work, using the local high school shops. The N.Y.A. is simultaneously constructing a modern shop in which to give these classes and at the present time it is using old buildings to give training in machine work, in welding, and in sheet-metal work. The W.P.A. officials there did not know what was being done by the local N.Y.A. Nor did the N.Y.A. officials know what the W.P.A. was doing. Both officials explained that the welding classes were designed to provide welders for the Norfolk Navy Yard. However, in Norfolk officials in charge of vocational classes stated that they were not giving any welding courses because the Navy preferred to train its own welders.

Similarly at Cumberland, Maryland, an N.Y.A. shop superintendent did not know whether or not W.P.A. was giving shop courses, or again in Harrisburg, Pennsylvania, the State office of the N.Y.A. was ignorant of what, if anything, the W.P.A. was doing in or near Harrisburg or elsewhere in the State. Finally, none of these agencies seemed to know what was being done to train workers in industry for the same jobs that they were aiming toward.

### 3. Recommendations

#### a. There should be a single defense training program.

The job merits the creation of a separate Office of Labor Training and Supply. It is essential to fix clear responsibility for labor training as well as for other problems of labor supply.

This central office should have control of the budgets for defense training. If it finds it expedient to utilize existing organizations, it should have the power to recommend the size of the funds to be used for this purpose; to divert those funds where this is necessary; and to determine the type of training to be given, the places where it should be given, and the persons to whom it is given. In the field, it should coordinate the various agencies which are doing training.

- 4 -  
Division of Monetary  
Research**b. One youth organization.**

It would simplify the problems of defense training if there were a single youth organization. This unification would have beneficial effects upon the regular or normal youth program of the Government. The normal defense work of the youth organization would work, not be subject to, the Office of Labor Training and Supply. This office should, however, be in a position to determine the volume and the character of the defense training which is to be given the youth.

**B. Waste of Labor Supply**

Amount of waste -- Judging by World War standards, the United States is wasting the labor of about 12 million persons. Seven million of these are the unemployed and the other 5 million are those persons who would work if jobs were available.

Apparently there are no plans in O.P.M. or in the Army or in the Navy to utilize this man-power within the near future. O.P.M.'s estimate of additional re-employment for the coming year is 3 million persons. The armed forces will absorb another million persons. Meanwhile the labor supply will be increased by 600,000 persons. Therefore, the net inroad into our unused labor supply will be only  $3\frac{1}{2}$  millions.

The program of labor training even if reorganized is bound to be ill-directed and wasteful so long as there are no defense production schedules which show what kind of labor will be needed. Only on the basis of such schedules of labor requirements can an efficient forecast of shortages be made and a program of labor training devised.

**Recommendations**

The O.P.M. or some other organization should be charged with the duty of drawing up a definite program large enough to absorb within the coming year several million more persons than will the present program.

As part of this program of expanded defense production, the Federal Works Agency should be given funds for a wide variety of defense construction projects.

Defense housing, construction of defense plants, the provision of utilities in the new boom towns, military roads and air ports appear to be examples where a large volume of this wasted man-power could be employed at useful defense work if there were more imagination and drive at the center of the defense program.

Defense construction work ought to be paid for at standard rates and it ought to utilize the best available methods of production. If these criteria are accepted it is of doubtful wisdom to convert the W.P.A. into a defense organization. If O.P.M. were doing its job, there should be no W.P.A. In the interim period the W.P.A. should probably be left to contract as is now being recommended and other organizations not as handicapped as W.P.A. should be utilized to increase the volume of our defense effort.

June 10, 1941

The Secretary called Grace Tully today and said:

"When you see the President I wish you would give him this message. We have the position in the Treasury that Congress created of Fiscal Assistant Secretary. It is a permanent position and was created for Dan Bell. He is very anxious to go into that position and give up being Under Secretary. He does not like being Under Secretary because the responsibility is too great. I have been looking around for an Under Secretary, and I wonder how the President would feel about Jim Landis if I could get him. I have not talked to him yet. I would like the President's advice. If you get a chance to talk to him about it today, I would appreciate it. Bell has been after me so much now that I want to get somebody."

The Secretary had lunch with Felix Frankfurter, and asked him what he thought about Jim Landis as Under Secretary, and he said that as to his legal mind, he knew of no one better, but as to his public relations, he was not so good. The Secretary then asked him what he thought of Lloyd Garrison, and Justice Frankfurter thought that he would make a perfect Under Secretary.

