

DIARY

Book 415

June 27 - 30, 1941

- A -

	Book	Page
Allison Engineering Company		
See War Conditions: Airplanes (Engines)		
American Library at Paris		
See War Conditions: Foreign Funds Control		
Appointments and Resignations		
Viner, Jacob:		
To join Treasury staff July 1 at \$100 a week -		
6/27/41.....	415	87
Argentina		
See Stabilization Fund		

- B -

Barlow, Lester P.		
\$300,000 claim against United States discussed in		
Treasury release - 6/27/41.....		212
Barth, Alan		
"The Fourth Climacteric": Eyes on the Target -		
6/27/41.....		218
Baruch, Bernard M.		
"American Industry in the War" reviewed by Gase -		
6/30/41.....		336
Bloch-Laine, Mr.		
Altschul-HMJr-Walter Stewart correspondence		
concerning connection with Rockefeller Foundation -		
6/30/41.....		319, 320, 322
Business Conditions		
Haas memorandum on situation for week ending		
June 28, 1941.....		375

- C -

Canada		
See War Conditions		
China		
See Stabilization Fund		
" War Conditions		
Coast Guard		
Ediz Hook near Port Angeles, Washington: Navy to		
use portion for section base - 6/27/41.....		215
Commodity Credit Corporation		
Balance sheet, etc., showing net worth as of		
March 31, 1941 - 6/30/41.....		426
Cox, Oscar S.		
HMJr protests removal of records on British		
purchasing, which should be part of Treasury		
permanent files - 6/27/41.....		12

- D -

Defense Savings Bonds		
See Financing, Government		

- F -

	Book	Page
Financing, Government		
Defense Savings Bonds:		
" Momentum in the Press " - Dallas report - 6/27/41.....	415	32
Radio programs over Mutual Broadcasting System sent to HMJr by Kuhn - 6/28/41.....		293
Programs with American Federation of Labor, Congress of Industrial Organizations, etc., outlined by Kuhn - 6/29/41.....		306
a) Conversation with "Bill" Green, A.F. of L. - 7/11/41: See Book <u>420</u> , page 68		
b) Draft of follow-up letter: Book <u>420</u> , page 405		
c) Green accepts: Book <u>421</u> , page 438		

- G -

Gasoline (Aviation)

  See War Conditions: Japan

Germany

  See War Conditions: Foreign Funds Control; Germany

- H -

Hyde Park Roosevelt Library

  See Roosevelt (Franklin D.) Library, Hyde Park

- I -

Installment Credit

  See War Conditions: Price Control

- J -

Japan

  See War Conditions

- K -

Keynes, John Maynard

  See War Conditions: Lend-Lease

- L -

Latin America

  See War Conditions: Germany

Library at Paris, American

  See War Conditions: Foreign Funds Control

- O -

Book Page

O11

See War Conditions: Japan

- P -

Paydays, Staggered - United States Government  
Plan as presented to FDR - 6/27/41..... 415 214  
Price Control  
See War Conditions

- R -

Revenue Revision  
Press Opinion on Taxes: Inflation Talk - Merillat  
memorandum - 6/27/41..... 223  
Roosevelt (Franklin D.) Library, Hyde Park  
Dedication address - 6/30/41..... 318

- S -

Stabilisation Fund  
China and Argentina to be asked to sign extension  
arrangements for one year - 6/30/41..... 392,397  
a) Confusion as to whether Bell or Foley is to  
act with Secretary discussed at 9:30  
meeting - 7/1/41: See Book 416, page 15

- T -

Tabouis, Genevieve  
Possible trip to South America discussed in Wiley  
memorandum - 6/30/41..... 334  
a) Letter to Rockefeller

Taxation

See Revenue Revision

Treasury Department

Representative in every county to handle savings  
bonds, tax certificates, etc., discussed by HMJr.,  
Bell, and Graves - 6/27/41..... 74

- U -

Unemployment Relief  
Work Projects Administration report for week ending  
June 18, 1941..... 388  
U.S.S.R.  
See War Conditions  
United Kingdom  
See War Conditions: Military Planning

Viner, Jacob  
See Appointments and Resignations

War Conditions

Airplanes:

Engines:

Allison Engineering Company shipments -  
6/30/41..... 415 375

Shipments to the British, by sea and by air -  
Kamarck report - 6/27/41..... 241

Canada:

Treasury relations with regard to Lend-Lease,  
etc., clarified in White memorandum to  
Joint Economic Committees - 6/27/41..... 208

China:

Fox cable on talk with Hall-Patch concerning  
Rogers appointment - 6/27/41..... 245

Exchange market resume' - 6/27/41, etc..... 247, 299, 347

Export Control:

Exports of petroleum products, scrap iron, and  
scrap steel from United States to Japan,  
Russia, Spain, and Great Britain, week  
ending June 28, 1941 - 6/30/41..... 349

Foreign Funds Control:

American Library at Paris discussed in MacLeish  
and Cochran memoranda - 6/28/41..... 289, 290

Germany:

Regulations in face of over-all freezing  
order - 6/29/41..... 309

American Embassy, Berlin, asks concerning  
arrangements to be made in connection with  
over-all freezing order - 6/30/41..... 401, 403

Germany:

Movement to Latin America of household cases,  
packages, etc., to be looked into by Customs  
unless State Department definitely objects -  
6/27/41..... 16

a) Customs' memorandum after talks with  
Acheson - 6/28/41..... 279

Japan:

67 Octane Gasoline: Welles' attitude at time of  
Cabinet discussion discussed by Ickes and  
HMJr - 6/27/41..... 82

Lend-Lease:

Aid to Britain discussed by HMJr, Coyne, Archer,  
O'Connell, Goe, Miss Kistler, Cochran, Childs,  
Phillips, Boddie, Cox, Brown, and White -  
6/27/41..... 98

a) Available gold and dollars - Phillips  
memorandum..... 199, 200

	Book	Page
War Conditions (Continued)		
Lend-Lease (Continued):		
Weekly report - Lease-Lend purchases (June 20-27, 1941) - 6/27/41.....	415	205
Keynes tells HMJr "mission has been completed successfully"; HMJr decides to ask for confirmation in writing - 6/30/41.....		316
Military Planning:		
Reports from London transmitted by Halifax - 6/27/41, etc.....		349,300,408,411
War Department bulletins:		
Coordination of command in German armed forces - 6/27/41.....		251
"At the Meuse, 1940" - 6/30/41.....		414
Price Control:		
Minutes of June 25 meeting - 6/27/41.....		227
a) Discussion of		
1) Automobile prices		
2) Rubber price order		
3) Vinson priorities legislation		
4) Kaiser proposal for steel plant on West Coast		
5) Price schedule for pig iron		
Installment Credit: Resume' of problem and consideration to date given in Bell memorandum - 6/30/41.....		350
a) Discussion at 9:30 meeting - 7/1/41: See Book <u>415</u> , page 37		
Purchasing Mission:		
See also War Conditions: Lend-Lease		
Federal Reserve Bank of New York statement showing dollar disbursements, week ending June 18, 1941 - 6/30/41.....		340
Vesting order sales - 6/30/41.....		345,346
U. S. S. R.:		
Welles' attitude toward U. S. S. R. discussed by Ickes and HMJr - 6/27/41.....		83
Work Projects Administration		
See Unemployment Relief		

Young, Philip		
HMJr protests removal of records on British purchasing, which should be part of Treasury permanent files - 6/27/41.....		12

June 27, 1941  
9:30 a.m.

GROUP MEETING

- Present:
- Mr. Haas
  - Mr. Cairns
  - Mr. Johnson
  - Mr. Viner
  - Mr. Odegard
  - Mr. Schwarz
  - Admiral Waesche
  - Mr. Kuhn
  - Mr. Graves
  - Mr. White
  - Mrs. Klotz
  - Mr. Cochran
  - Mr. Sullivan
  - Mr. Bell

H.M.Jr: Where is Huntington? Is this the correct order now, of these papers? They weren't yesterday, it seems to me. Well, I guess they are all right.

(Mr. Cochran entered the conference.)

H.M.Jr: Norman?

Thompson: If convenient, today I would like to go through the Stabilization cases before the close of the fiscal year. It won't take more than two or three minutes.

H.M.Jr: Well now, Bell is coming in with everybody that is helping me on the tax anticipation thing at ten-fifteen. I want to argue

amongst my own people first, you see. So if this meeting doesn't run too long, I could see you then or I could see you - why do I crowd myself? Why don't I tell you now eleven-fifteen.

Thompson: It won't take more than five minutes.

H.M.Jr: And Harry, I would like to see you at eleven thirty. I want to go over with you this whole business of the English money, you see. I would like you and Dr. Viner, if you would come in together at eleven-thirty, please.

Thompson: That is all.

H.M.Jr: Harold, I don't know what this means, but here is a telegram from Howard Dietz.

"The welkin will ring on July 2. Regards."

Graves: That is thanks to Odegard and Kuhn.

H.M.Jr: Had you heard from him?

Graves: No.

H.M.Jr: Well anyway --

Kuhn: Is that about the Liberty Bell, Mr. Secretary?

H.M.Jr: Yes.

Kuhn: I have a letter here from the mayor of Philadelphia saying that he understands you wish to broadcast from Independence Hall and tap the Liberty Bell. I suggest that you wire him today that it would be very nice if he would do that for us.

H.M.Jr: Well, I will leave it to the Liberty Bell committee.

- 3 -

Kuhn: You don't care?

H.M.Jr: No. They tried to get me to do that once before. If you people still want me to broadcast on that, I will do it from my desk here, see. I will do it right from my desk. I am not going to ring any bells and I am not going to go up and --

Kuhn: And we may ask him to do it?

H.M.Jr: Well, you notice what Dietz said. He said there are mechanical difficulties, you see. I don't care - Graves was out on the end of a bell and we made it ring. (Laughter)

Graves: Well, that is fine. We have the mechanical difficulties in hand.

(Mr. Sullivan entered the conference.)

H.M.Jr: We have got Graves fixed all right. I don't care how it is done just as long as we save Graves' face.

(Mr. Bell entered the conference.)

H.M.Jr: Did you get my memorandum? After seeing that picture of that song last night, "Any Bonds Today," I want to kill it. It is terrible. I will ask Howard Dietz whether he won't do one at Hollywood for me. I just can't let it be done the way it was done last night.

Graves: Well, you knew that was not a complete thing.

H.M.Jr: No, but I mean --

Graves: Even what there was of it you disliked?

H.M.Jr: What there was was terrible. I mean, the

- 4 -

man had no makeup on. You could see the beads of perspiration on his lips. He looked the way I do when I broadcast.

White: You have reference to that presentation and not the song, because I think the song is pretty good.

H.M.Jr: No, I just mean a movie presentation of the song.

White: Oh.

H.M.Jr: I want it done in the best Hollywood manner, not the way it was done last night.

White: It was too much a scene of this man's mouth.

H.M.Jr: But Dietz is coming Sunday and I am talking to him. You might get word to him that in addition to those other two songs, I want to talk to him about this.

Graves: Very good.

H.M.Jr: Thank you.

Graves: You are apparently going to talk to the Secretary of War. If you do, it would be nice to mention our --

H.M.Jr: I wrote a letter on the thing.

(The Secretary held a telephone conversation with Undersecretary of War Patterson)

H.M.Jr: All right, Harold, anything else?

Graves: I was about to say that the War Department has withdrawn its cooperation on putting pieces of munitions in our block down here with our glass house, and as I understand,

- 5 -

there is to be a meeting in the office of the Secretary today about it.

H.M.Jr: Oh.

Graves: And I thought if you were talking with Secretary Stimson, it would be very helpful to us if you could just ask him if he wouldn't --

H.M.Jr: What do you want?

Graves: We have asked - or they have said up to the present that they could put pieces of munitions in this square, tanks and that sort of thing. Now they haven't got any tanks or munitions to put in the square. They have practically said that they won't do anything to help, and it seems to us very strange that the Army doesn't have a few pieces that they could put in that block.

H.M.Jr: I get it.

Kuhn: The idea was, Mr. Secretary, to have price tags on these.

H.M.Jr: Sure. Well, he will call me back. I didn't want to - I couldn't talk to you in the split seconds.

Graves: Sure, it was too close.

H.M.Jr: When he calls me back I will talk to him about it.

Graves: That would be fine, because it would add a great deal to our exhibit down there to have those things in the block. In fact, it almost completely kills our exhibit if they are not in the block.

H.M.Jr: All right. I will get you something. Bomber preferred?

- 6 -

Graves: Bomber or - well, you would think that an army ought to have a few pieces they could put in there.

H.M.Jr: Well, I guess the answer is they don't.

Graves: Well, they are saying they don't. They say they are all down South.

H.M.Jr: Pardon?

Graves: They are saying that all their munitions are down South.

H.M.Jr: Well, they have got the stuff here at Aberdeen. I have seen it.

Graves: It is just a question of whether they want to help us or not, I think.

H.M.Jr: What else?

Graves: That is all I have.

H.M.Jr: I talked with Tobin on this idea of his million dollar check and I don't want to for the time being raise the fifty thousand dollar limit. Let's go through with this tax certificate thing and get that launched.

Is that all, Harold?

Graves: That is all.

H.M.Jr: Harry?

White: I think you would want to know about important negotiations that are going on between the British and the State Department with respect to trade negotiations for the Empire. Mr. Keynes is taking a pretty active part, and there apparently is a difference of opinion

among the British. The importance lies in the fact that some feel that they want bilateral trade arrangements after the war as well as during, and others feel that it should be multilateral.

Mr. Hawkins of the State Department has expressed the hope that the Treasury would support State Department and that possibly Commerce would, because they don't expect support, but other opposition from Agriculture and Tarrif, et cetera.

I think that your ideas are in accord with what the State Department's ideas are likewise on that as a whole policy, so I think in general we probably will be able to, but when some specific matter comes before them, you will have ample opportunity to comment on it, but I thought you ought to know that there are these negotiations going on.

H.M.Jr: Would you (Cochran) right after this meeting call up Sir Frederick Phillips and tell him before one o'clock I would like in my hands a memorandum giving me what the details are of this corporation that is to fly these planes to - via Takoradi.

Cochran: That is the one Boddis was talking about?

H.M.Jr: Yes. I want an outline of what is that thing. I would like to have that.

White: Don't you also want his decision?

H.M.Jr: Pardon?

White: They were also to give you their decision.

H.M.Jr: I don't want to force him on the decision. If he can, yes, but at least I would like

- 8 -

to know what it is. I would like to have a decision if possible.

Cochran:

I understand.

H.M.Jr:

Let's ask him. Tell him I would like a yes or no by one o'clock.

Cochran:

All right, sir.

H.M.Jr:

The plan and a yes or no by one o'clock. And also, they have another corporation which is doing a job for the Navy in Scotland, and I would like to know just how that is set up.

Cochran:

All right.

H.M.Jr:

There is a corporation doing a similar thing, an American corporation, that is doing a job in Scotland. I would like --

Cochran:

A separate memorandum?

H.M.Jr:

Yes.

Just what that is and how that is being done, how they are paying for it, you see.

Cochran:

Yes, sir.

H.M.Jr:

And plenty of details. I would like to understand it.

Cochran:

Right.

H.M.Jr:

Anything else, Harry?

White:

There are a few things you had indicated that you wanted to speak to me about, but that can wait.

- 9 -

H.M.Jr: All right. Chick?

Chick, if I am correct, and you can find out from Norman Thompson, one Arthur Krock wrote a column today in which he says that we sit in --

Schwarz: On Joint Aircraft Board.

H.M.Jr: I am almost sure that we have no membership on that.

Schwarz: I don't think so either.

Thompson: We don't.

H.M.Jr: We have no membership?

Thompson: No, sir. I will check it.

Schwarz: My guess would be that he is confusing that with the so-called War Cabinet, but I will straighten him out.

H.M.Jr: Well, be a hundred and one percent sure between you and Norman that you are right and then call up Krock and tell him that his information is wrong.

Schwarz: I have asked my people already to check for me.

H.M.Jr: But be entirely sure.

White: Did you happen to read Mr. Krock's column, I think it was the day before, on the question of British --

H.M.Jr: Yes. That is why I --

White: I didn't like it.

- 10 -

H.M.Jr: Neither did I. That is why I had such a bad time yesterday morning at my press conference, as a result of that column. I mean, that is why the Tribune went after me so.

Schwarz: He didn't help any.

H.M.Jr: No, he - lots of inuendos and he was helping Jesse Jones and doing all he could to make it difficult for me, and he wasn't helping the English.

White: It seemed to me there were a couple of statements there on which he might well be called.

H.M.Jr: I wouldn't bother. It is useless. But this thing, the question am I or am I not - the Treasury, on the committee, it is a matter of fact. He is hopeless, Harry, you can't do anything.

Peter?

Odegard: Nothing.

H.M.Jr: George?

Haas: I have nothing.

H.M.Jr: Where is this Helen - what is her name?

Kuhn: Dallas.

H.M.Jr: Yes. Where is her booklet, what is the status of that?

Graves: You asked, as I understand, that it be ready for you to look at next Thursday.

H.M.Jr: That was yesterday.

- 11 -

Graves: I didn't so understand it. I thought it was next Thursday.

H.M.Jr: Oh, it couldn't have been.

Graves: Well, you didn't give me the message.

The people to whom you did give it gave me to understand you meant next Thursday, which is about as good as we could do anyway to get a layout and proof on that.

H.M.Jr: Are you going to use those illustrations in Dorothy Thompson's article from Look, are you going to use any of those?

Odegard: There have been specially selected photographs for that.

The photographs have gone to New York for the purpose of making a layout. As soon as that comes back, the proof will be over from the Printing Office, and you will have a copy as soon as possible.

Maybe early in the week.

Graves: I doubt whether it will be early in the week, because we want to get a proof of it so that it will be easy for people to see what it is going to be like and not just a rough layout.

- 12 -

H.M.Jr: What I was to get today, Harold, was--

Graves: Portfolios for distribution.

H.M.Jr: Yes.

Graves: Those are ready, and I will send one in for you to look at any time you like.

H.M.Jr: Right after this meeting.

Graves: Fine.

Haas: Mr. Secretary, there is one thing. Did you want to have anything done about those documents that are not in the Treasury that you inquired about yesterday? Those are copies. The originals are not here.

H.M.Jr: Well, they should be here. They belong to the Treasury.

Haas: I can get Norman to get them back.

H.M.Jr: Yes. Then Norman Thompson had better have somebody go over Philip Young's files and anything that has to do with the Treasury while he was here, those things should be moved.

Thompson: We went over the files before he left here.

H.M.Jr: You couldn't have done a very good job, if you don't mind my saying so, because these most important documents that I wanted yesterday were where?

Haas: In Philip Young's office.

H.M.Jr: In Philip Young's office. The most important of all. When I was signing every day how much

- 13 -

the British could buy, those original documents aren't here, so please send an expert over there and anything that is Treasury business should be here. I don't care how Philip Young squawks, those things should be - they are part of the Treasury and that goes for Oscar Cox, too.

Kuhn: I just had the unrevised script of next Wednesday's show, and I would like to work on it, and then show it to you when you come back from the week-end.

H.M.Jr: It will be pretty late. I won't get back until Monday night or Tuesday morning, because I am going to the opening of the Hyde Park library.

Kuhn: Would you like to see it Tuesday morning.

H.M.Jr: Yes.

Kuhn: I thought you would like to see your speech is reprinted in full out on the Pacific Coast.

Schwarz: I sent it out there.

Kuhn: This is a paper that goes to five hundred editorial writers west of the Mississippi.

H.M.Jr: What is the joke?

White: Chick sent it out, he said. Chick deserves credit for that.

Schwarz: At Ferdie's suggestion. (Laughter)

White: I retire.

Graves: You are doing all right, Harry.

- 14 -

H.M.Jr: Well, may I, anyway, thank the Schwarz-Kuhn -  
Kuhn and Schwarz.

What else?

Kuhn: That is all, sir.

Cairns: Nothing.

H.M.Jr: Could your (Cairns') legal division give me  
a little memorandum Tuesday morning just  
what do we do about these profits like this  
thing, this question of this Falk Company,  
you see? I mean, what are we doing about  
reviewing them, is it under the Vinson  
Act, is that what it is?

Cairns: Vinson-Trammell Act, yes.

H.M.Jr: Then we only do those, which, up to the time  
of the Vinson-Trammell Act expired, I take  
it.

Sullivan: That is right.

Cairns: I will have to get up a memo. I am not  
familiar with it.

H.M.Jr: Is that in General Counsel or is it in the  
Assistant Secretary's office?

Sullivan: The investigation in this case has been in  
Mr. Ireys' office for at least a year and  
a half. I know I got it - I talked with him  
about it when I was over at the Bureau. I  
think that was late in October or early in  
November of '39, and Mr. Foley told me  
yesterday that Mr. Ireys' investigation was  
not yet completed.

H.M.Jr: Well, that--

Cairns: I think it goes over Kades' desk.

- 15 -

- White: Yes, I know that merely because there are certain economic aspects which Kades took up with my staff so that I do know the Legal Division is playing an important role in it. Whether an exclusive role, I don't know.
- H.M.Jr: Well, look into it and have something for me Tuesday.
- How many others are there, and are we doing it systematically and so forth, and when the Vinson-Trammell Act died - I mean, do we look into any contracts of the Army and Navy any more, or don't we? Then I would go into the whole question, who checks up to see whether they - how many other cases are there like the Falk case?
- Cairns: I will give you a report.
- H.M.Jr: I mean, when the Vinson-Trammell thing died, did we stop looking into illegal excess profits or does some other agency? Does anybody check up on the Army and Navy? I am just beginning to wonder how smart we were to let the Vinson-Trammell die.
- White: There are still channels through which those can be and should be examined.
- H.M.Jr: Well, I think if by Tuesday morning I could have something.
- Graves: Mr. Secretary, I can tell you this much, that the Vinson-Trammell cases in the Bureau of Internal Revenue are handled precisely as income tax cases are handled. They are investigated under the same procedure and handled throughout under the same procedure that prevails in income tax cases. There

- 16 -

is no special routine for them.

Bell: There were a group of accountants, were there not, that went into those firms and examined the accounts.

Graves: They had special personnel in the field to make investigations, but all of the aspects of the handling of the cases are the same as income tax cases.

H.M.Jr: Well, I don't think it will do any harm to look into it and talk with Mr. Sullivan or anybody else about it that is necessary, will you?

Cairns: Yes, sir.

Johnson: In connection with the movement of German nationals, I learned this morning of an intention to ship seven cases of household goods from the German Consulate General at San Francisco to Chile, Santiago, to the German Embassy. That raises two questions in my mind. First, the possibility that some of them may think they can get to South America, and secondly, the question of looking into the packages that go out of the country with or in connection with the departure of some of these consular officers. I suppose the State Department will be quite opposed to that. I know they were in the case of a recent movement of certain Russians.

H.M.Jr: Well, times change. What I would do is, tell Mr. Acheson, and unless they say, "No," we will look into it.

Johnson: All right, sir.

White: Chile is one of the most important hotbeds of Nazi propaganda.

- 17 -

- H.M.Jr: Unless he tells us not to, we will do it.
- Johnson: Mr. Wiëdemann of course - I don't know whether it is his stuff or not. All I know is it came from the German Consulate, San Francisco.
- H.M.Jr: I would tell him, unless he tells us not to, we will take it inside out.
- Johnson: I will get in touch with him today.
- Waesche: I thought you might want, Mr. Secretary, just a brief resumé of the present status of these foreign ships.

The Danish ships which we took over have been turned over to the Maritime Commission last Monday. This coming Monday, June 30, we will turn over to the Maritime Commission the Italian and the German ships. The Maritime Commission have taken over directly directly, without proceeding through the Treasury, the Esthonian, Latvian, and Lithuanian ships. There are only a very few of them. The Finnish ships in our ports now are very pro-Nazi. I had a report from Captain Bayliss, and they are very pro-Nazi up there.

We took it up with the State Department, and the State Department says, "Do nothing." We feel that they probably will be sabotaged when we have no guards aboard them. Also the Maritime Commission requested us to--

- H.M.Jr: They say do nothing?
- Waesche: Sir?
- H.M.Jr: They say do nothing about it?
- Waesche: The State Department. We took it up with

- 18 -

the State Department--

H.M.Jr: When?

Waesche: Day before yesterday and again yesterday I talked with the Maritime Commission about it.

H.M.Jr: Have you talked to the State Department?

Waesche: Yes, sir.

H.M.Jr: Who did you talk to there?

Waesche: Mr. Saugstad, and he took it up with Breckinridge Long, and Breckinridge Long--

H.M.Jr: Take it up directly with Dean Acheson.

Waesche: All right, sir, I will do that.

H.M.Jr: Take it up with Dean Acheson.

Waesche: Now, the Normandy, the Maritime Commission - we have guards, as you know, on the Normandy. The Maritime Commission wanted our people to start taking an inventory of the goods and equipment on the Normandy, and we told them we couldn't do that without the State Department's approval, because we were merely there as guards for the prevention of sabotage.

Admiral Land, after I talked to the State Department and they said, "No," Admiral Land talked to Sumner Welles, and he said to do nothing.

H.M.Jr: Well, that doesn't interest me, but the Finnish ships, it is just--

Waesche: I will get Dean Acheson on the phone about the Finnish ships.

- 19 -

The Marion is now on her way to Guadeloupe taking the last of those French prisoners which have been in Puerto Rico so long. That matter is now cleared up.

- H.M.Jr: You haven't landed them yet, though?
- Waesche: No, sir, not the last group. The last group are aboard the America.
- I think we are giving you (Graves) all the help you want on the glass house down here, is that correct?
- Graves: I don't know specifically, but I would suspect that you would.
- Waesche: We are putting a surf boat and a tractor and a lifesaving apparatus and a few enlisted men there.
- H.M.Jr: You had better not put a surf boat there. The Navy may take it. (Laughter)
- Waesche: Here is a letter to the Navy.
- H.M.Jr: Fine. What is the Navy giving us for Treasury House?
- Graves: I don't know but--
- Viner: How about one of those old submarines?
- Graves: We are asking their cooperation. I think there will be a letter in here for you to sign to the Navy today about it.
- H.M.Jr: Merle?
- Cochran: The Central Bank of China telegraphed through the Federal Reserve Bank of New York wanting an extension for about six months of that

- 20 -

1937 Stabilization agreement. That has been renewed each time, you see.

H.M.Jr: What about it?

Bell: Well, we are hoping they clean that up, but I suppose we ought to renew it and ought to do it before June 30.

Cochran: I am not so sure.

H.M.Jr: Well, may I do this? If Mr. Bell and you (Cochran) and White will pass on it and decide it, the three of you.

Cochran: When the fund expired before in '39, we waited until the twelfth of July.

I have the Canadian silver letter.

H.M.Jr: Oh! I haven't signed one for a long time.

Sullivan: You sent in a letter from a Mrs. Jay Eddy yesterday afternoon at three o'clock. That meant four o'clock up there. It was Daylight Saving Time. We only had an hour. We found out that we had placed a lien on one safety deposit company, one insurance company, and two banking institutions in which there were trust funds, of which she was trustee. I rather doubt we had a right to do that. She owes us over eleven thousand dollars. I suspect it is a long drawn out case, and I will have a much more complete report probably by noontime, if you would like to have it.

H.M.Jr: Yes. Well, I will tell you what I would like you to do. If you don't - if you can't do anything by noon, at least have a telegram for my signature saying that I am having the matter looked into.

- 21 -

Sullivan: Right. I will do that for you right away, and then I am going up on the Hill, and I might not be back here by twelve.

Klotz: I can prepare the telegram, for that matter.

H.M.Jr: Can you?

Klotz: Yes. Send in the correspondence; I will send the telegram.

Sullivan: All right, I will. I will send with it a copy of the memo from Commissioner Helvering. I will also tell him if he gets any more information while I am on the Hill this morning to send it directly to you.

Bell: Here is a letter on the investment of the old age reserve for another year.

H.M.Jr: Anything else?

Bell: No, that is all. This is a letter to the President just for the record on the staggered payday.

H.M.Jr: All right.

All right?

Bell: Yes.

H.M.Jr: Thank you all.

June 27, 1941  
9:40 a.m.

HMJr: Hello.

Operator: Secretary Stimson is out of town.  
I have Mr. Patterson.

HMJr: All right.

Operator: Go ahead.

HMJr: Hello.

Robert  
Patterson: Henry?

HMJr: Bob?

P: Yeah.

HMJr: How are you?

P: Fine.

HMJr: Bob, I hear Mr. Stimson is out of  
town so I'm sending you over a  
letter.....

P: He's back.

HMJr: Hello?

P: I think he's back.

HMJr: Oh, they told me....

P: They tell you that this morning?

HMJr: Just now, yes.

P: Well maybe so. I understood he was  
coming back last night. However, it  
doesn't matter.

HMJr: Well, the letter will come over. I  
asked for either Secretary of War or  
Acting Secretary of War and they gave  
me you.

P: Yeah.

- 2 -

HMJr: You want to argue about it?

P: No, I don't.

HMJr: Okay. A letter is coming over to you in regard to one Harold S. Falk, Civilian Aid to the Secretary of War

P: Harold S. what?

HMJr: Falk, F-a-l-k.

P: Yes.

HMJr: After you've read my letter, I'd appreciate it if you'd call me back and tell me what you're going to do about it.

P: All right, I will, I'll do that.

HMJr: You know who he is?

P: No.

HMJr: Well, read my letter, would you?

P: Yes, indeed.

HMJr: And tell me what you're going to do about it and other people like him.

P: Yeah. I will and I'll call you back.

HMJr: But I think if you don't mind - I think both War and Navy ought to let the Treasury investigate these people, both personally and their companies from an Income Tax before you put them on jobs like - evidently this man is.

P: F-a-l-k?

HMJr: Yeah. F-a-l-k, Harold S. Falk.

P: Yeah, yeah, I'll look at the letter.

- 3 -

HMJr: It will be over in a few minutes.

P: Right, thank you. Is it addressed to me or the Secretary.

HMJr: It's addressed to you, but I'm going to put it in an envelop for you.

P: Right, thank you.

HMJr: Thank you.

P: Goodbye.

JUN 27 1941

Dear Henry:

I am enclosing a copy of a letter which I have written to Secretary Knox in response to an inquiry from the Navy Department concerning the tax liability of the Falk Corporation of Milwaukee, Wisconsin, arising out of certain contracts with the Navy Department to which the Vinson Profit Limitation Act applies.

I thought you would be interested in this information not only because the War Department may also be dealing with the Falk Corporation, but also because I have been informed that a Harold S. Falk is Civilian Aid to the Secretary of War. The President and Works Manager of the Falk Corporation, who handles its shop management, is named Harold S. Falk.

Sincerely yours,

(Signed) Henry

Hon. Henry Stimson  
The Secretary of War

Enclosure

Attention: Under Secretary  
Robert Patterson

CLK:WHP:akm 6-26-41

FILE TO MR. FOLEY.

Sent by Secret Service.



THE UNDER SECRETARY OF WAR  
WASHINGTON

June 27th, 1941.

Dear Henry:

I have your letter of June 27th, relative to the Falk Corporation and Harold S. Falk.

The War Department has no contracts with the Falk Corporation, barring a small job which involves \$500.00.

Harold S. Falk is listed as one of the civilian aides to the Secretary of War in connection with the Military Training Camps Association. As you doubtless know, that Association submits a list of some sixty civilian aides, one for each corps area and one for each state. These posts are of nominal importance and involve no active duties. Harold S. Falk is the Aide for Wisconsin. The work, such as it is, has to do solely with military training camps program, and there will be no military training camps this year.

Sincerely yours,

*R. W. P. Pitt*

Honorable Henry Morgenthau, Jr.,  
The Secretary of the Treasury.

Copy to Ed. Foley  
*mmj*

forwarded to  
Foley  
6/27/41

JUN 27 1941

My dear Mr. Secretary:

Reference is made to the letter of Under Secretary of the Navy Forrestal, dated June 4, 1941, relative to the Falk Corporation of Milwaukee, Wisconsin.

An investigation has been made of the corporation's income tax liability for the years 1935 to 1938, inclusive, and of its liability for excess profit under the profit-limiting provisions of the Act of March 27, 1934, as amended, sometimes referred to as the Vinson Act. The examining officer has recommended additional income taxes for such years in the amount of \$130,232.98, increasing the total income taxes for such years to \$255,080.31, as compared with \$116,737.33 as reported by the corporation. In addition, the examining officer has recommended an excess profit liability under the Vinson Act in the amount of \$474,082.62 in respect of contracts completed in the years 1935 to 1938, inclusive, whereas the corporation filed a report showing no excess profit liability; and he has also recommended fraud penalties in the amount of \$230,041.31 making a total liability of \$711,123.93 for excess profit and penalties under the Vinson Act.

The liability under the Vinson Act is due to the fact that the corporation stated the cost of performing its contracts to be \$2,275,652.89, whereas the examining officer found such cost to be \$1,696,295.24, the difference being \$680,357.45. The corporation included as part of the cost of performing the contracts fraudulent charges and other charges which were clearly erroneous. For example, in numerous cases, the time for an employee was charged to the Navy contracts when, in fact, the employee had never been engaged on this type of work; the costs of various machines and items of equipment were charged to the Navy contracts when it was known that they would also be used on commercial jobs; higher machine hour rates were used

- 2 -

when certain machines were working on Navy contracts than when the same machines were used on commercial work; charges for research and development expense were duplicated; and no effort was made to follow the regulations issued by this Department and the Navy Department relative to the profit-limiting provisions of the Vinson Act, such regulations being clearly disregarded in allocating burden or direct expenses and in making adjustments for liquidating damages assessed by the Navy Department.

During the course of the investigation the corporation made payments of \$425,000 to the collector of internal revenue, Milwaukee, to cover all of the additional income taxes recommended by the examining officer, and a portion of the additional excess profit under the Vinson Act. It appears that the officials of the corporation recognize that a clearly erroneous report was filed but contend that at the time the report was filed they were not aware of the false charges and that they issued no instructions as to the incorrect charges. On this point it does not seem possible, so the examining officer reports, that the officials or heads of the cost and accounting departments were not aware of these charges until after the report was filed. In view of the fact that the cost of performing the contracts, as stated by the corporation in its report, was more than 40 per cent in excess of the actual cost, it would appear that the examining officer has considerable reason for his opinion. At the present time the case is pending before the internal revenue agent in charge in Milwaukee, Wisconsin, and a final conclusion in respect of the case has not been reached.

Very truly yours,

(Signed) E. Borgerthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of the Navy

FILE TO MR. FOLEY

Sent by Secret Service.

Copy attached. *(dup to Mr. Foley)*

29 ✓

**Treasury Department**

TELEGRAPH OFFICE

00  
SER. SI NEWYORK NY 549P JUNE 26 1941

1941 JUN 27 AM 8 25

HENRY MORGANTHAU JR  
SECRETARY OF THE TREASURY  
WASHINGTON DC

THE WELKIN WILL RING ON JULY SECOND REGARDS

HOWARD DIETZ

35A

June 27, 1941

My dear Mayor Lambertson:

This is just to confirm my telegram inviting you to tap the Liberty Bell and speak to a nation-wide audience for one minute in our program entitled "Millions for Defense" next Wednesday evening, July 2. It will be an honor to the Treasury to have you participate in its program in this way and it will be most helpful to the Defense Savings effort generally.

Our radio staff will supply you with full details about your part in the program. In the meantime, please accept my sincere thanks for the fine offer of cooperation contained in your letter of June 19.

Sincerely yours,

(Signed) E. Wergentzen, Jr.

Hon. Robert E. Lambertson,  
Mayor, City of Philadelphia,  
Philadelphia, Pennsylvania

FK/hkb

6/27/41

File to Mr. Thompson

June 27, 1941

Harold Graves  
Secretary Morgenthau

Please do not let the movie which I saw on "Any Bonds Today" be released until I have a chance to talk with Howard Dietz because I do not consider the picture good enough. It is entirely too amateurish.

TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

DATE June 27, 1941

TO Ferdinand Kuhn, Jr.  
FROM Helen Dallas

DEFENSE SAVINGS: MOMENTUM IN THE PRESS

While June sales figures show a slump compared to May, the press throughout the country shows increased momentum in the promotion of the Defense Savings program.

From Michigan comes news that the State association of chain stores will sponsor the sale of Defense Savings Stamps in all chain outlets -- including grocery stores, variety stores and clothing stores. If the plan proves successful, it will be tried in other states. News of independent store cooperation continues to take up an important part of the space given the Defense Bond program in the press of the country.

Employee and employer plans for payroll deduction programs are also increasing in great number. In addition to such nationally known firms as Swift and Company, which last week received widespread publicity as a result of efforts along this line, scores of nationally prominent businesses and hundreds of small establishments have announced their intentions to cooperate.

Most of these plans are strictly voluntary and thus in full accord with Treasury policy; occasionally, however, the

- 2 -

spirit of the program is violated. An article in "Variety" for June 18 reports that the management of a legitimate stage company in New York has adopted a rule that from now on 25 per cent of actors' salaries are to be paid in Defense Savings Bonds. "Variety" remarked that "this may be a dress rehearsal for 'forced savings.'" The "Daily Worker" reprinted the "Variety" article, but without comment.

An article in "Business Week" expressed the view that to build up the sale of Defense Savings Bonds the Treasury is banking on the check-off system. After noting that "several companies already have inaugurated payroll-deduction plans," the article went on to say: "More pressure salesmanship undoubtedly will be applied. Repeated official statements that no compulsion will be resorted to merely mean that no legal compulsion is contemplated."

June conventions of various organizations, ranging from bankers' associations to the Missouri Federation of Post Office Clerks, have heard speakers on the subject of Defense Bonds and Stamps, and have passed resolutions pledging all aid and support to the program. The bankers' groups -- including the North Dakota, Idaho Bankers' Association, Utah, and Kentucky Bankers' Associations -- all considered the Defense Savings program and its possible usefulness in checking inflation.

### The "Biggest Syndicate"

The Information Section of the Defense Savings Staff recently devised a "Defense Bond Quiz" for newspaper use, and sent letters to every daily and weekly newspaper and every trade publication, requesting that the Quiz be published in the news columns. The response has been so great that the Treasury now commands the biggest feature syndicate in the country.

Even the Russo-German war news, which last Monday crowded many national and local news stories out of the newspapers, did not keep the first announcements of the daily quiz from appearing in all parts of the country. By Tuesday the first installment was being carried in hundreds of metropolitan and small town dailies, and even by financial papers and the foreign language press. So far, 2,400 newspapers have assured the Treasury that they will gladly publish the quiz, and acceptances continue to pour in at a rate of 500 a day.

The sporting pages give evidence of a growing habit among baseball players, golf champions, prize fighters and speedway kings, of accepting Defense Bonds instead of cash prizes, or of buying Defense Bonds with a part of their well publicized cash earnings. Much of this activity has been prompted by the Information Section of the Defense Savings Staff.

- 4 -

In the same way, public interest has been caught by the awarding of Defense Bonds to top-ranking students at Benjamin Franklin University and other schools; by the investment in Defense Bonds of the earnings of 1,600 prisoners at a Virginia penitentiary, and especially by the purchase of Defense Savings Stamps by Mr. and Mrs. William Andrew White of Washington and seventeen of their eighteen children.

June 27, 1941  
10:15 a.m.

RE TAX ANTICIPATION NOTES

Present:        Mr. Eccles  
                 Mr. White  
                 Mr. Haas  
                 Mr. Ransom  
                 Mr. McKee  
                 Mr. Piser  
                 Mr. Bell  
                 Mr. Kuhn

H.M.Jr:        I had a few minutes this morning with Bell on this thing, and he has told me about lowering the rates on the Treasury and he asked me the question, did I want to do this as a tax matter or did I want to do it as a money raising matter, and my answer was, I wanted to do it in connection with the tax program.

Bell:            The reason that came up was the Eccles plan. I said I thought that the Eccles plan had a lot to be commended in these times and that if we made a decision that this was a financing matter primarily and a tax simplification or tax facilitating payment plan secondarily, then the Eccles plan might be fitted in some way; but if it was just a tax facilitating plan, then I didn't think the Eccles plan the way it was presented should be adopted in this connection. We have adopted some of the

- 2 -

Eccles plan in a Series B note. It has the same idea behind it.

H.M.Jr: Excuse me. Do these people know what changes you have made?

Bell: Yes, they know.

H.M.Jr: Are you (Viner) in accord?

Viner: Yes, I think you may want to move on to the Eccles thing as a separate proposition later, or you may want to open up this second series. One way of moving on would be to open up this second series to all comers.

Bell: Use it both for a tax payment plan and a financing.

H.M.Jr: Well, isn't it the way we are proposing now that anybody can take it?

Viner: Yes, but only for tax purposes; but then if you wanted a finance scheme, then you say here, "We are offering this to the market," but you may want to do that.

At that stage you may want to change the rate on it in some way. Also, I wouldn't have - I wouldn't push this, if I adopted it. I would just make it available as a facility for taxpayers and not have a campaign to confuse them with the Savings Bonds and not have a rival campaign, but just say, "This is for the convenience of taxpayers. They can come and get it if they want it." If not, it is all right with you.

H.M.Jr: Well, I don't quite agree with you. I

- 3 -

think that we don't differ very much. I think it should be explained that it is a program to encourage taxpayers large and small to set aside the funds as they go along.

Viner: Yes, that is right.

H.M.Jr: See? What?

Bell: Sure.

H.M.Jr: As they go along, and that is the primary purpose, and that this is part of the whole Treasury thing.

(Mr. Kuhn entered the conference.)

H.M.Jr: Ferdie, I want you to sit in at this meeting and listen, because if we decide to go ahead, you are going to have to write a story for me.

Kuhn: On tax anticipation?

H.M.Jr: Yes. I want you to get the gist of it. I was just saying that if we decide to do the thing, my idea is that we are doing this to encourage anybody that has to pay his taxes, small or big, to set aside sufficient funds each month as the year progresses and that we are making it convenient for him and paying him a modest amount of interest on it to encourage him to do it as we go along, to set aside out of current earnings. Current earnings is the word, isn't it?

Bell: That is right.

Viner: That is right.

- 4 -

White: Current income.

Viner: Yes, that is right.

H.M.Jr: That is the program. Then if we go to the public, in view of the tax bill that is about to pass and the increased taxes and so forth and so on, that is the point. My feeling is that I don't want to say anything about bank balances or excess reserves or anything else, but I want to see whether you people agree with me before we meet with Eccles in a few minutes.

If anybody disagrees with me, I wish they would tell me.

White: I am not sure I feel quite as Dan does with respect to the publicity program. I think quite an active publicity program could be conducted and yet be quite distinct and not even confuse the public if that is harped upon. I think that might be a good thing.

H.M.Jr: He didn't say it. It was Jake Viner that said about the publicity.

Bell: Well, I agree with Jake that there should not be an active --

Viner: It depends on what you mean by active. I would certainly make the public aware of it, but I wouldn't go very far in pushing them as if the Treasury was very, very much interested in their doing this.

White: Oh no, merely as a --

Bell: I think along the lines that you (Secretary) suggest with a first statement and that that ought to be given wide publicity, and we

- 5 -

ought to send it to each Federal Reserve Bank to see that the local papers in their districts all carry it, and that each bank and financial institution in the district gets a copy of your statement, plus the circular and the offering of the securities and get application blanks which they can talk to their customers about if they come in and ask for an explanation of it.

I think that we ought to mail out to all of the income tax payers on our list this whole --

White: That is a very good idea.

Bell: .....this whole document, and we have about eight million names on our list that didn't pay taxes, people who filed returns but had no tax, and they certainly are potential taxpayers under this new bill and we ought to do something.

It can't be done immediately because the plates haven't been cut, but we ought to do something eventually about getting something into their hands.

White: I think Ferdie could write a simple kind of a letter, because the bulk of these taxpayers would have to have it explained in simple terms on one page. I think that is an excellent idea, an educational campaign rather than a drive.

H.M.Jr: There is no objection to that, is there, Jake?

Viners: That is right.

Kuhn: Tell people about it rather than say, "Go ahead and buy these things."

- 6 -

- White: Explain it on one page as an opportunity for them.
- Bell: It is done to facilitate their tax payment.
- Viner: Rather than an appeal, it is an educational drive to indicate that it is in their interest.
- White: I think I feel a little differently than they do about the Eccles scheme. I think it could be fitted in, but I also think that the compromise which was made is close enough so that there isn't nearly the difference that there was before; but I do think that in your discussion that other proposal ought to be given enough of your approval, because I think you will come to it some time later, not now.
- H.M.Jr: What I was going to say this morning was that we would like to go along with this proposal, having modified it, and we would like to continue to study the Eccles one and see how much money we get from this one.
- White: Yes.
- Viner: As a matter of fact, there is some advantage in going at it this way, even if you knew you were going on to the other, because you will get some experience in what are the bugs and what is the administrative problem and how does the market react to the terms and so on.
- White: And curiously enough, I think the chief argument which they use is fallacious in support of theirs. The argument which they use is the question of using active accounts. I would like to point this out, because I

- 7 -

don't want to get drawn into it.

As a matter of fact, they are not withdrawing stuff that is inflationary, because what they are attracting under their scheme is idle funds. The thing which appeals to me from their scheme is something that I don't know they would favor. Maybe they would. That is that it makes possible a substantial increase in the proportion of short term securities against long and thereby reduces your interest cost very substantially, but that is another matter.

H.M.Jr:

That is another matter.

Bell:

Yes. I think we have got to have a debt program and tie our short term securities into that whole debt program and that is the question.

H.M.Jr:

Well, Dan, how much notice would they have to give us on this before a fellow can cash it in?

Bell:

On the Series A, we will cash them in immediately. We don't expect any large volume. On the Series B, we require them to hold them sixty days and give us thirty days' notice.

Kuhn:

May I ask what the actual commodity is now, after all these discussions? I mean, what are we going to put out?

White:

Couldn't we explain that to you later, Ferdie?

Kuhn:

Yes, surely.

H.M.Jr:

I will tell you. In about three minutes I

- 8 -

am going to ask Bell to explain what we are proposing to do to the Federal Reserve. We are going to go ahead and we are proposing to do it this way, and you can pick it up then.

Bell: By the way, that is a repetition. They know what is in this after all our discussions.

H.M.Jr: Well, I will ask you to restate our position.

Bell: I don't mind repeating it.

H.M.Jr: For the benefit of Kuhn and me.

Bell: O.K.

H.M.Jr: For the benefit of Kuhn and me, to restate it.

George, let me ask you this. How do you fellows give in - you have cut the interest rate on this thing about a half, Bell tells me.

Haas: Oh, the main difference between this proposal and the one - the original proposal is that this is a security which a new series doesn't come out each month. You use the same security and you buy it at the redemption price and the purchase price is the same, depending upon whether you are redeeming it or buying it, so instead of having a two year security, you have in reality a - it averages a one year security.

H.M.Jr: Bell says instead of being on about six tenths, it is about --

- 9 -

Bell: A little less than three eighths, one third.

Haas: Point three six.

White: I see some doubt in your mind at the last moment whether it should be a half or three eighths.

Bell: We have moved down to three eighths. New York thinks that is ample. I am not so sure.

Haas: It is really a one year security now. It will average about one year.

White: I think if you have any doubts, if you would like that to be a large amount that you get, it might be a half. If you don't care, three eighths is probably fairer.

Bell: Well, there was so much argument that it really didn't make much difference.

White: I don't think it will be a great deal of difference.

Bell: It is so much above the Treasury bill rates. I think it ought to be attractive enough to the large fellows to get some money.

H.M.Jr: Well now, what Bell suggested this morning also is that if we agree at this meeting at ten-thirty, then he is going to rush a letter out to all the Federal Reserve Banks asking them to talk to the financial people in their communities and have answers here for us Wednesday morning.

White: On the proposal?

H.M.Jr: Yes.

- 10 -

White: You might get some good criticisms.

H.M.Jr: But it goes through twelve Federal Reserve districts. It worked very well the last time.

White: I think it is a good idea anyway, because then if you go through with it, they are more interested in it.

H.M.Jr: They like it.

Bell: They don't get it as a shock when it is announced.

H.M.Jr: There might be some bugs in it. There might be something in the San Francisco, Dallas, or Minneapolis districts that is peculiar there which didn't exist in New York.

White: That is a good idea.

H.M.Jr: It is a big country.

White: The delay doesn't affect you?

H.M.Jr: No, because if I can announce it - you see, Wednesday is July 2. If I can announce it July 3, so that - you know, people read it in their papers on July 4. That is time enough.

Bell: There are some details to be worked out, and I take it you are not so much interested in them. There is one thing I think --

H.M.Jr: Could you hold your thought a second?

Bell: Yes.

H.M.Jr: If they are not cutting those stencils, I wish you would make a note to yourself to get them cut.

- 11 -

I got the aluminum for that. That was the trouble. I got the aluminum. I mean, it is either seventy-five tons or eighty tons of aluminum; so if the stencils on these names aren't cut, on these eight million names, I wish you would see that they are.

Bell: The reason, you know, that they stopped was that the Defense Staff decided that the direct by mail was not very profitable.

H.M.Jr: Yes, but we want this for this. There are eight million names.

White: I think that is a good idea.

Haas: It is a good list.

H.M.Jr: That is a good list anyway.

Bell: The other was that I wanted to make people hold these three months before they could turn them in for taxes. I take it you don't care. It is so they can't buy them on February 28 and turn them in March 1.

(Mr. McKee, Mr. Eccles, Mr. Ransom, and Mr. Piser entered the conference.)

H.M.Jr: If it is agreeable to you, for my benefit could Bell restate the position as we see it this morning?

Eccles: All right.

H.M.Jr: He says you people know it, but I am not sure that I do.

Ransom: That is what he says.

Bell: I think you do.

- 12 -

Well, after our meeting in your office the other day, we had another meeting with this group in my office and went over the proposal that we had at that time and also went over Mr. Eccles' memorandum in which he made some suggestions, more particularly concerning Series B.

On Series A, as you recall, which had at first a rate of two forty and many thought that that rate was too high, we decided that it ought to come down nearer the two percent rate which was in line with many savings bank rates, and particularly Postal Savings. So that we have reduced that to - so that the security would increase at the rate of four cents a month on a twenty-five dollar denomination instead of five cents a month, and that makes the rate approximately one ninety two.

There was some discussion as to the limit of twelve hundred dollars which we had in our first proposal, and it is still twelve hundred dollars. Some thought that it might be fifteen, some thought that it might be eighteen. I think it was generally agreed that in view of the rate and the type of people we were trying to reach that twelve hundred dollars was sufficient, because that reaches a man who gets a salary of about eight thousand dollars a year. That is about as high as we can go, and still keep it within the terms of the small taxpayer; but as I say, the twelve hundred dollars is quite arbitrary and just set there for meaning one hundred dollars a month that he can save and the highest denomination is one hundred dollars.

On Series B - I ought to say first that we did consider Mr. Eccles' proposal to issue

- 13 -

a two year note, increasing at the rate of - starting out at a rate of one quarter percent for the first six months, and increasing a quarter each month; and we got it to one percent for the last six months.

That raised a question of policy as to whether we want to really raise money by this scheme or whether it is to be a plan to facilitate tax payment. If it is a financing and a scheme to raise money, then his plan has a lot to commend it, and we should give it consideration; and whether we adopt it in this connection, it certainly should be given consideration later on.

We thought that if you are going to just adopt a plan which - to facilitate tax payments, why then we should not adopt it in this connection at this time, but we should go to something like we had before.

There again the rate was under consideration. We had at that time six tenths of one percent or approximately that, and most everybody thought that was too high for the present money market. So we agreed to increase the security on a basis of a hundred dollar denomination, three cents a month flat increase.

Now, that isn't a scientific, actuarially speaking, increase; but it gives thirty-six cents on a hundred dollars for twelve months and that is just a little less than a three eighths rate, and it is still a two year note so that if you held it for two years you would get seventy-two cents.

That is about the scheme, I think. Have I misstated it in any way?

- 14 -

McKee: Perfect.

H.M. Jr:

If I could just state my own position, the way I feel about it - in the first place, may I say I appreciate the time that you men have given to us. It has been helpful because we have been able to cut the rate about in half from where we started. I have looked at this thing. What we are trying to do is to go to the public and say, "Now we are about to pass a tax bill that will add three and a half billion dollars to our revenue, and as a matter of service and accomodation to the taxpayers, we would like to make it easy for you to set aside out of your earnings each month enough money to meet these taxes."

Bell has suggested the possibility of sending a letter not only to people who are taxpayers, but about eight million names that we have who don't for one reason or another pay taxes. I mean, it wouldn't be a selling campaign, it would simply be as a matter of convenience, and then see how much money we get and what kind of money we get.

I am not closing the door to the suggestion that Eccles has made, but I just thought in connection with the tax bill and everything that it was a sort of timely thing to do and we might get a lot of money. We might get a lot of money.

Now, Bell made another suggestion. He thought he would send this out tonight to the twelve Federal Reserve Banks and ask them to do what they did last time, to bring in their friends and talk to them about it for two days and then send us in wires Tuesday night.

- 15 -

That is for any suggestion which they have. It is a big country, and it would get some interest.

Then what I would like to do, if you people had the time, would be to meet again with you Wednesday afternoon and show you what we had and then make a final decision.

Eccles: That is, you would send wires out to the banks to get their views?

H.M.Jr: Well, they have done it before - no, ask them --

Bell: We did it in the United States Savings.

Eccles: Yes, I know.

H.M.Jr: Invite people in their communities in to talk it over. Isn't that what you did last time?

Bell: Yes. We would send it out tonight by air mail so that it would be there tomorrow or not later than Monday, and they would have two days in which to discuss it with the bankers and other financial people in their districts.

H.M.Jr: It worked very well in the last case. It got them interested and they thought that they were a part of the show, which I would like them to feel.