HM Jr telephoned Grace Tully again. She had not yet given the President the message in regard to Landis, so the Secretary asked her to substitute the name of Lloyd Garrison for Jim Landis.

June 10, 1941

My dear Sir Arthur:

Thank you very much for your letter of June 3rd giving me the shipping statement for June.

Whenever it is convenient, I should like to have you drop in to see me.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Sir Arthur Salter,  
British Supply Council  
in North America,  
Box 680, Benjamin Franklin Station,  
Washington, D. C.

By Messenger

Revised June 4, 1941 375

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

TELEPHONE: REPUBLIC 7660



BOX 680  
BENJAMIN FRANKLIN STATION  
WASHINGTON, D. C.

Revised

2-5-41

June 3, 1941

Dear Mr. Morgenthau,

When sending you, with my letter of April 26, a statement giving particulars of our deficiency in ships for May loading of our priority programme from North America, I promised to send you similar statements for subsequent months, and I now enclose the corresponding statement for our June loading.

You will see that the nominal deficiency shown is of 31 ships as compared with 61 for May. This does not, however, represent an improvement but only the fact that the programme has been further cut down in view of the obvious impossibility of lifting at the rate previously hoped for. Indeed, the actual number of ships at our disposal at the date of the return is 23 less than in May.

Our need for the 31 ships is, therefore, much greater than for the 61 in May. The Maritime Commission is working hard to provide as many as possible of them.

I have full information in the office as to the details of the programme, which is, of course, at your disposal if you should wish to see it.

Yours sincerely,

Arthur Salter

Honourable Henry L. Morgenthau, Jr.,  
Secretary of the Treasury,  
Washington.

UNITED KINGDOMComparative Statement Showing Deficiency of Ships for  
Priority Programme, North America

	<u>Ships</u>	
	<u>June</u>	<u>May</u>
Required	196	249
Allocated	<u>165</u>	<u>188</u>
*Deficiency	<u>31</u>	<u>61</u>
* Deficiency in U.S.A. for General Cargo 70,000 tons	10	13
Deficiency in U.S.A. for Steel 79,000 tons	11	22
Deficiency for Grain U.S.A. & Canada 15,000 tons	2	10
Deficiency for General Cargo in Canada 60,000 tons	<u>8</u>	<u>16</u>
Total	<u>31</u>	<u>61</u>
	<u>—</u>	<u>—</u>

N.B.: 1 Ship - 7,000 tons cargo

June 10, 1941

My dear Sir Arthur:

Thank you very much for your letter of June 3rd giving me the shipping statement for June.

Whenever it is convenient, I should like to have you drop in to see me.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Sir Arthur Salter,  
British Supply Council  
in North America,  
Box 680, Benjamin Franklin Station,  
Washington, D. C.

FILE TO NMC

By Messenger 9:10  
a.m.  
6/11/41

June 10, 1941

My dear Sir Arthur:

Thank you very much for your letter of June 3rd giving me the shipping statement for June.

Whenever it is convenient, I should like to have you drop in to see me.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Sir Arthur Salter,  
British Supply Council  
in North America,  
Box 680, Benjamin Franklin Station,  
Washington, D. C.

FILE TO NMC

By Messenger

*Confidential*

June 10, 1941.

MEMORANDUM

TO: Secretary Morgenthau  
FROM: Mr. Gaston

As to protection of the President:

(1) Although the President rejected some months ago a plan for invisible ray protection of the White House grounds, plans are being made and estimates being obtained from A.D.T. for such a system at Hyde Park; rough estimate \$15,000.

(2) Two agents will return this week from New York where they have been taking special training on suspected packages with the bomb squad of the New York police. Two packages were recently conveyed to a field outside the city for opening. The sound of ticking was heard in one, which proved to be an expensive fishing reel, with watch attached. The other was a package of phonograph records of speeches by Winston Churchill, sent by Churchill to Harry Hopkins without advance notice. The Chief is consulting the Bureau of Standards regarding a strong steel trailer for conveying suspected packages through the city.

(3) Through the New York police a tip has been received that American Peace Mobilization is trying to get American Legion veterans to join the picket line at the White House. Officers assigned by Army, Marine Corps and Navy are constantly on duty at the White House to deal with enlisted men who endeavor to muss up the pickets.

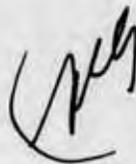
(4) The number of crank visitors is increasing. They now average about one a day.

(5) The Chief has a nephew, Carroll L. Wilson, a graduate of M.I.T., who is attached to the National Defense Research Organization under Dr. Vannevar Bush. He recently returned from London and reports that a new radio-active

- 2 -

compound of high power has been developed and might become a menace in the hands of a foreign agent. His organization is working on a sensitive device for detecting radio-activity and when this has been properly perfected it can be used for periodic inspection of rooms used by the President.

(6) Elmer Hipsley, the athletic trainer and jiu jitsu expert, who was taken over from the Metropolitan Police force in January, 1939, by your orders after the gate crashing incident at the New Year's reception, is starting a new course of first aid training of the White House Police. He has just finished giving the same course to one hundred Bureau of Engraving Uniformed Guards. He has done similar work for the Red Cross.



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This letter was not sent to the Budget Bureau as the Executive Order, issued on Saturday, June 14th, had incorporated in it the "reporting, etc." phases.

File as of 6-10-41.

See 6/5 a/c of  
Budget's ltr of 6/4

Dear Sir:

Further reference is made to your letter of June 4, 1941, relative to a proposed Executive Order, entitled "Authorizing the Attorney General to investigate and require reports as to transactions and property involving foreign interests".

This Department is giving the matter careful consideration. However, the purpose of the Executive Order and the fields in which the powers conferred are intended to be exercised are not entirely clear from the text of such Order or from the accompanying letter of the Attorney General. Among other things, Executive Order No. 8389 of April 10, 1940, as amended, vests the Secretary of the Treasury with many of the powers referred to in the proposed Executive Order and there is at least an apparent overlapping of functions between the two Orders. This Department, in considering the various aspects of the proposed Order, will appreciate being advised as to the purposes of the Order and the scope of its anticipated use.

Very truly yours,

Secretary of the Treasury.

F. J. Bailey, Esq.,  
Assistant Director,  
Bureau of the Budget,  
Executive Office of the President,  
Washington, D. C.

AFL:BS:mon  
6/10/41

# MEMORANDUM

FROM British Supply Council in North America  
TO Mrs. Henrietta Klotz

COMPLIMENTS OF E.N. GRAY

STATEMENT NO. 18AIRCRAFT SHIPPED TO U. K. AND OVERSEAS COMMANDS

	DESTINATION	ASSEMBLY POINT	By Sea During Week ending May 17, 1941	By Air During week ending May 8, 1941
<u>SOLIDATED</u>				
	U. K.	U. K. (via Gander)	-	7
	U. K.	U. K. (via Gander)	-	2
<u>WHEED</u>				
	U. K.	U. K. (via Gander)	-	1
	U. K.	U. K.	10	-
	U. K.	U. K. (via Gander)	-	2
	U. K.	U. K.	8	-
<u>ATED</u>				
	U. K.	U. K.	4	-
<u>GLAS</u>				
	U. K.	U. K.	12	-
<b>T A L S</b>			34	12

British Air Commission,  
May 10, 1941

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE June 10, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

**CONFIDENTIAL**

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£53,000
Purchased from commercial concerns	£ 3,000

The Federal Reserve Bank of New York sold £10,000 in registered sterling to the American Express Company.

Open market sterling was again quoted at 4.03-1/2. Transactions of the reporting banks were as follows:

Sold to commercial concerns	£3,000
Purchased from commercial concerns	£4,000

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

Canadian dollar	11-7/8% discount
Swiss franc	.2321
Swedish krona	.2385
Reichsmark	.4005
Lira	.0526-1/4
Argentine peso (free)	.2365
Brazilian milreis (free)	.0505
Mexican peso	.2070
Cuban peso	1-3/16% discount

In Shanghai, the yuan was quoted at 5-3/8¢, up 1/32¢. Sterling advanced 2¢ to 3.92.

There were no purchases or sales of gold effected by us with foreign countries today.

The Treasury issued a license under the Gold Reserve Act permitting the Federal Reserve Bank of New York to effect the following transfer of gold in its vaults:

\$4,502,000 from the Bank of Finland's account to the account of the Bank of Sweden.

There were no gold engagements reported to us today.

In London, a price of 23-3/8d was again fixed for both spot and forward silver, equivalent to 42.44¢.