White: Is that a customary procedure, Mr. Secretary, to send from the Treasury to the banks without going through the Board?

H.M.Jr: Yes. They are our official agent.

- 16 -

White: There is just this point. I think Dan has stated the conclusions that we came to quite accurately. If you start on the premise that all we want to do at this time is to design securities for the purpose of enabling the public to save for taxes - I mean, that is the limit --

H.M.Jr: That is unanimous within the Treasury. I don't know how it is over at your place.

Eccles: Now, the suggestion that we had on the - as a substitute for Series B was designed to enable the larger taxpayers to save for taxes, but of course, it went beyond that and it would allow them to save in this form for any other reserve.

In other words, you not only reserve for taxes, but people reserve for a lot of things and corporations set up a good many reserves, and it was merely designed to enable individuals or concerns with idle money that was holding it in reserve for whatever it may be and didn't want to invest it in long term securities merely designed to tap those funds just as you would tap reserves for taxes.

That was my thought so as to avoid a market financing, and simply say, "Now here, the Treasury views these reserve funds in this way and it would meet the tax problem as well as the other; but if you just want to confine it strictly to taxes, of course, I think this meets the problem thoroughly and may be just a little cheaper than the other.

H.M.Jr: Oh yes.

- 17 -

- Eccles: The other proposal.
- H.M.Jr: In consultation with you, we have benefited definitely.
- Eccles: I merely want to draw that distinction, that the one that I had discussed was not designed merely as a means of raising money, necessarily. It was designed to accommodate the people holding - not only money for tax reserves but for any other kind of reserve.
- Bell: I should have stated that, that is right.
- Eccles: Well, that was the only distinction.
- H.M.Jr: Well, the only difference is that we would like to go just so far at this time.
- Eccles: We understood--
- McKee: No idea of volume in your mind?
- H.M.Jr: No.
- Eccles: The thought of this, as we get it, it isn't designed to get any particular amount of money for the Treasury, a little or a lot. It is designed to accommodate the people rather than the Treasury.
- H.M.Jr: That is right.
- Eccles: Strictly.
- Bell: That is right.
- Eccles: Well, of course with that in mind I - I was thinking of the other, both from the standpoint of accommodating the investor and at the same time enable the Treasury to get the largest amount of money that now exists instead of

- 18 -

selling - having to sell securities to the bank through an open market financing.

H.M.Jr: Well, we just feel that if the public feels, "Well, the Treasury is interested, and they want to be a little helpful, and they are adding three and a half million dollars that they are going to take away from us, and this is an accommodation," that might help us a little bit to get the bill through and a little bit better public feeling toward the Treasury.

Now, some people around here think we might get several billion dollars. I don't know.

McKee: Oh, I think you would. I think there is a good possibility on your B issue.

H.M.Jr: We might get that. And if we did, that would go part way toward meeting what the Federal Reserve has in mind, but only part way.

Bell: The same kind of money?

Eccles: It would be exactly the same kind of money.

Bell: Exactly as much money in this pot as there would be in that pot.

Eccles: It would pull in money that otherwise would be lying idle, and that is desirable instead of going to the market and having the banks subscribe.

White: Mr. Secretary, you conceive of that rather as a first step than a compromise? This is a first step and the second step remains--

H.M.Jr: Open.

Viner: I think you ought to study the experience

- 19 -

with a view to learning from this how to float a short term of the other kind that is open to all except banks, as a special security.

- H.M.Jr: That is right.
- Viner: See if they don't respond, try and find out what is wrong with this because if they don't respond to this for tax purposes, they won't respond to something like it for other purposes.
- White: Well, there is a slight difference. That is, they don't lose the interest rate. There is that difference. I don't know how significant it is.
- Eccles: The other is an investment of six, twelve, eighteen, and twenty-four months with an increasing rate if they hold, so it is like your Savings Bonds for the little fellow, the longer they hold the better they get, so it does have that difference.
- Viner: You can also see the administrative problem, see whether the machinery is elaborate and whether you would have to build up more receiving and selling machinery in order to handle the larger scale operation.
- Eccles: If you limit it to the thousand dollar bond, that would reduce the registration problem very greatly and at the same time not affect your volume much.
- McKee: Well, that is a separate category. What these two issues spell to me is what you spelled in your - out to the public in your Savings Bonds. You have met the little fellows' requirements, and you have met the big fellows' requirements. That is a savings proposition

- 20 -

and this is a tax proposition.

H.M.Jr: You have got it.

McKee: You are not going after volume?

H.M.Jr: That is right.

McKee: But there is just one thing I think we ought to all be thinking of is mediums of making it easy for people to get these things. I don't know that answer, but the little tax payer, there is a lot of tax payers that don't have bank accounts, and I can visualize a fellow wanting a twenty-five dollar certificate, tax certificate, who can go into the bank and make out his application and leave his money. Somebody has got to notify him when that is ready for delivery. He has got to come back and get it. He may have to stand in line to do those things.

Now, with those things in mind, I think we all ought to be studying ways and means of making it accessible to the little fellow.

White: Is it possible for the post offices to sell these?

Bell: Well, it is possible, but it is rather difficult. We thought that we would let each bank handle the applications just about like they handle F and G. Have all issues from the Federal Reserve Bank because they have to be inscribed, and it had better be done by the Federal Reserve Bank than be done out in a lot of field offices, because there are going to be a lot of mistakes made in them, but to handle them like F and G and let the applications flow in from a number of--

- 21 -

- H.M.Jr: The Post Office handles the E Bond, don't they?
- Bell: Yes, they sell the E Bonds.
- White: Is there a lot of difficulty if a man goes into a post office and says, "I want a twenty-five dollar tax bond," or whatever you call it; is there more difficulty than when he buys a money order or anything of that sort?
- Bell: Except you have postmasters to educate on what to do with a public debt obligation.
- Viner: The man doesn't say, "I want that." He comes in and asks questions, "Which one should I take, and what is the advantage of taking twenty-five denominations or fifty and just what are my rights under it?" I can tell you from my personal experience around the corner that whoever sells these has to - discovers very quickly that he has to know the merchandise, because he is asked questions.
- White: Can't he reach into a cubby-hole and slip out an information sheet?
- McKee: That doesn't do it. They want somebody to tell them about it.
- H.M.Jr: Which raises the question whether we won't come to where we have one man on the Post Office payroll that we pay for who does that and nothing else.
- White: And Defense Bonds. He might represent Treasury in the post office during the period of education, six months or a year.
- H.M.Jr: For the duration.
- Viner: Something else you ought to consider, Mr.

- 22 -

Secretary, is that before you are through with your financing program you ought to consider whether you are not going to have a staff of people to sell them whom you will station at the various post offices and who will be on your payroll and who will be experts in all the things you have to sell, because some banks already have full time people on this job, and you still would ask for their cooperation, but you can put one man into each large scale thing, centralize information, and he would be the liason between the selling people and yourself.

White: I think that is a very good idea.

H.M.Jr: Would you (Bell) mention it to Graves? I will mention it to him too. Because right along that idea I made this suggestion. It came out of the West Coast. The Giannini people, using the fact that we won't give any more branches, how can a poor soldier cash his check, you see. I don't know whether it reached you or not.

Well, Mario Giannini, after seven years, called on me the other day; and, after letting him know just where we stood, with a smile--

Eccles: Did he smile or both of you smiled?

H.M.Jr: He smiled occasionally, and when he left, he asked could he come back again, and I said, "Yes," he could save a lot of money that way. He could come right in and find out just where I stood and wouldn't have to hire so many fancy lawyers. But I had a very good time.

Out of that, I made the suggestion to him, and since then that the Treasury put a man in every Army post in the United States. It will

- 23 -

be run something like a consolidated ticket office, and the soldier could come in and either cash his check or make a deposit for his bank. The same man would also sell Defense Savings Bonds and Stamps, you see. I mean, run it like a consolidated ticket office. We are working on that now.

- McKee: What were the arrangements in the World War when the soldiers by allotment bought Government bonds, Dan?
- Bell: That was handled by the finance officer of the post.
- McKee: He just turned so much - and information over to the Treasury at that time and--
- Bell: Turned it over to the Federal Reserve Bank in the district, usually, or a local bank, and they gave him the bonds or they kept an account and took the money; and, when he paid enough money to get a bond, they gave him the bond.
- Viner: They Army doesn't run, say, currency exchanges at its big posts at all, even though it sets up a post--
- White: Well, a company store.
- Viner: I know, but it also does that. I see.
- McKee: I don't know whether they make a habit--
- Eccles: Couldn't you do this? Of course, the California situation is only one in the United States. I mean, I suppose they think that is most important; but, at the same time, you have got that - it isn't only Army posts, but it is all these defense industries in small communities. The problem is getting to be

- 24 -

pretty great where they have got a small community and a small bank there, and the volume of business is so great they just can't get them in the lobby. It is a situation that - it isn't only the Army, but that brings all kinds of general business that may be very temporary, and I have thought that it may be possible to set up - permit the banks to set up a temporary agency, not a - don't grant a branch but merely a temporary agency that will be permitted to operate just during the period of the--

Viner: Of course, they needn't accept local deposits.

Eccles: No, they don't need to accept deposits.

Viner: Don't give them the right to accept deposits.

Ransom: Cash checks.

Viner: Act as a currency exchange.

They would merely take the deposits for the banks. They would sell exchange. There are a lot of people buying drafts, money orders of all kinds--

McKee: At twenty-one dollars a month?

Eccles: I am not speaking of the soldier, I am speaking of a lot of the defense workers and also the business - the various types of activity that are a result of that.

Viner: I think that you or Treasury ought to send somebody down to one of these defense areas just to make a little survey of what the problem is.

Ransom: See whether it is a serious--

- 25 -

- Viner: Whether it is serious and see what the local bankers say.
- MoKee: I think that is a good suggestion, and I think it ought to be joint. I think it ought to be yourselves, ourselves, and the Comptroller's Office, and the FDIC.
- Viner: It is a Government problem. You have created this big inflution of people. Have you provided them with their currency, money needs?
- H.M.Jr: If you will appoint somebody, I will have the Comptroller appoint somebody and we will--
- Bell: We have already, Mr. Secretary, done quite a bit of that, and we have increased depository facilities of the country tremendously just to take care of this situation.
- H.M.Jr: Well, Dan, if you have got time, would you represent the Treasury, and I would love to have the Federal Reserve people on it. Will you do that?
- Bell: Fine.
- White: I am much intrigued, Mr. Secretary, by mention of Jake's idea of having a Treasury representative both at banks and post offices. He could take care of a great many things and be of excellent service in your financing and in taxes and any other matters that come before the Treasury in a lot of these local communities. I think it has excellent possibilities. Train men who would be able to answer a great many questions that either come in here or go to lawyers and cost money or--
- Viner: Or we will say that he will find information because there is no reason why he shouldn't tell them even on Customs or anything else that is Treasury business.

- 26 -

Eccles:

I think the availability of these tax certificates is going to be a great deterrent. You can sell your stamps and sell your Series E Bonds, because they go in and get them and that is an important thing in a small transaction, but to go into a local bank, that bank has got to write in to the Federal Reserve Bank. That means that ninety-five percent of all the banks are going to have to write in. They have got to go to the trouble and expense of filling out the application for twenty-five dollar, fifty dollars. There is the time element. And then, when the transaction is completed and the security comes back, then they have got to get in touch in a day or two or three or a week, whenever it is that they get it back. Then they have either got to mail it out again to the person that has made the purchase - and for the size of the transaction, and the little ones in particular - the big ones are quite different - it will involve an unusual amount of expense, and it will tend to - it seems to me, it will both dampen the interest of the tax payer in purchasing, and it certainly will dampen the willingness of the bank to go through - a lot of the banks are not going out of the way.

If you do what you say here in the case of your post office, in the case of these small ones, you could have those right at the post office just like you sell money orders at the post office or you sell your stamps at the post office; and there is, in a great many communities in this country, post offices where there are not banks. There are an awful lot of communities where there are no banks.

H.M.Jr:

Why don't we go the whole way and make it really easy and just let's put all checking accounts in post offices and do the thing up right. (Facetiously) That will take care of your

- 27 -

excess reserves.

Ransom: That will also solve the banking problems but not in a way the bankers approve.

Eccles: If it solves them, I would approve, but the trouble is that doesn't solve anything.

Ransom: It solves a death sentence.

Bell: Let's us use the money.

McKee: You have over-burdened tax collectors. It seems to me that there is the place to have the Treasury representative, in the tax office, because a lot of people have - now, don't think of Washington, but think of some little community that has its tax office and its local collector.

H.M.Jr: I am thinking of myself. I live ten miles from any town. I am entirely dependent upon RFD.

Ransom: I think, John, is it your idea that you might popularize the tax offices by getting people in the habit of going there?

McKee: I think they will feel better by turning their money over to a tax collector and getting one of these things than they are turning it over to a bank and waiting to come back and wait to get it.

H.M.Jr: If you gentlemen will come back at three o'clock on July 2, we will have this stuff in from the field, and I am going to take up this suggestion, and we will see what we can do with it between now and July 2.

Ransom: Is that Wednesday? Two o'clock, you said?

- 28 -

H.M.Jr: Three. Is that all right?

Ransom: There is one question that I would like to ask that we had up for discussion the other afternoon and the discussion this morning suggests something that wasn't said. How much can you buy of the Series A and in what period, Dan? Twelve hundred - is it within a year or two years?

Viner: You can buy any amount you like.

Bell: Any amount you want, but you can only use twelve hundred dollars.

Ransom: Of Series A?

Viner: Yes, but you can use only twelve hundred dollars a year.

Ransom: I should have said, "How much can you use?"

Bell: Twelve hundred dollars in any one tax year.

Ransom: You were puzzled the other afternoon by reason of the fact that we only have six months now before the first of the year. Could you buy twelve hundred dollars between now and the first of January and use it--

Eccles: You could buy twenty-four hundred.

Viner: You could buy ten thousand.

Eccles: You could only buy twenty-four hundred, because that is all you can use. (Laughter)

White: I don't like to inject another note there, but my understanding was you could only buy twelve hundred dollars in any one year and that if you kept it after the tax date you would not receive interest on the Series A Bond.

- 29 -

Bell: No, that isn't right.

Ransom: Is there any way you can convince people who buy the Series A that they can buy the full amount they can use in the next six months? You get over the difficulty, it seems to me, that you were faced with the other day that they have got to save for twelve months' taxes in six months' time.

Bell: They can buy, when this thing is first offered, twenty-four hundred dollars, and they can turn in twelve hundred dollars of them next March for their tax payment during that year and they can turn the other twelve hundred in during the following year.

Eccles: They can buy more but they won't because they can only use twelve hundred to pay taxes, and hence wouldn't get any interest.

Bell: We haven't put the limit on the purchase but on the turn-in.

H.M.Jr: I would like to say again that it has been very helpful in getting your advice, and I would like it if you would come back Wednesday at three o'clock and help me make up my mind.

Eccles: All right, sir.

TREASURY NOTES - TAX SERIES

The Treasury has under consideration a proposal to issue two series of notes as outlined below, both dated July 15, 1941, and maturing July 15, 1943. The reason for the two-year note is to permit a taxpayer, if he so desires, to begin saving in January of one year and continuing throughout that year for his taxes due in March, June, September, and December of the following year. On January 1st of each year hereafter two new series will be provided so that a taxpayer can always purchase notes during the entire year in which he is receiving his income, to be used in payment of his taxes due in the following year.

All notes are to be sold at par and accrued interest, if any, and will be redeemed at any time up to the maturity date when presented in payment of income taxes at par and accrued interest up to and including the month in which such taxes are paid. If not presented in payment of income taxes, they will be redeemed under certain specified conditions at par and accrued interest, if any, up to the date of purchase. In other words, the taxpayer, in this case, gets back just the amount he paid for the notes and no more. The notes will not be registered, but will have the purchaser's name and address inscribed thereon so that the Collector of Internal Revenue can compare the purchaser's name with that on his tax return. They will not be transferable; nor can they be used as collateral. Applications for purchases of both series of notes can be made through the taxpayer's bank and the bank may credit the proceeds to its War Loan Deposit Account, if it has such an account. Applications can also be made directly to the Federal Reserve Banks or to the Treasurer of the United States.

These notes may be used to pay any Federal income taxes (current and back, personal and corporation taxes, and excess-profits taxes) and estate taxes where the notes have been purchased by the estate after the death of the testator.

TAX SERIES A-1943

Denominations will be \$25, \$50, and \$100. The amount of this series which can be presented in payment of income taxes will be limited to \$1200 in any one tax year. The notes will provide a return of 1.92 per cent a year, but the return will not be expressed in terms of percentage. For a \$25 denomination, it will be expressed at 4 cents a month, \$50 denomination at 8 cents a month, and so on for the other denominations. By following this method it is made simple to compute the cost when the taxpayer purchases the notes and simple both to the taxpayer and the Collector of Internal Revenue to compute the credit that may be applied to the taxes due. There will be a schedule of values printed on the face of each note. (See attached schedule showing the purchase price and the tax payment values for each month from July 1941 to July 1943.) These notes will be redeemed for cash at any time at the price paid by the taxpayer.

It is realized that this rate of return (1.92%) is considerably out of line with two-year money rates, but it should be an inducement to the taxpayer, particularly the small ones, to save his taxes currently as he earns his income rather than paying his taxes due on this year's income out of next year's income. The rate is not too much out of line with the rate paid in some cases on savings accounts and the rate paid on

- 3 -

postal savings deposits. Furthermore, the taxpayer can use these only for the one purpose and if he wants cash for their redemption he gets no interest. Anyway, it gives the taxpayer a break and he pays the bill in the end.

TAX SERIES - B-1943

Denominations will be \$100, \$500, \$1,000, \$10,000, and \$100,000. Other denominations can be made available if a need for them is shown. The amount of these notes which can be presented in payment of taxes is limited only by the amount of taxes due. The Secretary will, however, reserve the right to reject any and all subscriptions. It is necessary to keep this control in order to prevent their use for a purpose not intended. The notes will provide a return of slightly less than  $\frac{3}{8}$  of 1 per cent (0.36%) a year, but here, as in Series A, the rate percentage will not be expressed. It will be stated as 3 cents a month for a \$100 denomination, 15 cents for a \$500 denomination, and so on. There will be a schedule of values printed on the face of each note. (See attached schedule showing the purchase price and the tax payment values for each month from July 1941 to July 1943.) These notes will be redeemed for cash at the Federal Reserve Bank of issue, after sixty days and upon thirty days advance notice at the price paid by the taxpayer.

TREASURY NOTES - TAX SERIES A-1943

: <u>Purchase Price and Tax Payment Values on each Denomination</u>			
:	\$25	\$50	\$100
July 1941 .....	\$25.00	\$50.00	\$100.00
August 1941 .....	25.04	50.08	100.16
September 1941 .....	25.08	50.16	100.32
October 1941 .....	25.12	50.24	100.48
November 1941 .....	25.16	50.32	100.64
December 1941 .....	25.20	50.40	100.80
January 1942 .....	25.24	50.48	100.96
February 1942 .....	25.28	50.56	101.12
March 1942 .....	25.32	50.64	101.28
April 1942 .....	25.36	50.72	101.44
May 1942 .....	25.40	50.80	101.60
June 1942 .....	25.44	50.88	101.76
July 1942 .....	25.48	50.96	101.92
August 1942 .....	25.52	51.04	102.08
September 1942 .....	25.56	51.12	102.24
October 1942 .....	25.60	51.20	102.40
November 1942 .....	25.64	51.28	102.56
December 1942 .....	25.68	51.36	102.72
January 1943 .....	25.72	51.44	102.88
February 1943 .....	25.76	51.52	103.04
March 1943 .....	25.80	51.60	103.20
April 1943 .....	25.84	51.68	103.36
May 1943 .....	25.88	51.76	103.52
June 1943 .....	25.92	51.84	103.68
July 1943 .....	25.96	51.92	103.84

June 25, 1941.

TREASURY NOTES - TAX SERIES B-1943

: Purchase Price and Tax Payment Values on Each Denomination					
	\$100	\$500	\$1,000	\$10,000	\$100,000
July 1941 .....	\$100.00	\$500.00	\$1,000.00	\$10,000.00	\$100,000.00
August 1941 .....	100.03	500.15	1,000.30	10,003.00	100,030.00
September 1941 ...	100.06	500.30	1,000.60	10,006.00	100,060.00
October 1941 .....	100.09	500.45	1,000.90	10,009.00	100,090.00
November 1941 ....	100.12	500.60	1,001.20	10,012.00	100,120.00
December 1941 ....	100.15	500.75	1,001.50	10,015.00	100,150.00
January 1942 .....	100.18	500.90	1,001.80	10,018.00	100,180.00
February 1942 ....	100.21	501.05	1,002.10	10,021.00	100,210.00
March 1942 .....	100.24	501.20	1,002.40	10,024.00	100,240.00
April 1942 .....	100.27	501.35	1,002.70	10,027.00	100,270.00
May 1942 .....	100.30	501.50	1,003.00	10,030.00	100,300.00
June 1942 .....	100.33	501.65	1,003.30	10,033.00	100,330.00
July 1942 .....	100.36	501.80	1,003.60	10,036.00	100,360.00
August 1942 .....	100.39	501.95	1,003.90	10,039.00	100,390.00
September 1942 ...	100.42	502.10	1,004.20	10,042.00	100,420.00
October 1942 .....	100.45	502.25	1,004.50	10,045.00	100,450.00
November 1942 ....	100.48	502.40	1,004.80	10,048.00	100,480.00
December 1942 ....	100.51	402.55	1,005.10	10,051.00	100,510.00
January 1943 .....	100.54	402.70	1,005.40	10,054.00	100,540.00
February 1943 ....	100.57	402.85	1,005.70	10,057.00	100,570.00
March 1943 .....	100.60	403.00	1,006.00	10,060.00	100,600.00
April 1943 .....	100.63	403.15	1,006.30	10,063.00	100,630.00
May 1943 .....	100.66	403.30	1,006.60	10,066.00	100,660.00
June 1943 .....	100.69	403.45	1,006.90	10,069.00	100,690.00
July 1943 .....	100.72	403.60	1,007.20	10,072.00	100,720.00

June 26, 1941

TREASURY DEPARTMENT  
Washington

FOR RELEASE, MORNING NEWSPAPERS,  
Friday, June 27, 1941.

The Secretary of the Treasury, by this public notice, invites tenders for \$100,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated July 2, 1941, and will mature October 1, 1941, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of \$1,000, \$5,000, \$10,000, \$100,000, \$500,000, and \$1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern Standard time, Monday, June 30, 1941. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of \$1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

- 2 -

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 10 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on July 2, 1941.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemptions, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment,

- 3 -

as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

-oOo-

TREASURY DEPARTMENT  
Washington

FOR IMMEDIATE RELEASE  
Friday, June 27, 1941.

Press Service  
No. 26-16

Secretary of the Treasury Morgenthau today announced the subscription figures and the basis of allotment for the offering of 1 percent notes of Series W of the Reconstruction Finance Corporation.

Reports received from the Federal Reserve Banks show that subscriptions aggregate \$5,277,000,000. Of this total, about \$210,000,000 were received from holders of Series N notes of the Corporation who tendered a like par amount of such notes to the Secretary for purchase. Such subscriptions were allotted in full, and all other subscriptions were allotted 7 percent, but not less than \$1,000 on any one subscription.

Further details as to subscriptions and allotments will be announced when final reports are received from the Federal Reserve Banks.

-oOo-

June 27, 1941  
11:00 a.m.

RE LOCAL TREASURY REPRESENTATIVES

Present: Mr. Bell  
Mr. Graves.

Bell: On this representative in the county, we have thought, from time to time, in my own bailiwick upstairs that it would be a nice thing if we could have this country departmentalized like, say, France has.

H.M. Jr: I know.

Bell: France has a treasury representative in each section. That is one thing that we were trying to work up in this accounting organization, that we have the type of people that could have information and give it out to the public. Of course, what we are planning is, at the present time, a Federal Reserve representative. To do it on a state basis would be rather expensive, but if you had a county basis, you have got three thousand counties. Supposing you had an A-1 man and a good secretary and they might travel around in the county and say, "I will be at this little town on such and such a day to answer questions concerning taxes and Treasury matters and so forth." Now, that is a possibility if you want to consider that.

(Mr. Graves entered the conference.)

H.M. Jr: Harold, sit down a minute. I just want to

- 2 -

say, Graves told me yesterday he is not at all satisfied on the setup that he has on this to sell savings bonds, you see.

Bell: Yes.

H.M.Jr: Now, we just had a meeting here this morning with the Federal Reserve and John--

Bell: McKee.

H.M.Jr: McKee brings up the question, talking particularly about these twelve hundred dollars worth of savings certificates, you see, and the fact that it was just at the bank. I mean tax certificates. That that wouldn't be a sufficient way of distributing the thing, and that we would have to use other devices, and then somebody said, "Why not have somebody in every post office," not only to explain these but to explain the savings, you see; so from that Bell and I have jumped to the possibility of have a Treasury man in every county who would be doing savings bonds, stamps, tax certificates, and also - would you go beyond that? Would you do things besides that?

Bell: Well, for this purpose he probably shouldn't do anything else, but I think eventually, if we are going to do what was discussed here, then he should be a Treasury permanent representative, and he would be able to discuss - we would bring him in and train him - would be able to discuss almost anything in the Treasury Department with a view to giving the man certainly generally information. Sometimes he might have to come to Washington for it, but if a man comes in and says, "I have a matter that concerns the Treasury," he ought to be able to sit down and discuss it, whether it is Customs, Internal Revenue, or Public

- 3 -

Debt, or what not, but he would have enough information in his files to be able to satisfy ninety percent of the people that would want to discuss Treasury matters. At the same time we would be using it to get information to help us, and we might set it up as an accounting organization and get information on all of these expenditures in each county on public projects that we are trying to set up in a Federal Reserve district.

H.M.Jr: But that would be eventually. I mean, that is what you would aim for eventually; but at the beginning, if he did - if he was the representative of the Treasury on Treasury bonds, stamps, and these tax certificates and would handle that at the beginning, then gradually--

Bell: It might be a good education.

H.M.Jr: You see, you are tussling with this thing, Harold, and what I would like you to do, because Bell has an idea, and you have a good idea, this sounded kind of good to me, and I sent for you immediately, you see.

Graves: Yes.

H.M.Jr: I would like you and Bell to get together between now and Tuesday, and I would like to sit down with you two and Norman Thompson. Don't you think he should be in on this?

Bell: Yes.

H.M.Jr: I think we have got something, Harold.

Bell: It is very expensive though, Mr. Secretary. It is really very expensive.

H.M.Jr: I know, but all of this stuff is expensive.

- 4 -

Look, I started out - I am not going to be satisfied until I reach every man, woman, and child in the United States on these things. We can't do it unless we have something like a paid representative in every county, a Treasury representative.

Bell: It may be that in some sections you could combine two counties.

H.M.Jr: Well, in Hamilton County, New York, where you have three hundred fifty population - that is what they did when we did a study of it, I don't think you would have to have it.