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 34-3/4¢.

We made one purchase of silver amounting to 50,000 ounces under the Silver Purchase Act. This consisted of new production from various foreign countries, and was bought for forward delivery.

The report of June 4 received from the Federal Reserve Bank of New York giving foreign exchange positions of banks and bankers in its district, revealed that the total position of all countries was short the equivalent of \$7,149,000, a decrease of \$376,000 in the short position since May 28. Net changes were as follows:

Country	Short Position May 28	Short Position June 4	Change in Short Position*
England**	\$1,165,000	\$ 729,000	- \$436,000
Europe	3,236,000	3,250,000	+ 14,000
Canada	419,000 (Long)	199,000 (Long)	+ 220,000
Latin America	543,000	552,000	+ 9,000
Japan	1,372,000	983,000	- 389,000
Other Asia	1,669,000	1,862,000	+ 193,000
All others	41,000 (Long)	28,000 (Long)	+ 13,000
Total	-\$7,525,000	\$7,149,000	- \$376,000

\*Plus sign (+) indicates increase in short position, or decrease in long position.  
Minus sign (-) indicates decrease in short position, or increase in long position.

\*\*Combined position in registered and open market sterling.

CONFIDENTIAL

BRITISH EMBASSY,  
WASHINGTON, D.C.

PERSONAL AND  
SECRET.

June 10th, 1941

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,

*Halifax*

The Honourable

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

Telegram from London dated June 8th, 1941.

1. British submarines at 0825/3 torpedoed and sank laden 1,000 ton merchant ship in Lampedusa harbour.
2. West-bound channel convoy repeatedly attacked by enemy aircraft from 0001 to 0340/7 Straits of Dover and to Westward. Enemy coastal batteries fired 19 rounds. 1 balloon vessel slightly damaged. No other damage, no casualties. 2 enemy aircraft shot down.
3. Night 6/7 enemy aircraft raided Loch Swe. 1 ship damaged by 2 near misses.
4. Night 7/8 11 coastal aircraft despatched to attack shipping at Bergen and 37 bomber aircraft attacked Prinz Eugen at Brest weather clear but smoke screen was put up over warships. 24 2,000 pound bombs dropped amongst others.
5. On morning of 8th Free French and British troops entered Syria. Light naval forces are working in cooperation with army.
6. Abyssinia. Enemy apparently beginning withdrawal Lechenti area. Our troops Abalti area repulsed 2 enemy attacks June 5th and counter-attacked taking 100 prisoners. 300 prisoners have been captured by southern column. 19,000 prisoners have been taken in southern Abyssinia since May 20th of which 5,000 were Italian - remnants of the 24th Italian division, previously lost, now located west of Soddu in hills where they are being harrassed by Patriots.

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PERSONAL AND  
SECRET.

BRITISH EMBASSY,  
WASHINGTON, D.C.

June 10th, 1941

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,

*Harold B. Baker*

The Honourable

Henry Morgenthau, Jr.,

Secretary of the Treasury,

Washington, D.C.

Telegram from London dated June 9th.

1. Two cruisers and four destroyers supporting left flank of Army in Syria. Rough sea prevented a landing from other ships being made at mouth of Nahr Litany River north of Tyre. Reports received, apparently we have occupied Dara Harjajum and Haqarra. Tyre surrendered 1700/8th.
2. German aircraft made two heavy attacks on Alexandria night of 7th/8th Military damage slight, civilian population appeared main objective.
3. British submarine reported a.m./8th that she had torpedoed French 3,300 ton tanker off Dardanelles. Tanker routed Naples to Constanta via Messina Corinth Canal Dore Channel.
4. Night of 7th/8th coastal aircraft attack on Bergen started several fires in docks and one hit claimed on small ship entering harbour.
5. Last night Royal Air Force carried out medium weight attack on Dortmund. Weather prevented other operations and enemy activity United Kingdom still very slight.
6. Iraq. Night of 7th/8th small mobile column moved from Mosul to Tel Kotehek about 75 miles to the North West on the Syrian border. Our troops found no sign of German activity and received friendly welcome from inhabitants; they returned to Mosul.
7. Abyssinia. Estimated enemy forces remaining in Southern Abyssinia 10,000 Italians 15,000 natives. Gonder area - 15,000 Italians and natives. In this area ground action is being taken against Taber which has been cut off for several weeks. Elsewhere numbers negligible.
8. Romania. Roumanian mobilization almost complete. Army strength probably 20 divisions.
9. R.M.S. London reports that German 10,000 ton tanker was sunk p.m./4th about 1000 miles from West Freetown and a second German 10,000 ton tanker was sunk in position few miles distant a.m./5th. Prisoners 28 officers 152 ratings of whom 7 officers 106 ratings were naval. Former left St. Nazaire May 20th latter left St. Nazaire April 20th.