Bell: What county is that?

H.M.Jr: Hamilton County, New York. It is the heart of the Adirondacks. Everybody is an office holder in the county. When we made that survey, we recommended that it be abolished and made part of the state forest, you see, and administered by the state.

Bell: I didn't know there was a county in New York that had that few people.

H.M.Jr: Let me just suggest - I am going to put down ten thirty Tuesday, you see, Bell, Graves, and Thompson. Wouldn't he be in on this?

Bell: Well, it wouldn't hurt to have him. I don't think it is his affair, but it wouldn't hurt to have him.

H.M.Jr: Well, he is supposed to be Administrative Assistant, isn't he?

Graves: Yes, sir.

H.M.Jr: But it sounds damn interesting to me, and I wanted to give it to you, but please, gentlemen,

- 5 -

get together before you see me.

- Graves: Yes, sure, we will.
- Bell: Is this something that you envisage that might be kept as a permanent organization.
- H.M.Jr: Yes.
- Bell: In the fiscal setup?
- H.M.Jr: Yes.
- Graves: Like the county agents, apparently, in Agriculture, isn't it?
- H.M.Jr: Right.
- Graves: Same sort of thing.
- Bell: Then I think we ought to get Bartelt and talk to him about it.
- H.M.Jr: Yes. No, I look at this thing--
- Bell: We are working on this eighty-five twelve now to set up Federal Reserve districts on a Treasury basis, and there certainly ought to be people qualified to carry on that function.
- H.M.Jr: Well, you have got certain things in mind, Harold has got something. Knowing Harold's problem and the thing that we have got to get and looking at this thing as a five-year proposition, if we are going to do this job we have got to have a paid man in every county. And then he can draw in what volunteers he wants. I wouldn't get away from the idea that his headquarters would be the post office. He would have a booth, a window. I don't want to get away from that idea, that his headquarters would be

- 6 -

the post office. That is where the people come. That is the community center for the Federal Government, and we want a window there for the United States Treasury, and the people could come and that would be his window, but I don't want to get away from the idea that that would be his place. But that is where I started. I almost forgot the most important thing and that is, I want this fellow in the post office.

Graves: I think there will be a lot of trouble about this, Dan, chiefly involved with the Bureau of Internal Revenue because that is the outfit that will have the most problems. That is, more people will be interested in seeing your county agent about Revenue matters than any other single thing.

H. J. Jr: Harold, the beauty of this thing is, you know Internal Revenue because you helped reorganize it so there are two fellows who know it. He (Bell) knows the accounting end. Now, out of the two of you, with Eddie Bartelt and Norman Thompson, you ought to be able to give me something Tuesday.

Graves: Yes, sir, we will.

Bell: The thing that worries me, as the former acting Director of the Budget, it is expensive.

June 27, 1941  
11:27 a.m.

HMJr: Hello.

Operator: Solicitor General.

HMJr: Hello.

Francis Biddle: Henry, Francis.

HMJr: Hello, Francis.

B: I promised Archie MacLeish yesterday that I would say a word about our proposed proclamation which Jim Allan and I thought up here. Archie is very anxious to be able - after he gets it written out - I rather insisted that he write out a specific thing - to take it up and show it to the President.

HMJr: Yes.

B: At Hyde Park and he also wants to talk to I should think that would be all right if he can work it in with Pa, don't you?

HMJr: Sure.

B: Yes.

HMJr: Sure, he's going to be up there Monday.

B: Fine. Well, I think he's got something there.

HMJr: Good.

B: Fine. I wanted to be sure he cared. Sorry to have bothered you.

HMJr: No bother.

June 27, 1941  
12:08 p.m.

HMJr: Hello.

Operator: Mr. Upham.

HMJr: Cy?

G. B. Upham: Yes, sir.

HMJr: B. M. Edwards was just in here telling me that you've been helping him and I just want to tell you that I'm delighted. Give him all the help you can.

U: Well, thank you.

HMJr: And I also told him that under no circumstances would I let him give up the job he's doing.

U: Oh, fine. I hope he does stay.

HMJr: He's going to stay.

U: He's a grand person.

HMJr: But he said that if he could have even more of your time, it would make it that much easier for him.

U: Well, I'll be glad to help him all I can.

HMJr: Because I consider him an extremely useful person to us so anything you can do to help him, it'll be pleasing to me.

U: Well, that's fine. If I can help him and you both, I'll be glad to.

HMJr: Thank you.

U: Thank you.

June 27, 1941  
12:10 p.m.

HMJr: Hello.

Operator: Secretary Ickes.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Harold Ickes: Hello.

HMJr: Hello, Harold.

I: You remember that you presented - that there came up at Cabinet once that order that you had induced the President to sign limiting the oil shipped to Japan. Sumner Welles was there and he was very excited.

HMJr: Gosh, I don't remember the particular incident. The last time....

I: Well, they - this one you hadn't submitted to State, but you had - some how you had gotten the President's signature.

HMJr: Well, if you say so, I'll say I did.

I: Well, of course, it was there.

HMJr: Yeah.

I: And Welles was very much excited. Then we discussed what types of oil or gasoline should be shipped - might be shipped to Japan and I think the decision was that nothing above 67 octane.

HMJr: That's as I remember it, Harold.

- 2 -

I: You remember that.

HMJr: Well, I'd have to check my memory.

I: Well, what I'm wanting you to do is to check your records. I'd like to know those facts if you'll be good enough to let me have them.

HMJr: Oh, surely. As I remember it - but I'd want to check it - that....

I: Because what we are doing now is to - putting a fast one over on the people.

HMJr: That the orders were 67 octane.

I: That's right.

HMJr: And then something - then subsequently - oh, several months after that, Sumner Welles said that as far as he was concerned he was ready to recommend 67.

I: Yeah.

HMJr: See?

I: I think they violated it though there all the time.

HMJr: I wouldn't be surprised.

I: Will you look it up and let me know?

HMJr: Yeah. Did you see the story yesterday that Pearson and Allen wrote, that - on this Russian thing that Welles always wanted to help Russia, but that Hull didn't?

I: No, I didn't.

HMJr: Well, what's his name was in today, Pearson, and I said, "How did he get that way?" So he said, "Well that was true and if I asked you sometime that you could tell me that Welles

- 3 -

had been consistently for helping Russia?"

I: That I could?

HMJr: Yeah.

I: Well, I don't know a damn thing, Henry, that's news to me.

HMJr: And Pearson said that he had gotten you and Welles together and that you could substantiate the thing.

I: Oh, no.

HMJr: What?

I: No.

HMJr: Well, I just - he came in on another matter and I just had the thing there it was yesterday's....

I: It's all news to me.

HMJr: Well, I said I'd ask you the first time I saw you because I said it was news to me that Welles ever wanted to do anything for Russia.

I: I - I think so, that's been my opinion.

HMJr: Until I read about it in Pearson's column.

I: Yes. Well, he's, he's - some how Welles has a great hold on him.

HMJr: That's right. Well, we'll look this thing up and when I have it, I'll let you know.

I: All right, Henry.

June 27, 1941  
2:03 p.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Colonel  
Hasley: Yes.

HMJr: Morgenthau.

H: Yes, sir. I just wanted you to know that we've actually gotten around to your bill and it's under consideration, they're calling a quorum for it right now. They've passed the War Department, they've passed the District and now they're ready for your Stabilization.

HMJr: Will they get on a vote to it?

H: Well, no they haven't - they haven't even presented the matter, they've just gotten it up. I just thought you'd be interested to know that we're going to get busy. Mr. Glass is in his seat and Mr. Adams, I understand, is going to take the floor against him.

HMJr: All right, thank you.

H: Adams is going to force out some of the iniquities, if there are any.

HMJr: Yeah.

H: Shall I keep you posted?

HMJr: No, I - I - that won't be necessary. I find we have somebody up there watching it.

H: Yes, uh huh.

- 2 -

HMJr: And .....

H: Well, be free to call me if you want to talk to any of these people. I'll be glad to get them for you.

HMJr: Thank you.

H: Right-o.

HMJr: Goodbye.

June 27, 1941  
2:09 p.m.

HMJr: ..... Jake Viner would like to go on  
our payroll at a \$100.00 a week beginning  
with July 1.

W. N.  
Thompson: Yes, sir.

HMJr: He's coming every other week.

T: I see. \$100.00 a week, July 1.

HMJr: Right, and talk to him about it.

T: Yes, I'll do...

HMJr: I think that's correct.

T: That's - we gave him that before.

HMJr: He said he wants just what he had  
before.

T: Well, that's exactly what he had before.

HMJr: Right.

T: Okay, sir.

HMJr: Thank you.

June 27, 1941  
2:25 p.m.

Daniel  
Bell:

As I told you the other day we got  
5 billion and 67 million and instead  
of getting 199 exchanges, we got 210

HMJr:

Yeah.

B:

Twelve more came in the mail.

HMJr:

Yeah.

B:

So if you allot 6 percent, you get only  
304 million cash to about 3, 8 on  
adjustments, 210 in exchanges gives you  
518.

HMJr:

Yeah.

B:

If you allot 7 percent, you get 355  
million on cash and about - and 210 on  
exchanges which might go to 570. That  
look too big to you?

HMJr:

No, because I think Jesse wants the money,  
you see.

B:

Yeah, he wants the money and I don't believe  
there'll be much kick on it because I think  
everybody thought they'd get 8 percent.  
That's the basis of their subscriptions.

HMJr:

No. I - I'd do it.

B:

I can go ahead on it?

HMJr:

Yes, sir.

B:

Thank you.

HMJr:

Goodbye.

B:

Good night.

TREASURY DEPARTMENT  
Washington,

June 27, 1941.

MEMORANDUM FOR THE SECRETARY:

This is to remind you, if you please, to speak to Secretary Stimson regarding the War Department exhibits to be placed on the lot with "Treasury House."

Our people say that after a good deal of backing and filling, the officials of the War Department are placing the matter of their cooperation before Mr. Stimson this morning.

What we want is the Army Band a few times, some tanks, field guns, a plane or two, and other similar items. The Army people know the details.

*Ralph B.*

*Lt Col. Lovett*

GRAVES.

*Chief Bureau of Public Relations*

---

June 27, 1941  
2:28 p.m.

HMJr: Hello.

Robert  
Patterson: Henry?

HMJr: Bob?

P: Yes.

HMJr: I got another matter that has nothing  
to do with what I sent you this morning.

P: Yeah.

HMJr: Our people have had....

P: I looked that up, by the way.

HMJr: What's that?

P: I looked that up.

HMJr: Yes.

P: That doesn't amount to anything. He's  
one of these Military Training Camp's  
Aides - one in each state.

HMJr: I see.

P: It's purely nominal.

HMJr: Oh.

P: You know each state has a Military Training  
Camp's Association and each - they put in  
a list of 48 civilian aides.

HMJr: I see.

P: And we have - he's the one for Wisconsin.

HMJr: Oh.

P: That's all there is to that.

- 2 -

HMJr: Well, it's at least - I wanted you to know about it.

P: Yeah.

HMJr: You have a man by the name of Lieutenant Colonel Ralph B. Lovett, Chief of the Bureau of Public Relations.

P: Yeah.

HMJr: We've had up with him a question of giving some army equipment to help us launch a drive on Defense Savings Bonds and we are going to have it in Harold Ickes' park right outside here of a - the Willard Hotel.

P: Yes.

HMJr: We thought we were all right with Lieutenant Colonel Lovett, he seemed to think it was all right, but he - we wanted a - oh, a band a couple times and a....

P: Band and what?

HMJr: Oh, we wanted an Army band to play a couple times - that's easy, but we wanted some equipment like a plane or tank and a field gun.

P: Yeah.

HMJr: And we wanted to show how much they cost - if you bought so many bonds, it'd pay for a tank or field gun or a plane, you see?

P: That's a good idea.

HMJr: And everybody was enthusiastic about it.

P: Yeah.

HMJr: And then something suddenly went wrong. Now, we're opening it next week.

P: When, what day? You got the day settled?

- 3 -

HMJr: No, but I could find out in a split -  
yeah, the day is settled. Lovett knows  
all about it.

P: Well, I'll get that. What has been the  
hitch?

HMJr: Well, the hitch was - the word I got was  
that it couldn't be passed on without the  
Secretary of War, himself passing on it.

P: Oh, all right.

HMJr: But, if you had time to clear that today  
I would appreciate it.

P: I'll clear it within a half an hour.

HMJr: I would appreciate that.

P: I will.

HMJr: And if it goes here you see, then we're  
thinking of doing it in other big cities.

P: Yeah, yeah.

HMJr: Don't you think it's a good idea?

P: First Rate. Good advertising for us too.

HMJr: Well, it would help us if - unless we get  
the help from you - I mean, the thing's  
a failure.

P: Well, I'll get it.

HMJr: I'm ever so much obliged.

P:

HMJr: Well, thank you.

P: Goodbye.

June 27, 1941  
2:48 p.m.

HMJr: .....whether Arthur Powell was able to get Wrigley to do anything on this....

Harold Graves: Yes, I - I was prepared to do that. I thought perhaps I should not bring that up at the general meeting. I'd like to tell you.

HMJr: Go ahead.

G: I went over that right after you asked me - I went over that with Powell.....

HMJr: Yeah.

G: And I concluded that we ought not to make that request of Wrigley.

HMJr: I see.

G: We have never asked anybody flat out for advertizing space....

HMJr: I see.

G: We have accepted space, as you know, that people have offered us, but this would be the first time that we had ever made a specific request and I just don't think we ought to do it.

HMJr: Well, what we....

G: Now, Powell is in touch with Wrigley and is going to have for me on Tuesday a statement of specifically what they are offering to do.

HMJr: Okay.

G: But do you agree with me that we ought not to....

HMJr: That's right.

- 2 -

G: Yes.

HMJr: Okay.

G: Well, I'll have the Wrigley thing in  
specific form for you on Tuesday.

HMJr: Thank you.

G: Yes, sir. Goodbye.

June 27, 1941  
3:02 p.m.

Robert  
Patterson: Henry?

HMJr: Hello.

P: This is Bob.

HMJr: Yes, Bob.

P: I took a look at that list. A great  
bulk of that stuff you could have.  
There may be a few items on there  
that we can't furnish on quick notice,  
but a great bulk of it we'll give.

HMJr: The date is July 1.

P: July 1?

HMJr: Yeah.

P: How long do you want it, just a day?

HMJr: Oh, no.

P: How long?

HMJr: Oh, just as long as it attracts a crowd  
and as long as we can sell some bonds.

P: Oh, I see, all right.

HMJr: What?

P: That's all right.

HMJr: We may - we may want it - you may want  
to change the stuff, but if it works,  
I hope that it will go on for months.

P: Yeah. We - of course, we can't commit  
ourselves as to every city in the U. S. A.

HMJr: Would.....

P: This one is all right.

HMJr: Well

- 2 -

P: Yes, yes.

HMJr: What?

P: I just mean - I mean I can't - we can't take it as precedent either way.

HMJr: That's fair enough.

P: We'll do our best every time anyway.

HMJr: Well, I couldn't ask for anything more.

P: And the bulk of that stuff, we - you can have. Do you want an airplane?

HMJr: Love an airplane.

P: Well, that's on the list and that's going to be the hardest of any I guess.

HMJr: Yeah. Well, you can give us one of those Curtis P 40's, that nobody uses.

P: Well, I guess we can get you all that stuff. Is there room for all the stuff there?

HMJr: Well, that I don't know. All - I tell you, my boys had trouble - I mean they were blocked because they couldn't get to the Secretary's office so they had to get me in on it and I had to bother you.

P: That's all right. I'll give you a letter - I'll get a letter over to you this afternoon, but in any event be assured that you'll get the stuff.

HMJr: Well, that's all - I don't - never mind about the letter as long as I get the stuff.

P: All right.

HMJr: And then let's see how it goes - you and I will walk over there some day and take

- 3 -

a look at it.

P:

All right.

HMJr:

How's that?

P:

Good. All right.

HMJr:

Thank you so much.

P:

Goodbye.

June 27, 1941  
3:00 p.m.

RE AID TO BRITAIN

(Meeting held in Mr. White's Office)

Present: Mr. Coyne  
Mr. Archer  
Mr. O'Connell  
Mr. Coe  
Miss Kistler  
Mr. Cochran  
Mr. Childs  
Sir Frederick Phillips  
Mr. Boddis  
Mr. Cox  
Mr. Brown  
Mr. White

White: Well, I don't know whether we should wait for our prima donna, Mr. Cox, or not. Without him, some of this discussion is a little irrelevant. He said he would be here at three. I will find out whether he has left his office.

Well, somebody has done a great deal of work in the last few days, judging from the income, or whether it is the combination of --

Childs: In the last few hours, sir.

White: Well, I suppose that is just a topping off process.

- 2 -

- Childs: That is right.
- White: The first thing we might dispose of rather quickly is this memorandum of yours dealing with the expenditures on account of the Civilian Technical Corps for various operations. Is this a matter which you thoroughly have canvassed with Mr. Cox and are certain that there is no possibility of meeting these transportation expenditures and other details?
- Boddis: It hasn't been discussed at any considerable length at all.
- Phillips: Transportation charges were omitted, but surely as regards to the great problem there couldn't be any doubt. It is the providing of certain persons who are in the United Kingdom receiving sterling salaries, providing them with dollars and the allotments for their wives and dependents in the United States.
- White: That would be definitely out.
- Childs: I shouldn't think under the present state of decisions or any expected decisions it would be left in.
- White: One million for expenses of transportation? Is that the total or is that only part?
- Phillips: It is the total for the thirty thousand.
- Childs: I don't like to anticipate about it, sir, but in view of what we did this morning on this other matter, we couldn't get transportation charges, we thought, on material which was not lease-lent under the Act, even though it was Lease-Lend articles.
- White: But you haven't got a no answer, even though you anticipate it?

- 3 -

- Childs: No.
- White: Then let's just raise it again with Mr. Cox. Offhand, I don't see why it may not be desirable to reopen some of the items that appear to have been closed on what superficially, at any rate, seems to be possibly inadequate grounds. There doubtless are good reasons for it, and it may be that the reopening of many of those things from the point of view of a policy procedure might yield no results; but in the absence of an adequate or a completely adequate explanation by Mr. Cox when he comes as to why that million dollars transportation cannot be provided for, I think we might suggest to the Secretary that that, along with several other items which may involve questions of policy, be taken up directly by himself with Mr. Hopkins so that even if it is necessary to bend a little or diverge a little, that it may be possible because we are accepting a lot of statements that these things are not possible when they may not be for legal reasons, but where they appear to be difficult for policy reasons.
- Well, I think the situation has changed sufficiently so that it may warrant a re-examination so that when he comes in I am going to ask him to reexamine that point.
- Boddis: Well, I don't think to bring those forward again as contracts which have been placed since the eleventh of March and might be reviewed again --
- Phillips: The present ruling is something like twenty-three or twenty-five million a year.
- White: Isn't that one of the items which was on the memorandum which we just received?

- 4 -

Childs: Yes, it was in this group here.

White: It is this one here, is it not?

Boddis: Yes.

White: This one? I just got this and have just had a chance to have photostats made but not to read it. Merle, you just got these?

Cochran: I believe I have them. Yes, I have them here.

Boddis: That doesn't refer to anything more than our day to day expenditures.

White: I see. Then what you refer to is another memorandum which you have with you?

Childs: Yes, it is in here. We made up these lists in the form that the Secretary said he wanted. As a matter of fact, Dr. White, carrying out your very principle, there are lots of things in here which are identical to what has been refused before, but we put them in anyway.

White: Well, I think it will be best to adopt that procedure because the circumstances under which the decision may have been made may have been different; and since we are more or less starting from scratch, I think it will be helpful to reexamine it. Let's leave this until Oscar comes, and we will go over it.

In the meantime, we might go over some other things.

Coe: Cox has approved this.

White: Cox has approved this form?

Coe: That is right.

- 5 -

Childs: I had a session with him this morning just to review it and see if he had any comments.

White: Oh, I see.

Cochran: This replaces that red sheet you had yesterday?

Childs: The pink one, yes, those salmon colored sheets.

White: Well, the first memo that - the next memo that we might consider is your memorandum on the administratively difficult imports under the Lend-Lease procedure, and we might go right to your appendix in which your suggested procedure is indicated and determine whether this is workable. I presume that the crux of the difficulty would be that contained in approval by the Lend-Lease of a variety of commodities, rather than a particular commodity.

Phillips: Yes.

White: That is, I see under one that is clear. You put in a blanket requisition. Now, does that blanket requisition have to be acted upon or approved as such?

Childs: Yes, I think that we could find --

White: You have a copy, don't you?

Childs: We have some parallels, as a matter of fact, Dr. White. For instance, we put in blanket requisitions for such things as spare parts for aircraft without specifying what they were. That was approved and the money allocated, and then orders were placed on the basis of it.

White: But that was indicated as being aircraft?

Childs: Then a broader category is one where we put

- 6 -

in for ships' stores. We say we want enough ships' stores to carry an approximate number of ships during a specified period of seven months.

White: Is there a broader classification than that?

Childs: That is the broadest I know of.

White: Would it be possible to have a classification of possibly a small magnitude, let's say five million dollars, in which the category might be semi-manufactured or possibly a - parts of machines used in factories making "X", "Y", something of that kind of category which might enable them to approve it on the grounds that the apparent purpose is satisfactory?

Childs: I should think it would be possible, wouldn't it?

Phillips: I should have thought so, of course it would be.

White: You can put it in in a small amount and there is always a subsequent possibility for correction of any errors made.

Now, I have no knowledge as to whether that would be satisfactory to Mr. Cox' organization, but it would seem that if you could reduce the magnitude it would enable you to be a little more specific as to the category and yet be sufficiently large to eliminate the bulk of the transactions.

Childs: I should think that would be very practical.

White: Well, now when you put in that figure of a hundred and ninety-nine which was reduced later to a hundred and fifty, we divided into those heads, didn't we, to build up that total? We could divide our figure to that extent.

- 7 -

Or, you might have varying magnitudes of categories. There might be several categories going forward at the same time. There might be allocations for some twenty to fifty categories. The criterion would be that the category be sufficiently described so that they could feel justified in approving the initial commitment or note. I mean, that might work out that way.

Childs: As I say, it has been accepted in two cases which I have just named, and it could be made a little broader.

Archer: They were aircraft, weren't they?

Childs: And ships' stores. Under ships' stores, there are a lot of various things.

O'Connell: It hasn't been tried, has it, the suggestion that Harry brought up?

Childs: No. I think it is a practical suggestion.

White: Then assuming that some arrangement of that character might be satisfactory to Mr. Hopkins' organization, then the next step that would concern them would be the final approval, that is, the item or the transaction, I think, which is described under five here.

The statement is, "If the United States Government approves the application." What does that application refer to now?

Phillips: It will be for a --

White: For what kind - will it be for one item?  
It might be for one item.

Archer: Any cases of one item, or it might be for a dozen items of a different character. It might

- B -

be screws of all different sizes.

White: Then the only decision to be made by the Lend-Lease organization would be to determine whether that specific item fell wholly within the category that had been approved at the time of the submission of the requisition.

Childs: Actually it might even be done easier than that, sir, because you take some applications like steel and oil. We have had, for instance, blanket requisitions approved for steel and for oil in which no specification is mentioned, and that is the - once that blanket requisition is approved, the Hopkins office does not require further requisitions of detailed quantities with specific specifications within the group. They simply say, "Send that over to the Procurement Division."

The Procurement Division will have the larger instruction, and they will pass upon whether or not that specific thing fits in that, so it might not have to bother to come before the Commission.

Archer: On steel, supplementary requisitions do go, don't they?

Childs: They just send a copy for information purposes to Hopkins' office.

White: Have you had an opportunity to go over this and discuss it with anyone in Mr. Cox' organization?

Childs: No, I haven't discussed it with anyone.

White: Well, will this procedure, Sir Frederick, seem to make sense to you, that if Mr. Cox is agreeable that somebody in his organization would begin working immediately with someone

- 9 -

in your organization to work out a plan designed to achieve this that would appear to be satisfactory and then present that plan to us at the next meeting on Monday?

- Phillips: Yes. We can easily manage that, Mr. White. I don't think, in fact, if there were a few hundred items here there would have been much difficulty; but the fact is, there are ten thousand.
- White: But if they could be placed --
- Phillips: It is the volume of the work, not the necessary difficulty of it.
- White: If the volume of the work could be transferred to that end --
- Phillips: Yes, that is what we are attempting.
- White: And if, further, they could devise some means of handling the categories.
- Phillips: Yes.
- White: Or, let's put it this way, it really doesn't matter what system they devise so long as it is satisfactory at the other end where the pressure is.
- Phillips: As long as it doesn't --
- White: If it means more work here, that still meets the problem.
- Phillips: That is right.
- White: Then supposing we --
- Phillips: Well, Mr. Thompson would be on that, Mr. Lucius Thompson.

- 10 -

- White: I don't know who Mr. Cox would want, but we will --
- Archer: You get into somewhat deep waters with Procurement on this scheme.
- White: Well, we would have somebody from the Treasury Procurement as well on that, but I think it would have to be worked out by some committee working steadily until they devise something which is mutually satisfactory. How does that sound to you?
- Viner: I think you can work it out very satisfactorily.
- White: Merle?
- Cochran: It is all right.
- White: Then supposing we pass this and we will put that proposal up to Mr. Cox when he gets here.
- The next memorandum is requirements for New Zealand, which appears to me to be sufficiently detailed so that Mr. Cox ought to be able to --
- Viner: Check the errors. He might be willing to check the categories that they should be encouraged to try and put through this machine.
- White: Yes. There is sufficient description here of the specific items you have here so there should be no difficulty. Are any of these items already recorded on some form of blank requisition sheet so that he could handle any one of them that he wished to select as a definite requisition?
- Childs: No, but they could be very shortly. I will tell you what we planned to do on that, sir.

- 11 -

We had a meeting with all these men yesterday morning, had them in here, and proposed that they put on these sheets here that we bring before this committee all these requirements so this committee can pass on them here.

White: This --

Childs: The greatest possible number, as quickly as they could frame their precise demands, or at least a specimen demand in which one of those groups occurred, and then at the same time make up their requisitions so that if they were approved here at the committee they could shove them right in on the requisitions. That was our proposition. If you thought that was the most satisfactory way to handle it, that is the way we would do it.

White: Well, I can't say. So much depends on the requirements of Mr. Hopkins' organization.

Childs: I thought it would meet the suggestion made before that he wouldn't like to act on anything except a specific recommendation, whereas if you bring it here, we might get his --

White: We will put it up to him.

Childs: In the meantime, the Dominions are making up the sheets which you have next there.

White: So that, let us say, on Monday they will have a batch ready, should this not be the form which he would require?

Childs: I hope they will have a batch, yes. Certainly they will have some. Of course, the difficulty there is that in many cases, such as in Australia, they haven't got very much --

Phillips: We didn't really get onto the Dominions yesterday. If we had, I would have made one quite

- 12 -

general remark. We have talked to those people and in my mind it is perfectly clear that the subject of whether the Governments are perfectly willing to take sufficient control themselves, particularly Australia and New Zealand - frankly, they aren't prepared to set up detailed Government control.

India is not so good, but there is a man coming out here and we may find out something from him. South Africa are very, very difficult, but the line I talked to them was that they couldn't do the whole thing straight off and that they should have a look at it --

White: You mean their requirements?

Phillips: Their requirements, yes.

White: Do they constitute any significant portion of their --

Phillips: Oh yes, they are quite big but when you get out of that into the commercial field, it is quite clear they are going to have immense requirements.

White: Well, are the difficulties with South Africa a question of political difficulties?

Phillips: Oh yes.

White: Then would it be at all helpful if there could be ascertained, either from our trade records or from any that may be available to you, the type of things which are exported with sufficient detail so that we might then examine those in concert with the Priorities Committee and possibly arrive at some tentative decision with respect to the likelihood of there being difficulty of exports?

- 13 -

- Viner: Also the export control.
- White: And export control, yes.
- Phillips: Yes.
- Childs: An excellent suggestion.
- Viner: I understand, for instance, that Canada is adjusting its own control so that we shall not have to permit things to go there for use for civilian purposes which we will not permit for use for civilian purposes here. We might apply something like that to South Africa and we might say to them, "Unless the Government is willing to show that much Governmental interest in it, that is a civilian thing and we have got it restricted here for our own civilian use, and we want something of that sort."
- White: Do you have any information available that might enable you to have somebody make up that kind of a list?
- Phillips: I think we might find out --
- Archer: The last figures that we have got here that are public are the 1939 reports. Is there anyone to do that?
- Childs: Yes, Mr. Jordan.
- Viner: You mean the last ones you have?
- Archer: Yes.
- Viner: You haven't tried Commerce or --
- Archer: We could probably get them from Commerce.
- White: Well, they have broken down by their - how late are they?

- 14 -

- Viner: No, I mean they have - you mean, South Africa hasn't published them since then?
- Archer: You haven't published them from here, if you want to look at your export figures.
- Kistler: Through April --
- White: The figures of the actual breakdown of commodities by countries of our exports is something that I don't think - how late is it?
- Kistler: Oh, about a year and a half.
- Archer: 1939 is the last one I remember.
- White: Those in lieu of anything else would have to do, but it would be --
- Viner: How soon are they available in manuscript form in the department?
- Coe: We could go over them --
- Kistler: I don't know. We do have some figures for the war. By broad commodity classifications, but those are confidential and I suppose if they are to be released, Commerce would give them.
- White: We could get them, but they don't have them in the detail that I think would be most helpful from the point of view of priorities, because there may be many of the priorities that are not indicated in those large classes.
- Phillips: Well anyhow, we will see what we can get.
- White: Will you see what you can get, and if you can't --

- 15 -

- Viner: At the same time, Harry, you might inquire to see just what stage their data is at.
- Childs: Would this come under priorities?
- White: Well, this is a list of imports into South Africa from the United States of all kinds.
- Phillips: Distinguish between what is Government or quasi-government and ordinary imports, what seems like ordinary transactions.
- Childs: Right.
- Phillips: Well now, I have got a list here - a preliminary list. I don't know if I have ever given this to you. It is a list of the stuff we thought the Dominions might make a start with. I will just read it down. I will dictate it, if you like, before I go.
- Archer: Here is the list.
- Phillips: Got it, have you? Oh, good. That is good.
- White: This is a preliminary list of --
- Phillips: What they ought to start with.
- White: These are general categories, of course? These specific items would be in much greater detail than that?
- Phillips: Yes.
- White: Well, some of those items seem very definitely of a character that they ought to be able to handle, and some are homogeneous enough so that I should think there wouldn't be any problem of a number of separate items.
- Phillips: I should think that the Hopkins organization

- 16 -

would have no difficulty in passing for the Dominions generally, but there is a certain kind of thing.

- Viner: Well then, if I understand what was said earlier, they are going forward with something of this character and are going to place it on sheets of this kind and they will be ready some time --
- White: Then to examine their requirements, they could be centralized in this particular group as a beginner, and then include them on those sheets.
- Phillips: And then we can see if there is anything else they think can be done.
- Viner: These, however, have suppliers?
- Childs: I might --
- Viner: On this list here, there is no indication, nor I suppose need there be, as to the period for which this is to be used. In other words, you could come back next week with an exact duplicate of this and present it?
- White: But supposing it is something that you need currently, say so much per week. How would you put in your --
- Childs: The proposition --
- Viner: I was wondering whether sometime you might ask for a series of contracts which run so much per week or so much per month.
- Boddis: We do.
- Viner: So as to reduce the paper work where the specifications remain constant.

- 17 -

- Archer: Well, I mean, take copper. We can put in fifty thousand tons of copper for delivery over six months.
- Viner: That is another way. You put the total amount and then the question of delivery, I suppose - would that go on here this way? If you had --
- Archer: That is right. We put it on our requisition. We give them precise delivery dates on all our requisitions.
- White: Well then, that takes care of the Dominions in so far as we can discuss them profitably until Mr. Cox comes.
- Now turn to the various memoranda on commodities. The first one I have here is wool. We haven't had an opportunity to do more than barely glance at them, and we shall supplement this with whatever analysis may be called for and probably get in touch with some of the interested agencies here in Washington very quickly.
- Phillips: Well, on wool I think in the letter it was suggested in ten days or a fortnight.
- White: You didn't receive a reply?
- Phillips: I have had no reply.
- White: Well, I am just hesitating to answer that question and throw that open for discussion for this reason. It may be that the answer, if it be known in the light of the various considerations which determined a similar answer earlier, it might be a little bit more difficult to get that answer modified than if we examined it in the meantime and see what might be done with it or what support

- 18 -

might be rallied for this or what are the specific obstacles so that we could work possibly with Mr. Jones before and - there is a commitment on an answer?

Phillips: Yes, I quite agree with you.

White: What do you think?

Viner: I think I would try and get in touch with Jesse Jones' office and find out if you can, informally, what is the situation.

White: I was wondering if it had better be the Treasury than themselves.

Viner: And then you can let Sir Frederick know.

O'Connell: You mean that an indication of our interest should be given --

White: I have. That is why I hesitated talking to Mr. Jones first. I thought there were numerous things to be done to get everything lined up, and then we will talk to Mr. Jones and see what can be done; but it would be a little more difficult if he has already committed himself to an answer to you. What do you think of that, Merle?

Cochran: It is all right.

White: That is fine.

With respect to cocoa, there is nothing that we can say on that, because we haven't studied it, unless there is --

Phillips: That was the case, wasn't it, where the Maritime Commission had decided that they couldn't provide --

- 19 -

White: Well now, whether this is - if that is a block, we might be able to do something, because there is a lot of money involved.

(Mr. Cox and Mr. Brown entered the conference.)

White: Let me return to some of the points we tried to cursorily decide in your absence, postponing the questions concerning you until your arrival.

The first item we took up was a memorandum relating to the expenses of the Civil Technical Corps which, among other things, raises the question of transportation. What we had in mind was the possibility of reexamining the decision with respect to the payment of transportation. I gather that some decisions have been made in the past which seem to indicate that it is very difficult or unlikely.

Now, what we wondered, Oscar, is whether it was - is it a legal restriction? Is it a policy restriction?

Cox: Except that they are mixed in some cases. There is no general decision on transportation. I mean, we have allocated funds to pay transportation, for example, for aircraft which moved, let's say, from Burbank, California, to New York Harbor. It is charged right into the allocation for the aircraft itself.

Secondly, there is another provision in the Appropriation Act of forty million dollars for other necessary expenses required to carry out the Act which has been used in part for transportation. But that has all been in relationship to particular defense articles or defense articles turned over under the Act as a necessary incident of the defense article.

- 20 -

On this C.T.C. thing, you haven't any defense article at all. What you have is the training of people and the handling of radio and locators.

Viner: What is the wording of the law?

White: Does it have to be defense articles?

Cox: The meaning of the organic act itself is the empowering by the President of the Secretaries of War and Navy in procuring defense articles or information and to turn them over to one of these designated countries.

Now, the defense information which you can communicate is the information in terms of prototypes, plans, and specifications which pertain to a particular defense article turned over under the Act. In other words, if you turned over a Sperry Bomb Sight to them, you can teach them how to use the Sperry Bomb Sight, which would carry with it the expenses necessary in the teaching.

Now, in terms of the radio locator thing, I would like to get a little more of the detail in terms of possibly working it out around the locator itself. In other words, if we happened to have a locator which conceivably is a minor or a major modification of the one they have, if we are turning that over then we could probably teach these people to use them and pay the necessary expenses incidental to it, which would be - would be paying board and lodging and so forth. Then you would have the policy question of whether they would want to go as far as paying the proportionate part which is necessary for their families. That would be a mixed question.

White: I see. Therefore, the first thing to determine

- 21 -

is what the nature of the articles were which this Civilian Training Corps are receiving transportation --

- Cox: Right.
- Childs: I think this is a transportation expense only.
- Viner: No, that isn't the question at all. The question now is, what sort of instruments are they being trained to use.
- Childs: I know, but is this training expenses or is it transportation expenses?
- White: Both. Mr. Cox suggested that not only might transportation be an appropriate expenditure if the instrument for which they were receiving training was of the character he described, but they may even go further and examine the possibility of additional expenditures.
- Viner: Well, aren't they being trained - which are these, are these these radio people or these air people?
- Phillips: Radio.
- Cox: It is the radio locator. The radio locator itself would certainly be a defense article.
- Viner: If we provided it.
- Cox: If we provided it, that is right.
- White: Well --
- Phillips: What is the amount, do you know?
- Boddis: Sir Frederick, I don't know fully.
- White: Will you on Monday get the facts on that in

- 22 -

sufficient detail so that a decision can be reached on the basis of the memorandum which you have given us? Right?

Viner: According to the newspapers, this is an English device, but I presume they are handing it over to us.

Boddis: If you want it. But that doesn't necessarily imply that they will be made here.

Cox: The thing is not as simple as that, Jake, because the original - I think Sir Frederick is right. The one that is primarily in use there is the one that they have, and we don't have; but I know that one outfit has been doing a great deal of work on this particular thing. Whether there are any modifications or these people ought to be trained in both, on the theory that the training is progressive and to a certain extent interchangeable, I don't know.

White: It is sub (2) under your definition of defense article, which seems to be a little broader than I first thought from your definition. This subsection two says any machinery, facility, tool, material or supply necessary for the manufacture. Facility necessary for the manufacture.

Viner: That means a plant?

White: It might in some cases include a plant.

Viner: I think that has been used for plant, hasn't it?

Cox: Plant and things similar.

Phillips: That makes it rather confusing, Mr. Cox.

- 23 -

The expenditure on this Civil Technical business is first of all the dollars needed for transporting people recruited here to Canada, which would be a million dollars if thirty thousand were recruited. The rest of the charge, which is of the order of ten or twelve million dollars rises in this way. These fellows are taken from Canada straightway to England, and no doubt for the first two or three months there one might say - the dollars are needed because the married men will have to make fifty percent allotments to their families. Unmarried men with no dependents will have to make twenty-five percent.

So I should say for the first two or three months, they are probably training. Of course, they go on after that using the locators.

- Cox: Well, let me ask you this. Mr. Boddis may know. Is it indispensable that these trainees be sent to England for the training?
- Boddis: I don't think there is much apparatus here to train them, but that is --
- White: If it were indispensable, then it would change the character?
- Cox: Not necessarily on the legal basis, because there is nothing in the Act which says where you have to communicate the defense information as a practical policy question. But it would look a little easier to do the training here in terms of the locators if it were at all practical. I don't know whether it is. I would doubt it.
- White: Well, in any case you will be in a better position to decide that after you see the pertinent information?

- 24 -

- Cox: Yes. I may have to talk with Bush and see what they have done in terms of whether they have got any improvement which is now ready to go into operation.
- Coyne: Mr. Cox, you are buying some from us, I think.
- Cox: I know they are, but I know also that this National Defense Research Committee is a good deal ahead of the Army and Navy on some of their stuff, and it is a question of what stage it is in, because they have been interchanging in part --
- Viner: In other words, if there should be a decision to adopt a somewhat modified locator which included some American phase --
- Cox: Train them for both at the same time.
- Viner: And then it would make it much easier to handle as part of the training then in the use of an American instrument?
- Cox: Yes.
- White: The next item that we discussed was the --
- Cox: Well, can you get us - have you got an extra copy?
- White: No, I will see that you get it.
- The next item that we wanted to take up with you was the proposal of the British Treasury relating to possible arrangements for handling the large number of items which were --
- Cox: Small.
- White: .....difficult to handle except on a personal, private basis.

- 25 -

Cox: It seems to me the essential problem there is this, Harry. Sir Frederick has yesterday suggested an administrative mechanism to make the thing simpler, that is, in terms of the double limit, so much per week, of items not in excess of so much.

Now, we have bought, say, sixty balls of twine and a thousand pencils. That decision, it seems to me, is primarily up to the British as to whether in terms of convenience in handling items which are small, they want to set up the administrative limit to pay dollars or whether the thing can fall into Lend-Lease and have it bought by Procurement the same way as they buy for our Government, whether it is two needles or fifty-seven thousand gallons of oil.

Phillips: That is rather a difficult question, is it not, Mr. Cox? I suggested, though, mentioning the possibility of those limits in connection with the very small purchases by our missions out here which are going on all the time. A few spark plugs for an airplane and things of that kind.

But this is referring to a somewhat different subject. This is stuff which dealt - which is not Government material.

Cox: Which one are you talking about?

White: Non-Government materials.

Cox: Oh, I didn't understand.

Phillips: This is Keynes' point, that there was a figure which you put down of a hundred and ninety-nine and a hundred and fifty millions of stuff which, theoretically, can be brought under Lease-Lend, but we don't think there are

- 26 -

practical difficulties or legal difficulties, but where the practical work of administration complicates it.

Cox: Do you have any of those items?

White: This is our suggestion, that if somebody from your staff could meet with someone from the British Treasury staff, I think he named Mr. Thompson, and somebody from the Procurement Division; and if they could either start from the specific proposal which they have suggested or any other proposal that they may have in mind and see whether they can't work out something in the way of procedure that would be satisfactory to them and to you, and then bring it at the next meeting. Can they do that?

I will run through that very quickly. Here is the other page. There are some preliminary discussions, you see.

Cox: All right, I will designate Brown.

White: Why don't you designate someone right now, and they could carry it back to Mr. Thompson. Could you begin tomorrow morning, for example? What time?

Brown: Any time.

White: Ten o'clock?

Brown: Surely.

Phillips: No, I expect Thompson is in New York. Is it Mr. Brown? I will let you (Brown) know when he is available. The point about it is, you see, he is out from England five weeks ago, and he actually has seen these particular difficulties. We don't know

- 27 -

anything about it because we have been here since before Lease-Lend.

White: But he would be familiar with the objective?

Viner: You can send somebody else along with him if you think that while he may be very familiar with the English end, he may not know enough about the Washington end.

Phillips: That is all right, I think he knows enough about the Washington end.

Viner: At the first meeting, anyway.

Archer: It is a good idea.

White: Then as soon as you (Brown) know the date of the meeting, if you will let my office know and we would like to have somebody from the Procurement. Would that be helpful?

Cox: Yes, very helpful.

Archer: We must have somebody.

Cochran: We have got to have somebody.

White: The next item was requirements for the Dominions, and apparently they have already begun to prepare requisitions of this character to be brought --

Viner: Did this form satisfy you?

Cox: Yes.

White: These are the forms which you helped draw up. So that if they have a batch of those requirements, you will be prepared to consider them?

- 28 -

Cox: Right.

White: And as soon as they have a batch, it might be some time early Monday.

Childs: That is right. We hope to have them Monday.

White: They do have in some detail the requirements, but inasmuch as they are going to turn in the other sheets, possibly you had better consider them with this category so as to enable you to get some idea of what general categories they plan to submit requisitions on.

Viner: That is New Zealand you have in your hand, isn't it?

White: Yes, but I take it that you meant that they all are New Zealand, Australia --

Viner: Isn't New Zealand doing this?

Childs: New Zealand is making up these things. What is the other thing?

White: This is merely a summary.

Childs: Oh yes.

Phillips: We gave you full details about New Zealand, but that was the only case where we could give you full details.

Childs: New Zealand and Australia definitely have made a start.

Viner: I wonder if it would be possible to use this list to eliminate items, not necessarily improve the remainder?

Archer: That would be a great help.

- 29 -

- White: Well, I said this list would accompany the requisition so that they could handle them both together.
- Viner: No, my point is that they are hard at work preparing these requisitions. If they were told that there is some category in this list which is altogether out of the question, they could save themselves all of that trouble of working at this.
- White: If there are any such commodities that you could tell by looking over that are out of the question, it would be desirable to do so, but is that --
- Viner: The detailed list is on about page three, if I remember right.
- Cox: I don't see anything that couldn't come in.
- White: There is nothing here, you say, that seems impossible?
- Cox: No. Of course, you have got the same central problem here that came up, I think, late yesterday a little bit more when the Secretary was talking to Mr. Purvis, and that is this, that they are programing at the present time, it has already been tentatively worked out and there will be another bite at it.
- Now, if you want to do this immediately, it seems to me that you (Childs) and Purvis have to decide between you which is immediately more important, initiation orders on other materials going to U.K., whether it is aircraft or canned milk, or whether you want to get relief from dollars.
- Phillips: Mr. Cox, we have already taken up this miscellaneous group. We have already taken that full twenty percent.

- 30 -

- Cox: But we may be able to put some more back.
- Phillips: We still have a hundred and fifty-eight thousand on that group. That was the major part of that. It was on that particular group.
- Cox: One hundred fifty-eight million.
- Phillips: Yes, and it was against that that we took all of that stuff out.
- Cox: Well, we could check that.
- Phillips: I don't think you would have any other use for that.
- Cox: I don't know. I think they have other uses, but let's put it this way. If there are no other uses, then this can be charged against Lend-Lease, and I see no legal prohibition. If not, you will have to face the other decision. All right?
- Phillips: All right.
- White: While you are on that --
- Cox: But I think you ought to prevail on Purvis in terms of these Dominion things in the new estimates to get included sufficient margin to include all the Dominion stuff of this character or any other character that you think is likely to come up.
- Archer: We have included in the new estimates the estimates for these Dominion requirements.
- Phillips: Two hundred fifty millions a year, isn't it?
- Archer: Just over two hundred million for miscellaneous.

- 31 -

We were asked to estimate those - to submit those estimates to General Burns.

White: This raises the question which was discussed at some length at the last meeting with the Secretary and about which I wasn't clear as to the decision, so I am going to reraise it to see whether a final decision had been reached or whether the subject is still open for discussion.

You will remember at the time Mr. Purvis said that they preferred to initiate these orders because they didn't want to hold them up, and he raised the further question whether it might not be possible to get a Government requisition substituted for their requisition so they could initiate the orders --

Viner: Then transfer them later.

White: And get relief at the same time. In that discussion you thought that there were difficulties about that with respect to the Army, but I am a little unclear as to the --

Cox: Well, here --

White: .....conclusion.

Cox: It is by no means a simple problem, Harry. I think the new Army Supply Bill is going to come up and be passed much sooner than Mr. Purvis thought.

Now, as one illustration, that Army Supply Bill includes about three billion dollars for aircraft. If we are not at war, it seems to me most, if not all, of that aircraft will be available for distribution under Lend-Lease, so that the sooner they place initiation orders

- 32 -

for that Supply Bill, the sooner you are in production and what you are interested in is finished equipment.

I don't suppose the British care very much what mechanism is used to get them four-engine or twin-engine bombers.

Now, secondly in the Supply Bill is the provision which gives the Chief of Staff open-ended contract authorization to procure all the equipment that is necessary for armored divisions, and he could go out tomorrow and order a hundred thousand tanks.

- White: When you say he could go out tomorrow and order --
- Cox: As soon as the Bill is passed. It has already gone through the House and probably will go through the Senate quickly.
- White: Was it Mr. Purvis' understanding that that Bill would go through in about two months?
- Viner: He said about August.
- Cox: He is probably wrong on that, and I am not so sure that he is aware of these particular kinds of provisions, such as the armored provision thing.
- White: Which are in the Bill?
- Cox: Which are in the Bill.
- White: Is it your suggestion in view of the rapidity with which that Bill will pass that the practice of initiating these orders had better be postponed until the Bill is passed, in which case it would be necessary --

- 33 -

Viner: Don't postpone these things.

Cox: Don't postpone it. My point is that you can't answer the problem that was put to Mr. Purvis unless you know two things. Certainly one is whether the planes and tanks will be available or are likely to be available for the British and when they can place them in terms of both of our needs. It may be that the Army will have to also go up for another appropriation on aircraft.

White: Well, is it your thought, then, that if they initiate certain orders now and therefore become obligated for them, that in the event the Bill passes they will be relieved of that obligation by the arrangements which you may be able to make under the new Supply Bill?

Cox: No, I don't quite understand that.

White: I still don't get it.

Cox: I think what Mr. Purvis is talking about is that he looks at a certain program in terms of his job, which is based on what he gets from London and so forth and so on.

Now, in order to execute that program, he feels that it has to be initiated as early as possible. Now, to initiate it as early as possible, one of the things that may be required is the placement of a letter of intention by the War Department as a potential charge against funds which it is to get in the future.

Now, there still may be a deficiency in his program when he looks at all the facts in terms of his particular program, and I think you have to look at those before you can

- 34 -

decide whether you want to take up a modification on the Lend-Lease or let the Lend-Lease orders go through, the new aircraft, for example.

White: Then I don't - I am afraid I am not clear as to what his intention was, because I don't gather --

Cox: Let me --

White: .....in retrospect that his intentions were identical with what you are describing now.

Cox: You have a difference in the facts. Let me give you a specific example, a simple illustration, Harry.

Suppose in Lend-Lease we have already allocated four hundred thousand dollars to procure a heavy four-engine bomber with everything that goes with it. Now, suppose it requires four hundred thousand dollars to modify some Lockheed Hudson bombers which the British have on prior order with their own money. Now, the essential issue in that simple form is whether the British between Phillips and Purvis want to forego the order for that four hundred thousand bomber and use the four hundred thousand dollars to modify the Lockheed Hudsons. It is not as simple as that because if the War Department got money to place an order for a four-engine bomber of that same type, which may be for the ultimate disposition of Britain, that may do the trick, so that you just take out four hundred thousand out of Lend-Lease money and use it for the modification.

Childs: Then you do get to the point which Dr. White raised, about placing the order for that bomber. You said you would place it with a letter of

- 35 -

intention, even though you don't have any appropriation, but you said the manufacturer won't take that.

- Viner: He will take it from the War Department.
- Cox: He will take it from the War Department if the appropriation --
- Childs: If it is going to pass.
- Cox: For example, on the Lend-Lease thing we placed orders between March 11 and the twenty-seventh on what was called "a conditional letter of intent."
- Childs: Did you?
- Cox: Oh, sure.
- Viner: I have been told by manufacturers that they have accepted orders without any written document.
- Cox: That is right.
- White: Then let me see if I can draw this thing together, because I still am rather vague as to what the specific step is. There are certain things, I take it, that Mr. Purvis wishes to initiate an order for. The point is that if he does that he won't get relief on that.
- Cox: He may not.
- White: He may not. Well, I thought he would not - well, you say he may not. I thought he said he would not. He said there are only two alternatives unless you adopt this third one.
- Cox: It is not as simple as that, Harry, because

- 36 -

look, Harry, we have got over forty-two billion appropriated for defense. We also have an open-ended contract authority when this Bill passes for tanks.

Now, the equipment is used to equip a certain number of tactical units. Now, you won't need "X" number of tactical units, or you may not need them, if you decide that it is more important to have that equipment go to Britain; and it all comes down to the essential question, whether you have got the equipment.

Now, what Purvis is talking about from the supply end, is that in terms of the British program as he sees it, in the light of all the evidence he has got, you ought to start in the works a certain amount of equipment by initiating orders, you see.

Now, orders placed by the Army and Navy may ultimately be for British disposition.

White: What is your concrete conclusion with respect to that, that (A) he go ahead and initiate these orders or - with the anticipation that he will receive relief; or (B) that he go ahead with the Army?

Cox: I would suggest two practical things. One is that the requisitions for these modifications on pre-existing contracts be put in.

White: That is being done.

Cox: You are talking about two different requisitions. They have done it there, and it is up before the committee for decision, and I recommend that the decision on those be that they file Lend-Lease requisitions for them.

White: Which is another type of requisition, a more

- 37 -

comprehensive.

- Childs: It is no more comprehensive. It will go in promptly the minute it is decided.
- White: Then the moment this is decided in the affirmative, then you will prepare the type which is necessary to go to the Lend-Lease Committee. That is A.
- Cox: Now, what we will do there first, that will give us a concrete basis for going to the Army and Navy and saying, "Now, in terms of what you programmed, you got 'X' percent," and they don't amount to very much so they don't take up much.
- If they come back and say - at that point it seems to me Sir Frederick and Purvis in terms of knowing what the facts are, will have to make a decision as to whether they want to pull out a Lend-Lease initiation order and use the money for this purpose, or let the thing go on.
- White: But that is a second step - decision which they would have to make only if the Army doesn't wish to accept their --
- Cox: Well, if they say they haven't got any money outside the program, it is all programmed.
- White: Then that second step isn't necessary at this moment, is it?
- Cox: No, except I think they ought to start getting familiar with the - with what all the facts are and the other thing.
- White: Do you have doubts as to the accepted ability of the Army to - do you think they will be able to arrange most of those?

- 38 -

- Cox: The way to find out is to try, Harry.
- White: Is that clear?
- Childs: Oh yes.
- White: It has always been clear?
- Childs: Yes.
- Phillips: Actually what was the purpose of signing was not, as I understand it, distinctly between initiation or these particular stunts but rather a contrast between initiation orders and continuation orders, saying that the initiation orders were much more valuable and therefore we had to see that somebody placed those because there was no other way out to be found.
- Viner: That is what I understood them to mean, that there was a limited amount of funds available to them in terms of dollars.
- Cox: It is the same principle. For example, if you --
- Childs: If you get these things in --
- Cox: You are going to use four hundred thousand dollars to modify existing contracts, which is a kind of a continuation as against an alternative of placing a new order for a four-engine bomber. You have got the decision before you.
- Phillips: It seems you might find that some continuation orders you had otherwise had in mind to place might be postponed for a month or so and give you this money for another use.
- White: But again that is a decision that need not be

- 39 -

made until you find that the alternative, which would be the simplest solution, is not good, so that there is nothing further that we need discuss until you ascertain that fact.

Childs: Until we put these in - he says General Burns is going to take a look at the existing Lease-Lend funds, and if we find there is no order, then they are going to make a decision.

Cox: Well, we already practically squeezed forty million dollars of water out after March 11.

Childs: That is hopeful, then.

White: That is already counted.

Cox: No, what I meant was that they had most of that stuff programed.

White: Oh.