RESTRICTED

G-2/2657-220; No. 413 M.I.D., W.D. 12:00 H., June 10, 1941

SITUATION REPORTI. Western Theater.

Air: Extremely limited activity on both sides, with some attacks on British and Axis shipping.

II. Mediterranean and African Theaters.

Ground: Libya. At Tobruk, German artillery fired on British battery positions, and Italian artillery shelled steamers entering the harbor.

East Africa. British forces in southwest Ethiopia have continued their advance west of the Omo River, capturing additional prisoners and some trucks. The British claim the destruction of four Italian divisions in this area.

Air: Normal Axis raid on Tobruk and Malta and British raids on Benghazi and Tripoli.

III. Syria. Invasion continues to progress but not particularly rapidly. No indication of serious fighting and none of defections from Vichy forces.

RESTRICTED

Transmittance of Code Cablesgram  
Received at the War Department  
at 09:29, June 10, 1941.

London, filed 14:45, June 10, 1941.

1. British Air Activity Over the Continent.

a. Day of June 9. Sterling bombers operated unsuccessfully against shipping off the Belgian and Dutch coast. Two of these bombers were attacked by six Messerschmitts ME 109's. Thirteen fighters performed defensive missions over east Kent.

b. Night of June 8-9. Thirty-seven Whitley bombers operated over Dortmund and Ruhr. ✓

2. German Air Activity Over Britain.

a. Night of June 9-10. The Germans operated on a small scale in the vicinity of the southwest coast of England and the northeastern coast of Scotland.

b. Day of June 9. There were few raids over Kent and Dorset.

c. Night of June 8. It is now established that the Germans used twenty-five long range bombers and five mine-laying aircraft.

d. Day of June 8. The Germans employed ten reconnaissance planes and ten long range bombers in the operations of this day.

3. Aircraft Losses, British Theater.

a. There were no British losses reported. ✓

b. Of the six Messerschmitts ME 109's which attacked the two Sterlings on the day of June 9, one was shot down and two damaged. On the same day three Messerschmitts ME 109's were shot down and three damaged during the defensive patrols over East Kent. ✓

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4. British Air Activity, Other Theaters.

2. Naval Theater. During the night of June 6-7 planes from the Royal Air Force made successful attacks on Bismarck, Rangoon, and Bangkok.

III

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Paraphrase of Code Schlegren  
Received at the War Department  
at 09:16, June 10, 1941.

Cairo, filed 14:40, June 8, 1941.

1. The fall of Raskid Ali has improved British prestige immeasurably and, on the other hand, has had a reverse effect on German prestige. German agitation will hereafter, as heretofore, encourage the freedom of the Arab nations, anti-Semitism and a pan-Arabic union. The pacification of Iraq is merely a phase and it is not impossible that the revolt has not yet been terminated.

2. The uprising had the support of the people, the revolting forces were not crushed, the pacification has resulted in no answer to any existing problem. There still exist influences which were at work and which have not been brought to light, and in fact even the actual events are not clearly visible. However, the basic origin of the trouble is Jewish colonization of Palestine, and this was the subject which Mr. Elean, in his negotiations with the Regent and others, evaded.

3. The Regent, Abdal Illah, saw his opportunity in Raskid Ali's embarrassment and he demanded from Mr. Elean a statement on the government's intentions towards the Arabs. In Mr. Elean's reply he made no detailed promises, but he spoke in favor of Arabic unity and freedom for Iraq. This was the program for which Raskid Ali was fighting and it gave the Regent's followers a platform upon which to stand. The Regent's advisers had placed Mr. Elean's government in a position where it had been forced to make a statement.

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4. In addition, upon the Regent's resigning his place, no relinquishment of Rashid Ali's popular program had to be made. The latter, having lost a large measure of his following, being deprived of the financial means for prolonging the struggle and having had his platform stolen from under his feet, took shelter in Persia.

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