Cox: And we went to them and said, "You can do this. You have got enough water in it." They practically said yes.

White: You did squeeze water, but that is no indication that there may not be a lot more.

Boddis: There is one other point on some of these things. We have got to take action within the next few days or all the things are going to be jammed. One particular case that I mentioned yesterday was where the contractor refused to supply a Lease-Lend order.

Childs: That will come up in these items, item by item. He is just talking about in general what does get in.

- 40 -

- White: The next two or three memoranda which we have here which you began talking of, wool, cocoa, and other strategic materials, unless there is some other thought I think we had better pass that over until we can get the analyses and the other information.
- Viner: I wonder if Mr. Cox has any ideas about this wool thing?
- White: I don't think there is anything we can discuss profitably at this moment. We will take it up later.
- Coe: What about priorities and export? Did you say you wanted some decision on that?
- White: It was suggested that there would be presented - submitted, a list of items which South Africa imports from United States with a view toward examining them for the purpose of determining what might fall under export restrictions of one character or another, to pursue the line of thought I think you suggested might help South Africa develop its program so as much of the purchases could be channeled as possible.
- Cox: That reminds me, Tom. Knudsen's office called yesterday afternoon and wanted to know if they could get a list of all of your outstanding supply contracts and facilities contracts because they find that they are not clear on the priorities of many of them.
- Childs: Yes. Who wants it, Knudsen?
- Cox: Yes. You had better send it to me or send it to Eaton, either one, because I think they bumped into one yesterday and it wasn't clear.

- 41 -

- White: Now, how is your thought, Oscar, as to the procedure with respect to these items? How do you want to handle them?
- Cox: Well, I think following the old judicial technique, I think it would be a good idea to take them up one by one.
- Viner: In the order in which they appear on the sheets?
- Cox: That is right.
- Viner: And reading from left to right?
- Cox: All right. I thought we were going to proceed on the Oriental idea, from right to left.
- White: As a matter of fact, that is the way we will probably do it. We will see what the amount is first. (Laughter)
- You haven't a copy there. Joe, could you move up here? You don't have a copy, Oscar, do you?
- Cox: Oh yea.
- Childs: Before we get into this, in view of the mentioning of signatures and so on yesterday by the Secretary, I wanted to be quite sure we had it right.
- White: Did the Secretary say something about other signatures and are they necessary?
- Phillips: If he wants them, we will get them.
- Cox: Just to follow the prior procedure where you and Purvis used to sign things.
- Phillips: No, we didn't.

- 42 -

- Cox: Didn't you? He had the distinct impression that you did and that you ought to.
- Phillips: Well, that is something that he can't --
- White: Well, I presume that the sheets numbered one to four dated June 2, since they are all numbered, what the actual capital procedure - we needn't stop at this point.
- Cox: He seemed very set on the proposal, Harry. He was very concerned about the form. I think just for formal purposes, I would get somebody to sign it from the British Supply Council.
- White: Would you get the letter or the form or both?
- Cox: The covering letter.
- Phillips: This is the --
- Childs: We checked his recollection, but neither of them signed those old reports.
- Cox: It is all right with me, Harry.
- White: It is perfectly all right with me unless the Secretary indicates to the contrary.
- Well, if Mr. Purvis' signature is part of the procedure, I take it that it could be --
- Childs: We could do it.
- White: It could be done before any bridges are down. That is why I think it would be best to proceed without waiting for the signature. Is that all right with you?
- Cox: Yes, it is O.K. As a matter of fact, I think

- 43 -

Sir Frederick's is the important one, because the Supply people have always wanted to go ahead and place them.

White: Well, apparently Sir Frederick feels that way, too, so we will proceed. (Laughter)

Will you carry on?

Cox: Number one that I have got is Brewster Aeronautical Corporation. What do you mean here, the firm has already entered into commitments? Without a contract on your part for the modifications?

Boddis: Yes, without a written contract.

Cox: And you put up the proposition of the Army coming into this to Brewster?

Boddis: Only in the form mentioned here, that we should cancel an additional number of machines.

Cox: You didn't put it up to them in any other form?

Boddis: No.

Cox: You know, it is not necessary to get the cancellation of an equivalent.

Boddis: That was the --

Cox: What is the objection, for example, between Brewster and the United States entering into this kind of a contract and providing for inspection and what not by the British?

Boddis: Not the slightest.

Cox: If they want to do that or joint inspection on modifications.

- 44 -

- Boddis: Not the slightest.
- Cox: There is no necessity for our getting an equivalent number in terms of the legal picture.
- Boddis: If you can work it purely on the modification amendment to the contract.
- Cox: Well, you have got it up in terms of a specific quantitative dollar amount on the modification, and the essential difference would be that the U. S. would go on the contract rather than you where the base contract would be between you and Brewster.
- Childs: You don't think there would be any difficulty with the Army taking on a contract of that sort without having to amend it to include that in the general form? From the practical end of entering into a contract which has no relation to their normal form and all that thing?
- Cox: I shouldn't think so. This is in substance a change order and there may be some difference in the price which they would pay on this kind of a change order as against what you would pay.
- Childs: They will have to pay some money which on a formal contract they would not approve. I am not raising this suggestion to kick this out.
- Cox: No, but their change order wouldn't - although it affects the prior contract, they could work out their own terms. They are not vouching for the base contract.
- Boddis: The real answer is, as I see it, shouldn't

- 45 -

we try that out? We haven't tried it either on the contractor or on the Army.

- Cox: I think that is the thing to do. The contractor is going ahead anyway in so far as the commitments and production are concerned.
- White: So your decision on one is that they go ahead and file a requisition?
- Cox: Yes.
- Childs: The last column shows a place for the action by the committee.
- Cox: Just say, "For Lend-Lease."
- Childs: O.K. for Lend-Lease?
- White: I will see that you get another copy. On the final column, Miss Kistler, if you will put --
- Viner: What about the Walsh-Healey Act?
- O'Connell: If this is approved, the War Department will in effect enter into a contract for the modifications.
- White: And what question are you raising?
- O'Connell: I was wondering if - as I understand it, all Government contracts to purchase supplies and materials have certain statutory requirements such as the inclusion of the Walsh-Healey Act provisions, eight-hour day law.
- Childs: That is what was holding us up. We say wages and hours instead of Walsh-Healey. But they do have those things.

- 46 -

- O'Connell: Those things were not taken into account in your original contract.
- Childs: I am thinking back to a remark made yesterday. When we took over, we tried to assign some of our contracts to the United States, four of them. It took six months to do it, just working out the differences of that very nature. It took six months, January to June.
- Cox: Do you think we have got a pattern now?
- Childs: I don't know.
- White: Is it your thought that the contract as presently written does not fit in with the labor laws?
- Childs: Wouldn't satisfy the Army at all.
- O'Connell: Assuming the Walsh-Healey Act must be included, which provides that certain statutory provisions must be included in all Government contracts over ten thousand dollars for the purchase of supplies and material. The British never put such a provision in these aircraft contracts. I am just raising a question.
- Childs: You are quite right.
- White: If that is going to be a stumbling block --
- Childs: It is a particularly good question on account of these four contracts.
- O'Connell: Have you worked those out?
- Childs: After four months, we did.
- O'Connell: What is the status of the work? Is it under way?

- 47 -

Childs: Finished.

O'Connell: What did they do about the Walsh-Healey Act?

Childs: They wrote a completely new contract.

Viner: Were the terms exactly the same?

Childs: I don't think there was any great change. Even the amounts were the same.

O'Connell: Some of these contract provisions must have been --

White: Are the terms under these contracts resulting in higher costs?

Cox: Lower costs.

White: I don't get this. I mean, the terms under the Walsh-Healey Act.

Viner: They are buying a little differently.

O'Connell: The manufacturer would say it was higher cost. They say all Government regulations result in higher cost.

Viner: Harry, and smaller profits.

White: I still don't get it. I am just a little bit obtuse in this.

Cox: No, you are not. The thing is this, Harry, that we get reamed but the British get reamed more in terms of the end dollar amount, because we are a bigger and a more continuing customer.

White: Well, what if you take over these contracts under this requisition, will not the British get the benefit of your superior buying power in terms of the price of the --

- 48 -

Childs: I doubt that.

Viner: Oh no, not now. They have got this commitment now.

Childs: We would have another six months on it.

Cox: It wouldn't make enough difference on the modifications.

White: Specify then --

Childs: I think Boddis is quite right. Let's try it with the understanding that if we get to such a kicking in the teeth as I expect, come back with it after we have had the bitter experience.

Cox: Just to illustrate what your problem is, Harry --

White: I gather that it is not a simple problem. (Laughter)

Cox: That is right.

White: I have yet to find one.

Phillips: Supposing we do try this proposal to put in a requisition for the modifying contract and try it out with the War Department; and if it doesn't work, if you will then accept our - we can cancel the last batch of airplanes and transfer those --

Childs: The company has already refused.

Phillips: Let's try it.

Childs: They will refuse.

White: Let's take that step. Maybe we can try them again. Then the prospects of that being an

- 49 -

obstacle are not sufficiently certain so as to - not to justify going ahead?

Childs: Correct, sir.

Cox: Wait a minute. I would like to hear what the rest of Sir Frederick's proposal is.

Phillips: The proposal was that simply where an additional expenditure is incurred on these modifications and that additional expenditure could be put over under the same title under Lend-Lease, that we should ask you to take over so many of the airplanes specified for this country, say the last fifty or last seventy, as we produce the same sum of money.

That is our proposal.

Childs: That is not in your notes there.

Phillips: What is the objection to that? Have you any objection, Mr. White?

Cox: No, I haven't any.

White: I don't see any. Explain it --

Cox: Well, this is an eight million dollar modification.

Now, suppose for eight million dollars you could get a hundred planes. What Sir Frederick says is that instead of getting into all these complications about Walsh-Healey and so forth, the British use their dollars for the modification and we make a contract for a hundred planes for eight million dollars with the contractor and take the last hundred planes, you see, and chop those off --

- 50 -

White: Chop off a contract which was made when?

Cox: Oh, a long time ago.

Boddis: 1940.

Viner: We take over--

White: Take over some of the past contracts--

Cox: The answer you have is, it is--

Childs: You are going--

Cox: Standing alone would be taking over the past contracts, but what you are doing is swapping the equivalent of a modification.

White: For a past contract.

Cox: I think we might be able to convince--

White: Offhand, I don't see any objection to that. It seems to me that might be a very good idea. Do you--

Viner: Well, my imagination goes a little bit further, and I can see a number of larger possible objectors. The Army mightn't want to do it.

White: But I was thinking from the point of view - I take it the question was raised, as far as you are concerned, from the point of view of the Secretary's statement and the Budget Bureau's position, et cetera. The other problems of objections, et cetera, are something that they can work among them.

Viner: I would say go ahead and try this way first and then I would say that would be the second way.

- 51 -

- Childs: We will try it both ways.
- Boddis: We have tried--
- Childs: Has been rejected.
- Viner: By the firm. But now I would see whether there is any way of softening up the firm.
- Cox: That is right.
- O'Connell: It seems to me if the Army or this Government went after the Brewster Company that we might get a little different reception. I can't see why in the world they could object to it. I don't see why the Army would object, either.
- Viner: In fact, if the Army told them, "You have got to turn over one hundred planes to us," they wouldn't think for a moment of rejecting it.
- White: Do you see any objection to that, Merle?
- Cochran: Just the Secretary's commitment there.
- White: I mean that is what that question is.
- Phillips: I don't remember this.
- White: You do feel that this runs counter to--
- Cochran: I would like to think it over a little more. I am afraid it does.
- Phillips: Mr. Cochran, I did mention this to the Secretary, not just as a matter of interest to him, I think, a month or six weeks ago, and I understood then he did not see any obvious objection.
- White: Yes, I remember when that suggestion was made

- 52 -

and his reaction was, as you say, he seemed to think it might be a good idea. That doesn't necessarily mean that he may not react--

Viner: Taking over contracts--

Cochran: Old contracts.

Viner: But you see the Army might handle it this way. It might take over the contract and the planes and then having had possession of the planes for a few weeks or a month, might then transfer--

White: Oh, no, that is something else. We have been over that ground, and we dodged from that. This is dealing - this is a little different here. This is a question of exchanging a hundred planes for "X" of something else. There is an exchange. The exchange happens to be one of modifications and not specific items, but it is an exchange. Is that correct?

Childs: No, I don't think so. Let me put it his way. You have got a contract for a hundred units which cost a hundred dollars each.

White: Right.

Childs: You want to amend those units so they cost two hundred dollars each. We have a total commitment at the time before the amendment of a hundred units at a hundred dollars, ten thousand dollars. We can't get bailed out of any of that commitment. So we say we will split the contract in two. We will keep fifty units at two hundred dollars each. They are still ten thousand dollar commitments. We haven't been bailed out of any commitments. You take the other fifty at the higher price

- 53 -

and you take the ten thousand dollars worth of commitments. We are not bailed out of any.

- White: They are abiding by their contracts in terms of dollars, not in terms of specific items. I think the Secretary's interest, I should think, might be legitimately interpreted to be in terms of dollars rather than items, so - and if that be the case, then it would seem that this other would provide the way out. Well, then, supposing we go that way. We will try it on this and then that other will be the next step.
- O'Connell: But the distinction that has just been made, I take it, if you could do that in this case we could do it in a case in which there was no modification involved, and in that way we could take over an existing contract.
- White: Well, if there are no modifications--
- Viner: Same amount of original dollar commitments.
- O'Connell: Yes.
- Cox: That is the important thing.
- Viner: All we are trying to do is to get the dollars free.
- O'Connell: Sure, but I take it we want - the Secretary's objective is to see to it that the commitments that the British made before the Lease-Lend Act.
- White: Commitments in terms of dollars.
- O'Connell: In terms of the expenditures, they were committed to be making before that date were not to be taken over by us.

- 54 -

Cox: But he didn't say that they had no commitments, and they wanted to change. They had a choice as to whether they would take the change or not in terms of a prospective commitment.

Viner: In that case, the commitment was for, let's say, two millions of dollars to the Brewster - of airplane material of one kind or another to the Brewster thing. They stand by that commitment.

White: They meet twenty million dollars worth of commitments. It happens to be - consist of a different pattern than was--

Viner: A double plane - a two engine plane instead of a single engine.

O'Connell: And less planes.

White: All right.

Cox: Number two, Consolidated Aircraft. What do you mean - how many airplanes are being changed here, Boddis? You say the present airplanes are already due for delivery within a few days. How many planes are along?

Boddis: A hundred and thirty-nine.

Cox: One hundred thirty-nine?

Boddis: Yes. This is another case.

Cochran: This that urgent case you mentioned?

Boddis: Yes.

Cox: What kind of modifications are they, do you know?

- 55 -

- Boddis: All sorts of stuff.
- Cox: What will happen if you don't get answer on this in a week?
- Boddis: Well, we have tried Consolidated on that. They are actually doing the work. They won't give us custody of the machines under the Neutrality Act until we have paid for them in full.
- Viner: Under this column here?
- Boddis: It is easy to take care of those as long as we can spend some dollars.
- Cox: While this thing is pending can't you pay them a proportional amount, get custody of the ones that are finished?
- Boddis: If we can fix a little bit extra for each machine as they come along. That necessarily implies some sort of commitment to pay a certain figure for the rest of them.
- Childs: Do we have to make an initial down payment of six hundred seventeen thousand?
- Cox: What I am trying to find out is this.
- Viner: Can you take them on the instalment plan?
- Childs: That is right.
- Viner: And in the interim--
- Boddis: That is what they have asked us to pay. We will tell them what other action they are going to take - they might be perfectly content to say as long as we know orders are coming in from now on, they will proceed.

- 56 -

- Cox: Why don't you put in a requisition and then the other question Brown raises, doesn't the contract provide for payment on delivery, even on the modification?
- Childs: A payment of the difference between down payment and the over-all cost. You have to make an additional down payment which presumably is the six hundred seventeen thousand dollars.
- White: Isn't it possible in between the British Government and the manufacturer to say it is merely a question as to some discussion as to who is going to pay it, the British or the United States Government? Isn't that good enough credit risk?
- Boddis: Certainly, as long as the U. S. Government comes along and says it will.
- White: The British Government can say, "If they don't, we will."
- Viner: Well, they are not selling on credit.
- Childs: They don't seem to trust us. They are curious with us.
- White: Very curious.
- Viner: Isn't cash and carry still in effect?
- O'Connell: Sure.
- Cox: On the instalment thing--
- Viner: Harry, they haven't got the right to accept that.
- White: What?

- 57 -

Viner: The manufacturer hasn't.

White: The right to postpone down payment--

Cox: Except as instalment payment on the plane.

Viner: Not faster than delivery - I mean, not slower than delivery, pro rata with delivery. That was your proposal. I don't think they say that.

Boddis: Payment in full for the modifications as they come along.

White: In other words, the British Treasury has the credit, but our orders interfere with--

Viner: Even if they did have it--

White: Well, have you done as much as you can with that?

Cox: Yes. Lend-Lease requisition.

Childs: Number three is just a temporary financing thing, you see. It really isn't a matter of losing money at all. It is not a matter, really, of Lend-Lease.

Boddis: It is only a very, very temporary thing.

Childs: We advance them, if necessary, enough money to a company, which is already going to accept a Lend-Lease order so that the company will get busy with it and not wait for the otherwise slow Army contract to come along. When the Army contract comes along--

White: What is the problem?

Viner: We have to finance the--

- 58 -

Childs: We get our money back.

White: Then there is no action to be taken on three?

Childs: No.

Viner: You don't mind financing it temporarily as long as you know it isn't a permanent drain on your assets?

Phillips: The million, of course, does appear--

White: And then you get it back--

Viner: It comes back.

Phillips: Comes back.

White: When does it come back?

Phillips: Monthly.

Boddis: I am hoping this thing will be clear inside a few months.

White: If it were a very large sum we might find some other alternative.

Cochran: On the Lockheed thing, is that - what is that installation? Is that new engines or what?

Boddis: No, the airframe was designed to take the Allison F-3. Because we wanted to get the machine with a supercharger in it, which is exactly the same as the Army type, they are changing to F-2 and this is the additional cost involved in putting an F-2 engine instead of an F-3 and rearranging the cowling around the engine for the supercharger.

Cox: Are you using the same engines?

- 59 -

- Boddis: The Allison engines? We have got as many F-2's as we have F-3's.
- Cox: Harry raised another question, as to whether you had them.
- White: I didn't mean that to be answered.
- Cox: No, that was a rhetorical question.
- Boddis: This case again is exactly the same as the first two items.
- White: Is three the same as - or four, rather? Lend-Lease, then?
- Boddis: This is the Miami school.
- White: The matter which was raised yesterday and on which you thought you might get an answer today, Merle, did you get a chance to call up?
- Cochran: Yes, Sir Frederick came by just before one o'clock and gave me some documents which I handed to the Secretary as he was going out, and I made copies of those here.
- White: They related to that?
- Cochran: Yes. Did you want to give us anything more on that, Sir Frederick?
- White: Is there any further aspect of that that you wanted to discuss? I think probably you had better explain the difference, because you had that penned memo, you see, covering the two.
- Phillips: Well, Mr. Childs and Mr. Cox had a conference on the subject this morning and I understood the opinion was that Lend-Lease expenditure

- 60 -

for this scheme - they could all be brought under Lease-Lend in the case of machines which came under the Lease-Lend act but possibly could not be brought under Lease-Lend in the case of machines which didn't come under the Lease-Lend Act which were brought under existing commitments, is that right?

- Cox: That is right, in terms of personnel to fly them.
- Phillips: Yes.
- Cox: Everything except pay of the flying personnel.
- Childs: Is there a chance of that being extended or improved?
- Cox: Yes.
- Childs: Because I gather that everything will be owned by us.
- Cox: Yes. We are working on that now, a modification of the War Department Appropriation Act.
- Childs: The appropriation could be used for it?
- Cox: Yes.
- Phillips: Well, broadly, I tried to find out--
- White: Yes, but I mean this what the Secretary asked for.
- Phillips: And it appeared that as far as it was concerned with planes which were shipped out there and parts, the stuff should be bought under our own commitments by - as regards the planes which were to be flown over, it seemed rather clear that they would be mostly

- 61 -

planes under our own commitments.

- Cox: Unless we started--
- O'Connell: As far as that goes, I don't think it will.
- White: Do I understand this correctly, that the question which the Secretary asked was clearly indicated in the last sentence on this sheet? "We are willing to find what dollars are needed if not eligible under Lend-Lease."
- Phillips: That is the first scheme. That is a small scheme. With regards to the second scheme, we hadn't at the time of the memorandum you have got your hands on was written, gotten the opinion of Mr. Cox, but at the time I called on Mr. Cochran we had that opinion, and I just wrote down the information for him. The opinion was that certain types of expenses such as fuel oil would be brought under Lease-Lend in any case but that there are other types such as the pay of these pilots and so on where the expenses could only be brought under Lease-Lend if the expenses were incurred with respect to material, planes which had been supplied under Lease-Lend. Then I was explaining that the effect of that ruling, as far as I can see, would be to split the dollar expenditures by half and half because of these planes which have been going over, some of them have been delivered under our old contracts. Others are coming forward under Lease-Lend and apparently that decides also the question of whether the expenses of transportation comes under Lease-Lend.
- White: Then if I remember correctly, the question which he asked would call for a similar answer

- 62 -

either this way or the other way, but that the amount involved might be much less by virtue of your explanation right now. In other words, the British Treasury is willing to find what dollars are needed if not eligible under Lend-Lease and there are approximately, as you say at the moment, a half or so--

Viner: No, no.

White: That may be eligible under Lend-Lease.

Phillips: That is what I told Mr. Cochran.

Childs: This is a proposition involving two hundred thousand dollars.

White: But I was saying a similar answer would apply.

Phillips: That is clear, isn't it?

Cochran: I think it is. The only thing we didn't have was that Scottish Navy business. Did you find any more on that?

Phillips: I have got the people hunting for it.

Cochran: The Secretary had the idea that there was a company set up for ferrying the planes to Scotland.

Boddis: That is--

Viner: That is what he would like to know.

White: He asked that it be described. Is this it?

Cochran: No, it is not here. Sir Frederick couldn't identify it in the short time I gave him this morning.

- 63 -

- Viner: Let us know about that. How about this decision that transportation expenses are out unless the item is a Lend-Lease item? Is that like the laws of the Medes and the Persians?
- Cox: No, nothing is like the laws of the Medes and the Persians. It is like the laws of Lend and the Lease. (Laughter)
- Viner: Do you think there is no use in their trying?
- Cox: No, I think they ought to try it, but the other alternative that we are pursuing now, Jake, is to get the War Department appropriations amended so that their transportation account can be used for their own stuff or for stuff procured under Lend-Lease or for stuff procured by the use of foreign funds. If terms of storage and transportation, because you have got a double problem there--
- Viner: In the meantime, would you wait for that to pursue this or in the meantime try and get this out?
- Cox: The thing works in several different ways. In the first place, in terms of shipping we can procure a Lend-Lease ship to them and the usual method of Lend-Leasing is to charter the ship. Now, would you charter the ship - we can put the supplies on it and the cargo may be half Lend-Lease and half not Lend-Lease. So that, logically, is already cut into the other principle, but--
- Viner: Except on these that are to be flown, that is a different story?
- Cox: Yes, because they are much more separable in terms of planes, and that was put up one

- 64 -

time to Hopkins as a a matter of mixed law and policy, and he thought we ought to draw the line that way.

White: Making a distinction between flying the plane over and carrying it over?

Viner: Whether the planes came under Lend-Lease or under your own contracts and put in two requisitions to cover it all and you may be turned down one way.

Childs: Did you say it couldn't possibly be handled under two contracts?

Boddis: I will confess that I had considered it that way.

Cox: Here was the reason for it, just briefly. There was nothing in the organic act which said anything about delivery, in the legislative history. As a matter of fact, O'Mahoney's amendment was to authorize deliveries in the Western Hemisphere and it was defeated, but we have got the appropriation language cleared up so the expenses necessary in connection with any particular Lend-Lease article could be covered, which covers transportation, storage, and other similar expenses. But it would be a long stretch as a legal matter to cover stuff which wasn't procured with Lend-Lease funds. There is one subterfuge way in which you could do the thing and that would be for the British to turn over all right, title, and interest to these planes on acquisition without the payment of money to the United States, which makes it a Lend-Lease plane, and then you turn around and Lend-Lease them to them.

White: That would be no contradiction to the spirit of the Secretary's testimony. Why - would you

- 65 -

still have title after it has left the country?

Cox:

Sure.

White:

Well, so what?

Cox:

It isn't a question of violating the Secretary's testimony. It is a question--

White:

No, I was thinking of it from that point of view, that if they were willing to turn over the title to those planes--

Viner:

It is finagling.

O'Connell:

It is indirect, if you do it that way.

Cox:

I would think that in terms of what the legislative intent was, if anybody knows what that meant, that they never contemplated that you were going to use Lend-Lease money to pay the transportation on previously acquired material.

O'Connell:

Did you tell them they weren't or it was never contemplated at all?

Childs:

Get a bill of sale on these things.

White:

I don't quite see the distinction between building a ship and sending it over. Transportation is part of construction, obviously. You don't produce the thing until you deliver it where it is wanted, and if you now step in and say that delivery is equal to production, it would be unorthodox in classical economic reasoning at any rate.

Viner:

You are talking about Congressional legislation, Harry.

O'Connell:

What about the analogy between these cases

- 66 -

and the amendments to your airplane contracts? This delivery is as much a fiscal part of the job that we are trying to do as anything before it.

Cox: There is nothing in the act about delivery, Joe.

White: Is there anything in the act that prevents delivery?

Cox: No, but you have got to look to your Appropriation Act - in the first place, there is nothing in it but it gives you specifically monies--

Cochran: I am going out for a little while. I will try to get back as soon as I can.

White: Oh, all right.

Viner: I have arranged with the Secretary that I am going to be here on the eleventh for about a week. I must catch a plane now.

White: Oh.

Cox: Item number five, you had better use dollars on it for the present.

Boddis: Well, the trouble there is that we put in a Lease-Lend requisition and it was turned down in the main and now the school has got to start. It is actually opening on the fifth of July.

White: Well, wait, that is - you say use dollars. You mean there is no other alternative?

Cox: Well, I think the other alternative is sufficiently improbable at this time in the

- 67 -

time involved to go ahead with the school that they had better go ahead and make the dollar commitment on it.

White: But that need not necessarily constitute a precedent with respect to subsequent expenditures of a similar character.

Cox: That is right.

White: Then that requisition ought to be started now, oughtn't it, on the labor expenditures?

Cox: I gather this is for a certain unit cost per student. For what period, a year?

Boddis: Yes.

White: Would it be possible for you to go ahead with the dollar payments while this is being examined?

Cox: Let me ask this. Would it be possible to make a six months' contract?

Boddis: Well, we have got a break clause in it.

Cox: I can go ahead with the dollars, then.

White: How would it come to your attention again?

Boddis: There is actually a Lend-Lease requisition already filed in connection with this.

Cox: Has it been formally denied?

Boddis: In the same way that all the others have been turned down. I have never seen anything in writing on any of them.

White: How would you want this brought to your

- 68 -

attention again, Oscar, in what form?

Cox: Well, I would think that in the light of possible changed circumstances, you ought to put a tickler on this to look at it again in about a month.

Childs: Why don't we make up new lists of existing contracts made since March 11? We can make one once a month or something like that. You can examine them and see what you can take over.

White: Then the decision on this is to let this go. They will pay dollars and you are going to submit again the contracts, is that clear?

Childs: Yes.

White: Six?

Cox: What is the cost of this amendment?

O'Connell: Can't tell. Three to four hundred thousand dollars. They apparently don't know.

Childs: Three to four hundred thousand dollars.

O'Connell: It says it is impossible to estimate the difference in cost, but they assume it will be between three and four hundred thousand.

Childs: This is a funny one. How in the world we can take that under here, I don't know.

Cox: I don't know.

Childs: It is a cost plus contract.

White: Why is this modification different than any other modification?

- 69 -

- Childs: It is like this. Where you have a cost plus contract, the idea is to figure what the cost may be. It brings up our estimated cost by three or four hundred thousand dollars.
- White: But it remains the cost of the contract?
- Childs: That is right.
- White: Well, isn't that a--
- Cox: The same principle, Harry. It is hard to figure it out.
- O'Connell: You don't know how much the commitment was so how do you know whether--
- Childs: Well, if you see an estimated cost of change, you--
- Cox: Wait a minute, you also had a commitment to make this modification five months ago.
- Childs: But we estimated fourteen hundred millions instead of fourteen hundred millions plus three hundred thousand.
- Cox: But the commitment must have changed, and you will pay cost plus a fixed fee.
- Childs: That commitment has changed because of size.
- Now, we have a different size under changed conditions. The assets haven't gone up, but the estimate has gone up. I should think you would have an argument on that ground, wouldn't you?
- Cox: Gee, I don't see that.

- 70 -

- Brown: Didn't you place the order for this change five months ago?
- Childs: I don't think so.
- White: You said here some five months ago the contractor was given instructions to this effect.
- Childs: We always give instructions without a contract. I think we have to pay for it once we get it, sir.
- White: Well, is the difficulty you are raising, Oscar, is it a--
- Cox: You have got--
- White: ..... mechanical one in determining what that cost is?
- Cox: Both. The first thing is that if I say to you, "You make a suit for me," I don't have to give you a written document. If that suit does the job, I am obligated to pay for it. That is a commitment unless it is within the statute of fraud or something.
- White: In other words, is it your contention that this additional amount is part of the original contract?
- Cox: Well, the commitment was made for the change order before March 11.
- Boddis: That applies to--
- White: To a great many.
- Boddis: It certainly applies to the first item here. It applies to some parts of the second.

- 71 -

- Childs: It is a difficult problem. I take it your people out there are making changes all the time, aren't they?
- Cox: Let's leave the others and put this down as dollars because I think the combined practical - it would be doubtful if we could get the Army to take this over because they couldn't tell what the cost of modifications would be.
- Boddis: No, you could have that problem - it is entirely a new precedent.
- Cox: I know, but isn't the cost of the modifications determined?
- Boddis: At the moment? The whole--
- Cox: They are ascertainable, aren't they?
- Childs: Yes. They are under this one, too.
- Boddis: Yes, they are ascertainable.
- Cox: How are they ascertainable under this one?
- O'Connell: They say here it is impossible to ascertain them.
- Childs: Impossible to ascertain with any accuracy.
- White: Well, it has to be accurate.
- Childs: Yes.
- Cox: O.K. I think we ought to put that one down as dollars.
- Childs: We can estimate the cost on this one as well as the first one.
- White: You don't know how you arrived at it, but it

- 72 -

apparently has a definite dollar figure.

- Boddis: Well, it is just an estimate.
- Cox: Well, let me ask you this. Are the modifications such that the Army could make a separate contract and fix a separate price for them under the first one?
- Boddis: Yes.
- Cox: O.K., let's go.
- White: There is more doubt in your mind on this one?
- Cox: Yes.
- Boddis: Don't tell me that next one is going to be easy?
- Cox: No, not that.
- White: I suppose the Army is going to not be too enthusiastic about any of these and it may be necessary to give them a little encouragement from on top.
- Cox: Yes. I think it is much better to make it worth their while on an eight million dollar contract than on a eight thousand or three hundred thousand.
- Boddis: Oh, very much. If I had the job of doing it--
- White: Does that apply to number seven? Or is that of a different character?
- Cox: That is eight thousand dollars total, isn't it? Why not leave that in dollars?
- White: Are there many of these very small ones?

- 73 -

- Kistler: They all are.
- Boddis: There are a lot of small ones hereafter.
- White: Might it be worth while establishing a principle with respect to below a certain amount if there are going to be too many small ones? How much is involved?
- Phillips: Well, we did have a look at that and we found that in the case of the British Purchasing Mission, the really small cases worked out about forty thousand dollars a week, didn't they?
- White: On these amendments, changes?
- Boddis: New purchases.
- White: I am speaking of modifications. The new purchases would be--
- Phillips: It is all the same, isn't it?
- Cox: The new ones are easier. I would suggest for the present, how about taking all items of ten thousand or under on modifications and handling them by dollar payments instead of Lend-Lease.
- White: How much would that amount to?
- O'Connell: You wouldn't apply that to the new ones, just modifications?
- Cox: That is right.
- O'Connell: That isn't going to cost you very much.
- Boddis: There were some new purchases which we had to place. We have got someone in the middle of Texas who wants some new sparkplugs.

- 74 -

- O'Connell: I was just suggesting applying this to the amendments. There is much less cost there anyway than the new purchases. Just arbitrarily to cut out everything under ten thousand on amendments would make his job much easier.
- Cox: Number seven, Brown points out that number seven is a purchase, isn't it? You are buying additional jigs, dies, patterns and so on.
- Childs: The facilities are certainly additional.
- Cox: It says the cost of additional pattern and die facilities.
- Brown: It appears that you are just buying a new set of tools, really.
- O'Connell: Yes, this is machine tools.
- Childs: Facilities, that is the eight thousand dollars.
- Cox: Why don't we leave that one in Lend-Lease?
- Childs: Eight thousand dollars is the facilities. Let's see what the other eight thousand dollars is. That is all there is to it.
- Cox: Why don't we put that in Lend-Lease, because that is a new purchase, Item number eight is a change, isn't it?
- O'Connell: A change, yes.
- Cox: Yes, I think you could put that one in, too. New latches, semi-complete latches. The same thing with nine. Apparently the order has already been placed, though. We will just leave nine out.

- 75 -

- Childs: Fifty-eight dollars, is that going to be Lend-Lease?
- Cox: No, because you have already placed your order.
- White: Did you come to some tentative decision on the small amounts?
- Cox: Yes.
- White: What was it?
- Cox: Well, the new stuff under ten thousand dollars will be taken and on the modifications under ten thousand they will be left out.
- White: Might I suggest this, if you could, by the time the Secretary meets, which is Tuesday, if you could have an estimate of the total which would be involved on the modifications as distinct from the new orders and let's get the Secretary's reaction.
- Cox: Well, I don't think you could do that, Harry.
- White: Can't you get some estimate of the total of the modifications which are less than ten thousand dollars?
- Boddis: No.
- Cox: I don't see how you could do that, Harry.
- White: I don't understand why not.
- Cox: Well, you could get it from past experience for three weeks or a month past.
- White: Oh, I thought they had a batch of them. That would be only a small part of the total, is that it?

- 76 -

- Cox: No, I mean I don't think you have got any statistical curve which you can project except in so far as you have got certain past experience, but when you have a change--
- Boddis: Even that isn't reliable.
- Cox: I was going to point that out.
- Boddis: You get this sort of situation. An airplane is brought into service, and they find for some reason or other a rib cracks so they send a cable over saying that particular rib has to be replaced. That might cost a few cents per airplane to strengthen, but you can't possibly foresee it.
- White: And it has been running even enough from month to month so it is projected with any degree of justification?
- Boddis: No.
- Cox: Is it all right with you, Sir Frederick - where were you thinking the figure ought to be placed on modifications?
- Phillips: I am rather in Mr. Boddis' hands. I don't mind, myself.
- Boddis: I think if we had that ten thousand and on modifications thirty thousand dollars would--
- Phillips: What about these small orders? I am not quite so happy about those.
- Boddis: No.
- White: That doesn't include the small orders, the new orders.

- 77 -

- Phillips: What I had in mind for small orders was to fix some figure, I don't know what figure, for an individual item, but also to fix a total of so much a week.
- Cox: Well, that is all right, but suppose you have got things that are of no particular urgency such as very small machine tools.
- Boddis: Those will go through Lease-Lend.
- Cox: They would?
- Boddis: Yes.
- Cox: What about things like twine and so forth that go through? Then you have got three conditions, urgency, size, and modification--total dollar amount per week. They want to have a drawing account of items not in excess of five thousand.
- Boddis: The figure I suggested, which was to include minor modifications, was ten with an over-all maximum of fifty thousand a week to cover other new modifications which were urgent new purchases.
- White: Supposing it is over fifty thousand a week? Then you will attempt to--
- Cox: They are going to exercise control.
- White: I see.
- Cox: I should think your modification of new orders would be different, because administratively it is much easier in terms of - in relationship to urgency to get a new order placed through than it is a modification.

- 78 -

- Boddis: It depends where the demand arises. If you have got a machine manufactured in Texas--
- Cox: I wasn't thinking in those close limits, but I was thinking of the difference between, say, a five thousand dollar limit for new purchases and a ten thousand dollar limit for modifications.
- Boddis: That is perfectly all right.
- O'Connell: Why don't we try it on that basis and if you see you are spending a lot more dollars on the small stuff than you like, you can change it.
- White: All right.
- Phillips: Should I prepare a memorandum, Mr. White, on that suggestion and have it confirmed on Tuesday?
- White: I think that would be good.
- Boddis: Did you bring Mr. White that memorandum?
- Phillips: I don't know.
- Boddis: That little memorandum at the opening of this meeting, you said you had a memorandum which you said you hadn't had time to read.
- White: That is right. I think we had just made some copies of them.
- Phillips: We will take that back with us, because it wants a little change in view of the modifications.
- White: Is that copy all right for you or do you want the original?

- 79 -

- Phillips: This is all right.
- Cox: What about these two items, what are they going to be used for, do you know?
- White: Have you gone by item number nine?
- Childs: Nine is dollars.
- White: And ten?
- Kistler: Ten is dollars, too.
- White: A hundred and sixty-eight dollars and a hundred and ten dollars? No.
- O'Connell: Under the rule of thumb they would be.
- Kistler: They are going to apply that today.
- White: Is that right, nine and ten fall under these dollars because of its being a modification of the small amount?
- Cox: Yes. What are these machine tools for India for, do you know, item number eleven?
- Archer: Doesn't it say in the notes? I would put that in under Lend-Lease.
- White: Number eleven, Lend-Lease.
- Well, now, does this - is this one of the items about which there have been some discussions originally as to whether it would fall under them or not?
- Archer: No, I don't think so.
- Cox: The same thing came up--
- Archer: Except so far as it is independent--

- 80 -

Cox: Well--

Archer: The other things are really commercial things.

White: But this is one type about which there have been some discussions.

Cox: Oh, yes.

White: Number twelve. Number eleven is Lend-Lease. Number twelve. That is an amendment. Is there any question in your mind on this? That falls clearly within the category of--

Cox: You can't tell from this whether there is any urgency. Is there any urgency on thirteen?

White: One bearing.

O'Connell: If there is urgency, that is a compelling reason for having it Lease-Lend, isn't it?

White: No, the other way around, because it takes more time.

O'Connell: What about when you get into the priorities situation? Or would this get priorities?

White: They would get priorities.

O'Connell: Would they?

Cox: They wouldn't on the Indian thing.

White: For ordnance?

Cox: Number eleven, no sir, not unless it is under Lend-Lease.

Phillips: Machine tools.

- 81 -

- White: But you did put Lend-Lease--
- Cox: I say if you put it under Lend-Lease, you do get priorities, and if you tell them, "No," they probably won't get it anyway.
- O'Connell: Well, this urgency--
- Cox: Look at number twelve. On the delivery schedule, suppose it is available at once. Machines which have already come forward pursuant to contracts made on March 1, so the priorities thing is washed out, but on number thirteen, you can't tell.
- Childs: It is very probable where your company is named that they may already have a priority on it.
- Cox: There is no delivery schedule or no indication of urgency.
- Childs: Incidentally, as we go through this thing for goodness' sake make suggestions. Would you like to have a regular heading of emergency?
- Cox: I would like to.
- O'Connell: Well on thirteen--
- White: What was the decision on twelve, Miss Kestler?
- Kestler: Use dollars because of the urgency.
- Cox: You have got to, Tom. You have got a delivery schedule, and then you have got your marks, explain fully any other difficulties--
- O'Connell: It seems to me--
- Childs: The thing is, I had a number of items of urgency but they haven't put this under "urgency."

- 82 -

Cox: I would put this under Lend-Lease unless you think that is urgent.

White: Would you want to determine that and present this next time?

Childs: You don't know?

Archer: This doesn't come--

White: Is there any way of ascertaining that quickly?

Cox: We can put it down Lend-Lease.

White: Put thirteen Lend-Lease and then they can begin inquiring about it.

Cox: Fourteen, Lend-Lease.

White: Fourteen is Lend-Lease. I take it where it is Lend-Lease, you needn't pause for discussion.

Cox: Fifteen, Lend-Lease. Sixteen ought to be no Lend-Lease, dollars.

White: Seventeen, dollars.

Cox: Urgently required.

White: No Lend-Lease on seventeen. There are two seventeens. Oh, wait, that was - sixteen was what?

Brown: Sixteen was no Lend-Lease.

White: Is dollars. And seventeen?

Cox: Wait a second. What happened to the Admiral's request for a requisition, did you ever put it in?

- 83 -

Childs: That I don't know.

White: This seems to be clearly something that could go under Lend-Lease.

Cox: Yes, if the requisition is in. Who is--

O'Connell: That is--

Cox: They have already put the order in, have they? We will need some arrangement on that.

Brown: The parts are all in New York, aren't they?

Cox: Yes.

White: Apparently the authorization--

Archer: I think that should be in that column.

White: How can they ship it?

Cox: Phillips can get it to them, can't you?

Phillips: Certainly, for some three thousand dollars.

Cox: You had better put dollars on that one, but I think you ought to find out on these kind of cases where you put a requisition in and have the company there, I think you have got a loophole there because every motivation is on the part of the company to make it a direct order.

Kistler: That is eighteen?

White: Seventeen.

Childs: Now, eighteen comes next. The dollars figure is on the second sheet. It is two million dollars.

- 84 -

Cox: That is the same as - no Lend-Lease. It is the same as the navigation school.

Childs: It has got to be dollars?

Cox: Yes.

White: Let's hesitate just a moment.

Cox: Do you stop at two million, Harry?

White: Well--

Cox: That item, incidentally, is super confidential.

O'Connell: That is labor cost alone?

White: There is no doubt in your mind?

Cox: They have already passed on it. Hopkins has been in this thing from the outset. On nineteen, I think they ought to put a requisition in under Lend-Lease.

Archer: May I raise a point on that incident?

White: Twenty?

Coe: What is nineteen?

White: Lend-Lease.

Archer: If you want it sent by air right away, what procedure can be made by the Treasury procurement?

Phillips: Are you on nineteen?

Archer: Yes. I mean, would they be able to get it all through by next week? The stuff is already waiting - I have written to Mr.--

- 85 -

O'Connell: He can't move until he gets a clearance from you.

Cox: He has probably gotten one already.

Archer: It has only gone in this morning.

Cox: You have droped him a note telling him about the urgency?

Archer: Yes.

Cox: If you didn't hear by Monday I would follow it up with him.

O'Connell: If you have any difficulty, you might get in touch with me and I would call him because I deal with those people all the time.

Cox: Because on those urgent items, that is about the best you can do, I think, keep pressing them.

Archer: They can do it all right if they are so disposed.

Cox: Well, now, wait a minute, you have put it in for a billion? What is the requisition?

Archer: There is one requisition for eight.

Cox: When was that put in?

Archer: It reached you, I think, sometime at the beginning of this week.

Cox: That may be ready. They are just interchangeable units, aren't they?

Archer: No, it hasn't gotten to that stage.

- 86 -

Childs: Well, obviously, whichever comes first--

Archer: Shall we put in the additional requisition for the two?

Cox: That is right.

O'Connell: In terms of availability, isn't it?

Cox: Yes.

O'Connell: You can always get that in.

Cox: In terms of a billion units, I don't know.

Childs: Twenty looks as though it were only a contract.

Cox: We put that one down as no Lend-Lease. Number twenty-one, no Lend-Lease.

Childs: This is a service charge, isn't it?

Boddis: Yes, no Lend-Lease on this one. Now we are finished on that.

Now, on twenty-three and twenty-four, this is the one you have seen before, Mr. Cox. The essential trouble is that the contractor has refused to accept the contract.

Cox: I would put this one like the Consolidated, Lend-Lease.

O'Connell: What are you on?

Cox: Twenty-three. I don't know about twenty-four.

Archer: It is a self-balancing item.

Cox: Half of it is for export and sale in the United States.

- 87 -

- Archer: Which I gather is not of a type that is Lend-Leased.
- White: Well, I am wondering whether this issue hadn't better be raised on a large amount.
- Cox: I would think so.
- White: I think it somewhat prejudices the case or principle when it is a small amount. What do you think about it?
- Childs: I think that is right.
- Cox: How about requisitioning only the half that is required for U. K. consumption? Is that possible.
- Archer: We don't want to start that, do we, trying to split the thing up? It is difficult to say it is precisely half.
- Boddis: At all in one form.
- Cox: Comes in various forms.
- White: Oh, this is one of the private--
- Cox: Well, you had two private things. One is, it is used in textile machinery in Britain which conceivably could be used to make uniforms for the Army, but the other part is used in belting which comes to the United States from the export market, sold by private sellers for dollars.
- White: Well, it raises a very knotty problem. My first reaction is that we are perfectly willing and want to and should wrestle with that problem, but I think there is a better opportunity to examine it with the consideration it deserves if it were a large amount,

- 88 -

unless they are going to do a lot of these small amounts, and then we had better hit it at the beginning.

- Phillips: I think it is very difficult to find a case of this kind. In the ordinary way, we should be arguing on the principle of discussion. Where it was quite clear that we were making at home in the United Kingdom far more steel and applying it to all purposes than we were importing from the United States for reexport, the mere incident, the particular part of the item of steel of the United States, it was a mere incident that it happened to get back into trade. This, I understand, they put in because it isn't a case like that.
- Cox: Can you separate it out?
- Phillips: No. If you would like to have it generally, we can do that.
- Cox: If you can say it is used - "X" dollars worth is used for the manufacture of textile machinery in Britain, that is one thing.
- Boddis: It is all building.
- Cox: Can't you on the other hand--
- White: Let me ask this question. If there are going to be numerous items of small amounts, or relatively small amounts, then I think we might well raise this, because the totals may be large. If, on the other hand, there are not numerous items of small amounts or if there is likely to be an item of a million dollars or so or over, then I am wondering whether it might not be wise to postpone consideration until we get that kind of a--

- 89 -

- Cox: Well, we have already passed on it substantially in the steel case.
- Archer: I don't think that is quite the same.
- Cox: No, not--
- White: Which steel case is that?
- Cox: Part of the steel that they require from us in a descending percentage goes into the manufacture of equipment which may be exported like sugar machinery, for example.
- White: How did you pass on that? What was your decision?
- Cox: The decision was to exercise every effort to cut down on the reexport part, which they are doing under normal pressures anyway.
- White: Does that constitute a clear precedent for this?
- Cox: No.
- White: Why not?
- Cox: Well--
- White: It is an export to them, of which they use a portion and reexport some, but is it not a precedent because steel is an important item which has been decided on its own merits and--
- Cox: That is right.
- White: I should be inclined to think we might pass these for dollars and see if we are going to get some more of them or if you have a large item, because if you bring this question up

- 90 -

it has got to be thrashed out, I should think, on the question of policy and whether it is worth doing on this small amount - I think the tendency would be to say, "Oh, well, it is only this amount." Let's not face that question, so that we either have to be in the position of saying that there were a lot of these small amounts and they total large and we have got to settle the issue on them or if we can't say that, I almost think we are licked to start with.

Archer: The little fag ends of all the big things--

Cox: Are you sure it can't be separated at all in terms of what is to be used for machinery in the United Kingdom?

Phillips: I should think most of this when it gets in our market is sold at the ordinary commercial price, not below the price suggested in America, and it goes to different people. It is impossible to tell how much would be used for our own textile machinery.

Cox: Can't you do it without complicating the administrative machinery by saying that annually at least so many tons will go into machinery in the United Kingdom.

White: Yes, it would be some such approach that would be necessary if a decision were to be made. I am raising another question which may be over-simplifying it. I mean, this is a case - an isolated case or if there are very few, if the total were small, I think we had better avoid it. If it is typical of a large number, we have got to face it. If we are going to face it and if there are such questions, I think probably it might be a little more helpful if we could

- 91 -

get a large amount.

What is this, two hundred thousand?

Archer: That is for six months. For a year, the amount would be double.

White: Now, is it your feeling that there are a lot of those cases of a similar character?

Archer: Not now. I should think there would be very few.

White: Then if there are very few, maybe - unless they can--

Phillips: You are proposing to withdraw the application so the--

White: Withdraw the application so the decision will not be made.

Cox: Let's give it further consideration.

White: What we might suggest is that if there are more of them, let's lump them together if they appear. If they don't appear, you are not concerned with them. Does that suit you?

Archer: We withdraw it from here and spend the dollars?

White: You will not submit - you are not submitting a request--

Archer: We have got to tell England to spend the dollars, you see.

White: Well, you can spend--

Cox: You ought to consider whether or not you can't--

- 92 -

- White: Spend a month's worth of dollars.
- Archer: That is a six months' order. You could give us that for six months, and we could look at it again in six months' time.
- White: Sir Frederick's point was that he - it is better not to make a decision on this. In other words, you withdraw the application so that there is no decision made--
- Phillips: For the moment, anyhow.
- White: Yes.
- Archer: And England has got to go on buying.
- Phillips: I realize that.
- Cox: Can't you ascertain how much approximately is used for the manufacture of textile machinery or other similar machinery in Britain?
- Boddis: There is no real difference in the machinery as long as it is run off a pulley.
- Cox: But you must have some estimate of what is used in England as against reexport.
- White: You are raising the kind of questions that we would want raised in deciding these things. If it is a very small proportion, for example--
- O'Connell: They have got an estimate right here.
- Cox: They have got an estimate of half and half.
- White: Why don't you put in a requisition for half and state in the requisition that that is going to be used for stuff in the British

- 93 -

Empire, but put in no requisition for the rest?

White: Even though the identical belt may--

Cox: There is no question about that, but I would put the requisition in and say that you are requisitioning fifty percent of your six months' need, that the other fifty percent which is the estimate of what would be required for reexport, is being handled by dollar purchases. Then your requisition would show that on the basis of your estimate--

White: Except that--

Cox: This may be a sample of the type of purchases which in private purchases may bulk large. Therefore, why make the decision unless you are ready to make a Lend-Lease decision? If you are not ready to make a Lend-Lease decision, let's postpone it until by virtue of its size or mere lapse of time there is an opportunity. All right? So it will be just withdrawn.

Childs: There is one more, Dr. White, that Archer got in late today.

White: Do you have a copy of that?

Cox: Yes.

White: Let's number these.

Childs: We would have put it on here. It will be twenty-five.

White: Why should any distinction be made whether the parts are to be - why should any parts be imported except under Lend-Lease in view

- 94 -

of the fact that they are to be used for development of food supplies? Why shouldn't all the - why is it necessary to distinguish?

Cox: It isn't. That last sentence proposes that the whole thing be centralized so that it will be no restriction.

O'Connell: But they want to know that if they do centralize, they will be able to get it. This raises two questions, doesn't it? One is whether it can be Lend-Leased and the rest of the question they raise here is as to how they dispose of it.

Cox: That is right.

White: Well, does it matter how they dispose of it?

Cox: Well, there have been several questions raised on that. The first one was on the purchase of a specific kind of agricultural equipment like International Harvester and the use of International Harvester as a distributing agent. Now, you get the same thing in terms of parts which makes much more sense than the tractors themselves did, and I would think you probably could get the Section 4 consent if that is your most practical way of handling the distribution of parts.

White: You think this could be submitted under Lend-Lease?

Cox: Yes.

White: All right.

O'Connell: Are you concerned with the basis upon which the British dispose of such things as tractors and parts through dealers? I mean in terms of price. Suppose they give them away.

- 95 -

- Cox: No, we are not concerned about that, but we don't want to be in a position, for example, of being politically criticized on a thing like the International Harvester where you buy a trade name as against - but if a fellow has got an International Harvester and needs a part, you can justify yourself much more practically in going to the International Harvester agency in a particular part of England to get a part rather than going to the Ministry of Supply in London.
- Archer: The parts, you see, have got to filter down to much smaller people than the larger machines.
- O'Connell: Take the situation such as food. Supposing we Lend-Lease a substantial quantity of food-stuffs. I don't - politically, I should think it wouldn't make a great deal of difference to us whether the food is given to the British under Lease-Lend and is distributed through - through a few stores or whether it was sold at a high price or what.
- White: There might be political difficulties, definitely. If the Government itself sold it for a high price, that is one thing. If private individuals sold it for a high price, that would be a matter, I take it, which the British Government would--
- O'Connell: I am raising the question as to whether we would be concerned.
- Cox: The first question we raised on food was whether it couldn't be, again having - whether it couldn't be distributed through the Army and Navy depots.
- White: I don't quite see why we should be concerned

- 96 -

whether the British Government makes a profit.

Cox: That is not the point. Our Quartermaster Corps, for example, buys enormous quantities of food, and if the Food Ministry uses "X" amount of food which it gets from us for Army and Navy distribution, the balance goes for civilians. Here is the only question. We don't care what they sell it for. The question which has already arisen is where people - private individuals have profiteered with Lend-Lease food. Now, you get a political question. To peddle these under the British law is normally a matter for domestic regulation. They have a certain penalty for a man who violates the price schedules on the sale of food.

Now, politically, some fellow up on the Hill can raise an awful lot of noise--

White: Except that don't they already have some restrictions? Isn't the British Government interested in restricting profiteering on food?

Cox: Sure, they are. It is a question of violation of the restrictions.

Phillips: Suppose the British Government even gave it away free? What question is there. On the whole of our food supply, it is quite clear the British Government is subsidizing the food.

White: His point is, there would be less political objection if they gave it away.

Cox: There is no objection about that, but here is what happens. You take a Lend-Lease ship and it really isn't any of our - we don't care,

- 97 -

but you really have political investigations where a Lend-Lease ship is sold to the private distributor and the distributor attempts to profiteer by it. He will be punished in one community by imprisonment or fine--

White: Is it your suggestion that the British Government is not enforcing its profiteering laws satisfactorily?

Cox: There is only one practical solution to that, Harry, and it has probably already been made. It is one of the things Winant was worried about. The thing for him to do is go to the Ministry of Food and say, "Here is a situation that may have some political backwash. Maybe you ought to make your penalties more stringent or your sanctions better."

White: Do you have any--

Phillips: Act to regulate the prices.

O'Connell: I am sorry that I raised the question this late.

Cox: That is a matter of domestic--

White: Their domestic control, yes.

Cox: We can't control it internally.

White: Are you through, Oscar?

Cox: Yes.

White: If you don't mind staying just a minute, Mr. Cochran just passed me this statement of the cash position. Is there anything else that you want to raise at this--

- 98 -

- Childs: Yes.
- Phillips: The point I got is, I am in communication with the Secretary. Am I to pass him any more about the Takoradi scheme?
- White: No, it seems to me you gave him the answer that--
- Phillips: Well, I gave it orally to Cochran. I didn't attempt to estimate--
- White: No, but the statement was, if I understood it correctly, that if there were any dollar payments necessary to the scheme, you would meet them--
- Cox: Well, the thing that the Secretary is particularly interested in, I think you have answered, and that is that this thing will go forward immediately. Whether or not it requires dollars and regardless to what extent it requires dollars. I got a call from Hopkins this morning asking me to get in touch with Lovett to help out in any way I could to expedite the thing.
- White: Do you understand that that way, Sir Frederick?
- Phillips: That doesn't mean I don't want to go forward.
- White: That doesn't preclude going forward and attempting to produce the number of dollars necessary, but they didn't want to stop initiating the plan. Is there anything else?
- O'Connell: Is there a requisition for that plan?
- Cox: It hasn't come through yet.
- O'Connell: You expect them to file a requisition?

- 99 -

- Cox: Yes.
- White: As I understand it, what you (Childs) are going to do is submit requisitions in the form required for all those that were indicated to be - to look like Lend-Lease projects, is that right?
- Childs: That is right.
- White: You submit those to Mr. Cox.
- Childs: As fast as they can be prepared. Is there anything we can put on these things to push them? A lot of them--
- Cox: Why don't you get together with Burns and Young? I think you ought to work out some degree of speed - relative speed as between these requisitions. Maybe you want to put "urgent" or whatever--
- Childs: Or "Passed by the Committee, Cleared for Lend-Lease." Just put something like that on it so nobody else can raise the question, "Is this lend-leaseable?" because many people do, I gather, in some of the departments.
- White: Well, we could - I don't know whether this committee - we have no status with respect to being cleared by Lend-Lease. It would be wholly a matter of--
- Cox: We will have to get together and work out something to put on the requisition on not only this type of case but others, because we don't want them raising all kinds of questions as to more particular legal things, because we have had some instances of that character.
- Childs: What will we do about these sheets now.

- 100 -

- White: Well, now, I would suggest that we would like one copy here.
- Childs: We made you two or three.
- White: All right. The next step is for you to submit the regular forms directly to Mr. Cox.
- Childs: Correct.
- White: Does that answer your question?
- Childs: That is fine. We don't have to make up any more records or anything?
- White: No, we have an account and we will make up the records. You can keep your own and check them with ours. This memorandum which I haven't had time to peruse, can that go over?
- Phillips: That is the one about those limits?
- White: That is the one--
- Phillips: It wants some slight amendment, and that will come back to you, and from the discussion today I take it it can be agreed on Tuesday.
- White: I see. Now, will you have some more of these ready, and in any case, can we meet Monday afternoon? It may be very brief, merely so that we can - or Tuesday morning. I want to meet again before the Secretary--
- Phillips: What is important is that we shall have some dominion stuff in for the Tuesday meeting. Will you have anything in by Monday afternoon?
- Archer: I have got one small thing that Elliott was speaking to me about.

- 101 -

- Childs: These drift in all the time.
- Phillips: I am inclined to think Tuesday morning would be a little bettern than Monday afternoon.
- Cox: I would suggest that these requisitions, that you put down a notation that this was discussed with me at the committee meetings at the Treasury, so that they won't get--
- Childs: Why not just say, "Passed by Mr. Cox"?
- White: Whichever you think would have more force, whichever you work out.
- Well, then shall we meet Tuesday at eleven o'clock?
- Cox: What time is the meeting with the Secretary?
- White: Three. Is it all right?
- Cox: How about meeting at two?
- Childs: We would have more work than we could do in the hour.
- White: As long as we don't come in the office with any unfinished business, we can meet at two, and just stop in time to--
- Childs: We have run three hours today.
- Phillips: I prefer a little more time.
- White: Then let's do it at eleven. I hope these aren't criteria. Mr. Bell was tied up at a meeting today. He thought he might be able to get through in time to come but he wasn't certain.

(Handed by Sir Frederick Phillips of the British Treasury to Mr. Cochran in the U. S. Treasury at 12:45 p.m., June 27, 1941.)

C  
O  
P  
Y

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

MEMORANDUM FROM R. G. D. Allen

TO Sir Frederick Phillips

June 27, 1941

Note for Mr. Cochran

In connection with my memorandum on the British Cash Position dated April 18, I informed you that I expected the available gold and dollar balance to fall from \$161,000,000 at April 1st to a low point of about \$70,000,000 by the end of June. This estimate was based on forecasts of payments on British contracts provided by the British Missions. Actual payments fell short of these forecasts by about \$130,000,000 during the months of April and May, and the June payments so far are also lower than the forecast. Payments have fallen behind partly, if not largely, because of the difficulty under present conditions of obtaining deliveries up to schedule on British contracts. Allowing for a short fall of about \$150,000,000 on contractual payments between April 1st and June 20th, I find the actual gold and dollar balance of \$161,000,000 at June 20th a surprisingly low figure. The excess of gold and dollar receipts over payments other than on the British contracts in the U.S. must have fallen short of my original estimate by about \$60,000,000.

Copy:alm 6-27-41

(Handed by Sir Frederick Phillips of the British Treasury to Mr. Cochran in the Treasury at 12:45 p.m., June 27, 1941)

C  
O  
P  
Y

Available gold and dollars

\$ millions

At close of business on:

March 31, 1941

161

April 30

152

May 31

138

June 6

151

June 13

137

June 20

161

Washington

June 27, 1941

(Init.) F.P.

Copy:alm 6-27-41

Mr. Cochran

Memorandum on the Inkovati schemes herewith.

Mr. Childs has interviewed Mr. Cox this morning on lease-lead aspects with following results

First Scheme

Mr. Cox is of opinion that this expenditure can be brought under lease lead

Second Scheme

Mr. Cox is of opinion that all these expenses could be brought under lease lead except possibly those connected with the delivery of planes owned by the United Kingdom viz purchased out of pre lease lead contracts.

J.B.

27/6

Recd. 120 P.M. June 27, 1941

FIRST SCHEME

There is at present a collection of aircraft at Takoradi which have been shipped in parts for assembly there. To relieve congestion at Takoradi, General Arnold has arranged for 30 skilled mechanics of the Curtiss Wright Company by Clipper on the 2nd July. Cost of transport not known, but say \$15,000 to \$30,000. Pay of Mechanics, say \$180,000 a year. They are going indefinitely for such period as they are needed at Takoradi.

We are willing to find what dollars are needed, if not eligible under lease-lend.

*J Phillips*

27th June 1941.

This scheme provides broadly (i) for the shipment in parts and/or the flying of complete aircraft from U.S. seaboard to Takoradi via South America, (ii) for the ferrying of the aircraft from Takoradi to Khartoum or other point near the operational zone.

Provision is thus needed for three distinct services -

- (a) ferrying of aircraft across the South Atlantic,
- (b) ferrying of aircraft, either shipped or flown, from Takoradi to Khartoum or other delivery point,
- (c) provision of an air transport service in Africa for conveying ferry pilots back from delivery point to Takoradi.

Scheme was discussed in general terms between Mr. Hopkins and Air Marshal Harris and also between General Arnold and Air Marshal Harris with the President and other representatives of Pan American Airways.

It was proposed that Pan American Airways, by direct agreement with British authorities, should undertake the responsibility for the three services. The Trans-Atlantic and Trans-Africa ferrying services would involve the provision of operating personnel and the supply of fuel and oils. The transportation of ferry pilots on the return journey from delivery point would entail provision of aircraft (20 Douglas DC<sup>3</sup>) and operating personnel, ground organisation at terminal and intermediate points. It was assumed that existing ground facilities should be adequate, but P.A.A. indicated

that it might be necessary to provide additional navigational and ground equipment. Pan American Airways would also be responsible for providing personnel and material required for maintenance of aircraft and ground equipment.

204

An estimate, necessarily conjectural, of the expenditure involved for these services is:-

a.		
1)	Trans-Atlantic ferry (150 mixed crews)	\$2,700,000
b.	Return journeys to U.S. by clip-	\$1,800,000
2)	Trans-Africa ferrying of military aircraft, (80 pilots)	\$1,250,000
3)	Transport service:-	
	(a) 20 D.C.3 transports and spares at \$125,000 =	\$2,500,000
	(b) Maintenance equipment required in Africa and cost of transport- ation to West Africa.	500,000
	(c) Grounds aids, naviga- tional, radio, etc. say,	300,000
	(d) Cost of pilots, crews, ground personnel and other ground services	\$3,600,000
	(e) Administrative and miscellaneous expen- ses	\$2,000,000
		<hr/>
		<u>\$14,650,000</u>

Mr. Trippe, of Pan American Airways emphasized that the Company did not wish to make any profit out of this undertaking and would base their charges on audited costs.

J Phillips

27th June 1941.



AA

TREASURY DEPARTMENT  
PROCUREMENT DIVISION  
WASHINGTON

OFFICE OF THE DIRECTOR

June 27, 1941

MEMORANDUM TO THE SECRETARY:

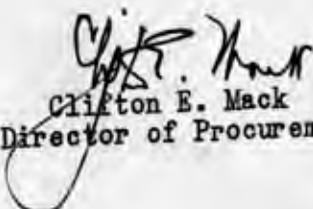
Weekly Report - Lease-Lend Purchases  
(6/20 - 6/27/41)

Purchases to 6/20/41.....	\$ 18,329,823.37
Purchases 6/20 to 6/27/41.....	703,576.22

Total to 6/27/41.....	\$ 19,033,399.59
-----------------------	------------------

<u>Requisitions Pending</u>	<u>Estimated Cost</u>
Cleared by O.P.M.....	\$ 221,869,538.15
Awaiting clearance by O.P.M.....	10,588,827.00
Total Pending Requisitions.....	\$ 232,458,365.15

Actual commitments for iron, steel and scrap requirements were not made this week due to a revision of specifications by the British. The revised specifications have been received on approximately 300,000 tons of steel and contracts are now being executed. Specifications of an additional 150,000 tons are now being submitted by the British, and the Office of Production Management has indicated it will clear scrap and pig iron requirements tomorrow.

  
 Clifton E. Mack  
 Director of Procurement

Attachment

JUNE 27, 1941

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
206 DA-TPS-232	Clinton Asphalt Co.	China	Asphalt	1,521,000 gals.	\$ 158,564.25
DA-TPS-143	Deere & Co.	U. K.	Spare Parts for Farm Equip.		285.04
DA-TPS-182	Heyden Chemical Corporation	"	Creosote	2240 lbs.	1,680.00
DA-TPS-86	Allis-Chalmers Mfg. Co.	"	Parts for Agric. Implements		41,605.53
DA-TPS-235	The H. A. Wilson Company	"	Thermometal	7,720 lbs.	10,808.00
DA-TPS-223	U. S. Rubber Export Company, Ltd.	"	Tires	200	664.00
DA-TPS-82	The Cleveland Tractor Co.	"	Spare Parts for Agric. Equip.		29,224.69
DA-TPS-229	Driver Harris Co.	"	Wire Copper	3,000 lbs.	60,250.00
DA-TPS-207	Marsh-Stencil Machine Co.	"	Stencil Cutting Machines	28	2,016.00
DA-TPS-188	Bohn Aluminum & Brass Corp.	"	Brass & Wire		156,535.00
DA-TPS-190	The American Brass Company	"	Brass & Wire		178,222.00
DA-TPS-227	W. L. Brubaker & Bros. Co.	"	Reamers	247 sets	13,201.00
DA-TPS-221	Worthington Pump & Machinery Co.	"	Pumps, etc.	40	14,411.00
DA-TPS-248	Allis Chalmers Mfg. Co.	"	Speed Patrols & Parts		14,683.04
DA-TPS-218	International Harvester Export Co.	"	Motor Trucks	8	20,834.72
DA-TPS-123	Minneapolis-Moline Power Imple.Co.	"	Spare parts for Farm Equip.		591.95

Total Purchases 6/20 to 6/27/41.....\$ 700,978.22

Regraded Unclassified

207 ✓

Treasury Department  
Division of Monetary Research

Date.....6/27/41.....19

To: Miss Chauncey

From: L. Shanahan

Mr. White wanted you to have a copy of this for your files.

In the future there may be documents on this which are to be kept in the Secretary's office. This is not a Treasury committee, but Mr. White serves on it.

June 27, 1941

To: Mr. Alvin Hansen,  
Chairman, Joint Economic Committee

From: H. D. White,  
Director of Monetary Research

**U.S. Treasury Relations with Canada**

Representatives of the Canadian Ministry of Finance, headed by Deputy Minister W. G. Clark, have been in frequent touch with the Secretary of the U.S. Treasury, the Under Secretary, and other Treasury officials.

Over the past few months, there have been frequent discussions in Washington concerning Canada's exchange position vis-a-vis the United States, and vis-a-vis Great Britain. One set of these conversations were related to some of the subjects in the Hyde Park Declaration. Since that period, the Canadian Ministry of Finance officials have raised with the U.S. Treasury a number of questions on Lend-Lease procedure where the issues involved were closely related to Canada's exchange position. For such conversations, the Canadians have occasionally brought in a representative of the Ministry of Munitions and Supply.

Since the appointment by Canada of a Financial Attaché in Washington, this official has on occasion been the channel through which questions were discussed.

EDW:VFC:iam  
6/27/41

COMMANDANT THIRD NAVAL DISTRICT  
90 CHURCH STREET  
NEW YORK

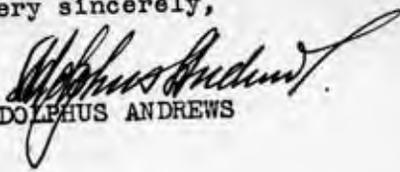
June 27, 1941.

My dear Mr. Secretary:

Please allow me to thank you for your very kind letter of June 24th, regarding the Treasury Hour Radio Program on July 2nd, over the Columbia Broadcasting System. I have received the hundred guest tickets from C.B.S. today, and will have them distributed to the various activities in this area, with twenty-five of them allocated to the U.S.S. PRAIRIE STATE.

I know that all the Navy personnel who will view this broadcast are grateful for your kindness in making these tickets available, and I wish to thank you on their behalf.

Very sincerely,

  
ADOLPHUS ANDREWS

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

*Atty. Gen Jackson*

TWO WITNESSES BEFORE A SENATE JUDICIARY SUBCOMMITTEE TODAY OPPOSED CONFIRMATION OF ATTORNEY GENERAL JACKSON TO BE SUPREME COURT JUSTICE, ONE ~~Public Affairs~~ <sup>Public Affairs</sup> BASING HIS OPPOSITION ON THE HANDLING OF INVESTIGATIONS OF CIVIL LIBERTIES IN JERSEY CITY PRIOR TO AND DURING THE 1940 PRESIDENTIAL CAMPAIGN.

THE OTHER WITNESS, ~~INVENTOR~~ LESTER P. BARLOW, CHARGED THAT JACKSON HAD ISSUED A RULING HOLDING UP PAYMENT OF A \$300,000 CLAIM AND THAT THE RULING MAKES "EVERY SINGLE GOVERNMENT CONTRACT SUBJECT TO EXTORTION."

THE COMMITTEE DID NOT HEAR THE PROTEST OF SENATOR TYDINGS, WHO REQUESTED THAT THE CONSIDERATION OF HIS EVIDENCE, THE NATURE OF WHICH HE HAS NOT REVEALED, BE POSTPONED UNTIL MONDAY.

ROBERT C. MCMANUS, EDITOR OF THE NEW JERSEY VOTER, A NEWARK PUBLICATION SAID HE WAS OPPOSED TO MAYOR HAGUE OF JERSEY CITY, READ LETTERS HE HAD WRITTEN TO JACKSON ALLEGING THAT A "SUSPICION" EXISTED THAT THE ATTORNEY GENERAL WAS PARTY TO A "CONSPIRACY TO SUPPRESS" THE CIVIL LIBERTIES INQUIRY INSTITUTED IN JERSEY CITY BY JACKSON'S PREDECESSOR, FRANK MURPHY.

6/27--S1237P

ADD JACKSON NOMINATION, SENATE

AFTER MCMANUS HAD READ FROM NEWSPAPER CLIPPINGS, SENATOR O'MAHONEY, A COMMITTEE MEMBER, INTERRUPTED TO CHARGE THAT THE WITNESS WAS NOT PRESENTING FACTS BUT WAS TRYING TO USE THE COMMITTEE AS A "SOUNDING BOARD" IN HIS ATTACK AGAINST MAYOR HAGUE.

"NO," MCMANUS REPLIED, "THAT IS NOT RIGHT."

"WHAT YOU ARE TRYING TO SAY," INTERJECTED COMMITTEE CHAIRMAN HATCH, "IS THAT JACKSON MADE A TRADE WITH HAGUE TO SUPPRESS VIOLATIONS OF CIVIL LIBERTIES IN JERSEY CITY IN RETURN FOR HAGUE'S SUPPORT OF ROOSEVELT FOR A THIRD TERM."

"I AM ASKING THAT YOU LOOK INTO IT AND SEE IF A TRADE DID TAKE PLACE," MCMANUS ANSWERED.

THE WITNESS <sup>MCMANUS</sup> ALSO REQUESTED AN INQUIRY INTO ALLEGED "NEGLIGENCE" IN THE HANDLING OF INCOME TAX CHARGES AGAINST FORMER NEW JERSEY SECRETARY OF STATE THOMAS A. MATHIS.

BARLOW TOLD THE COMMITTEE HE WAS THE RECIPIENT OF AN AWARD BY CONGRESS OF \$592,719 IN PAYMENT FOR THE USE OF HIS INVENTIONS DURING THE WORLD WAR. HE HAS RECEIVED HALF THAT AMOUNT, HE SAID, BUT THE OTHER HALF HAS BEEN WITHHELD UNDER JACKSON'S RULING.

HE ALLEGED HE HAD BEEN SUBJECTED TO "BLACKMAIL AND EXTORTION" IN TRYING TO GET HIS MONEY.

HE SAID A TREASURY DEPARTMENT ATTORNEY TOLD HIM HE OWED \$100,000 IN 1936 INCOME TAXES. A YEAR IN WHICH BARLOW SAID HE HAD NO NET INCOME. HE SAID THE TREASURY HAD REQUESTED HIM TO PRESENT DOCUMENTARY EVIDENCE ON HIS 1940 INCOME TAXES, AND WHEN THE PAPERS WERE OFFERED HE FOUND HIS TAX REPORT HAD NOT BEEN PULLED FROM THE FILES.

6/27--S&R1243P W20-0

TREASURY DEPARTMENT  
Washington

FOR IMMEDIATE RELEASE,  
Friday, June 27, 1941.

Press Service  
No. 26-17

Secretary Morgenthau today made public the Treasury's record with respect to the \$300,000 claim of Lester P. Barlow, inventor, against the United States. The Secretary said that the facts in the case do not bear out the testimony of Mr. Barlow this afternoon before the Senate Judiciary Subcommittee considering the nomination of Attorney General Jackson to be an Associate Justice of the United States Supreme Court.

The record in the Barlow case is as follows: On September 6, 1940, a bill was enacted providing for the payment of approximately \$592,000 to Mr. Barlow in satisfaction of his claim against the United States for infringement of a patent on a bomb which he had invented many years ago. Three days later, on September 9, before the money appropriated by the bill could be paid to Mr. Barlow, papers were served upon Treasury officials in an action which John F. Clark, a Los Angeles lawyer, had that day brought in the Federal District Court for the District of Columbia against Mr. Barlow, the Secretary of the Treasury, and the Treasurer of the United States. The purpose of Mr. Clark's suit was to recover half of the money appropriated to Mr. Barlow and to prevent the Treasury from making payment to Barlow pending a court decision in the matter. Mr. Clark claimed that about 25 years ago he and Mr. Barlow entered into a contingent legal arrangement in connection with the invention. Mr. Barlow, on

the other hand, claimed that he had settled with Mr. Clerk in 1924 for the sum of \$12,000. This left the Treasury Department a disinterested stockholder holding moneys claimed by two persons. On at least two occasions where the Treasury found itself in this situation and paid one of two rival claimants while litigation was pending, the other claimant went to the Supreme Court of the United States and compelled the Department to pay him as well. In view of these circumstances, the Treasury Department and the Department of Justice, in order to protect the interest of the Government as well as those of the rival claimant, many years ago adopted the policy of withholding payment pending the judgment of the courts as to the rightful ownership. The Clark-Barlow case is still being litigated and the Treasury Department, while it has paid half of the sum appropriated to Mr. Barlow, is, pursuant to court order, holding up payment of the other half until final judicial determination of the matter. The Treasury Department has kept in close touch with the Department of Justice in connection with each step taken, as it is custom in such matters.

No Treasury attorney, according to the Department's records, told Barlow that the inventor owed \$100,000 in connection with his 1936 income taxes. The records of the Bureau of Internal Revenue show that he was not visited by an agent with respect to any taxes other than those for 1939 and 1940. All dealings with Barlow, insofar as his 1939 return was concerned, were conducted by correspondence and Barlow has been advised there is no question concerning his 1939 tax liability. His 1940 income tax return is now being audited by the Bureau as a matter of ordinary routine.

JUN 27 1941

My dear Mr. President:

In compliance with your request of June 7, 1941, the Secretaries of War, Navy, Agriculture, Commerce and the Administrators of the Federal Security and Federal Works Agencies have been informed by letters dated June 14, 1941, that commencing July 1, 1941, the employees of their respective departments and agencies in the District of Columbia will receive their salaries or wages on July 3 for the period July 1 to July 2, inclusive, and thereafter on the 3rd of each month for the period from the 3th to the 2nd, inclusive, and on the 5th of each month for the period from the 24th of each month to the 5th of the following month, both dates inclusive.

Similar information has been transmitted to the heads of Bureaus, Offices and Divisions of the Treasury Department through the medium of a departmental circular, with the exception of the Bureau of Engraving and Printing where the pay days have been staggered heretofore.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The President,

The White House.

File to Mr. Thompson

By Messenger

June 20, 1941  
GFA-22

JUN 27 1941

The Honorable,

The Secretary of the Navy.

My dear Mr. Secretary:

Receipt is acknowledged of your letter dated June 24, 1941, concerning the use by the Navy Department of a portion of the Coast Guard Reservation on Edix Hook, near Fort Angeles, Washington, for a Section Base and for the construction by the Navy of certain buildings and other facilities for joint Naval-Coast Guard use, in accordance with the local tentative agreements mentioned in this Department's letter of May 23, 1941.

It being noted from your communication that the arrangements referred to are satisfactory, the necessary action is being taken to cause a permit to be issued to the Navy Department, as requested, which will be forwarded in the near future.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Typed 6-28-41

File to Mr. Thompson

By Messenger

KOR:mb

DEPARTMENT OF THE NAVY  
Office of the Secretary  
Washington

CONFIDENTIAL

June 24, 1941

SLS

Reference is made to your letter dated May 27, 1941, concerning the use by the Navy Department of a portion of the Coast Guard property on Ediz Hook near Port Angeles, Washington, for a Section Base.

It was stated in your letter that the Treasury Department confirmed tentative agreements between the Commandant, Thirteenth Naval District, and the Commander, Seattle District, as to the location and construction by the Navy of certain buildings and other facilities for naval use and joint Naval-Coast Guard use, and that the Secretary of the Treasury would issue a permit giving effect to these tentative agreements if they were satisfactory to the Secretary of the Navy.

These tentative agreements as to the use of Ediz Hook Reservation jointly by the Navy and Coast Guard are satisfactory. Accordingly it is requested that a permit giving effect to these tentative agreements be issued.

Respectfully,

/s/ James Forrestal

Acting  
James Forrestal

The Honorable  
The Secretary of the Treasury

~~SECRET~~

CG-OP-72-650-651-612

JUN 27 1941

Chief Boatswain C. L. Jordan,  
Commanding Officer,  
U. S. Coast Guard Cutter GENERAL GREENE,  
Woods Hole, Massachusetts.

Sir:

I have read with much interest your report dated June 8, 1941, of the rescue by the Cutter GENERAL GREENE, under your command, of 39 survivors of the torpedoed British steamship MARGONY more than 700 miles northeast of St. John's, Newfoundland, on June 26, 1941.

This outstanding achievement does you great credit and has reflected very favorably upon the Coast Guard.

I wish to take official cognizance of your accomplishment, and it gives me real pleasure to commend you for your intelligent, efficient and courageous performance of duty.

Sincerely yours,

(Signed) E. Sargent Shriver, Jr.

Secretary of the Treasury.

File to Mr. Thompson

TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

DATE June 27, 1941

TO Ferdinand Kuhn, Jr.  
FROM Alan Barth"THE FOURTH CLIMACTERIC": EYES ON THE TARGET

Despite mixed emotions over the latest extension of the war, the American press has, to a remarkable degree, kept its sights trained on the bull's-eye of Nazism. It has, in the main, embraced and fostered the conclusions expressed in the official statement made by Under Secretary of State Sumner Welles: that the German invasion of Russia constitutes final proof of Nazi perfidy, illustrating anew the senselessness of appeasing Hitler; that, regardless of our abhorrence for the doctrines of Communism, "Hitler's armies are today the chief dangers of the Americas."

Rejoicing

The instinctive American response to the Russo-German conflict was one of thanksgiving. There seemed to be a peculiarly satisfying irony in the prospect of the world's two most ruthless and formidable dictators tearing at one another's vitals.

Behind this editorial delight there appears to be a somewhat complex motivation. The basic source of satisfaction, of course, was the transfer of the Soviet Union's unknown strength from the

- 2 -

Axis to the anti-Axis column. Yet the hope that Hitler will come a cropper in his latest venture is paralleled -- sometimes on the same editorial page -- by the hope that Stalin will be liquidated; the invasion is looked upon as retribution for Soviet collaboration with Germany. And no small part of the editorial enjoyment of the situation stems from the discomfiture of Communists in the United States. Almost every commentator has indulged himself in a chortle over The Daily Worker's sudden insistence upon full American aid in the fight against Fascism.

Newspapers have advanced several explanations for the German attack on the U.S.S.R. The most popular and most hopeful of these deals with economics. It assumes that Hitler can no longer carry on the war with his present resources and is obliged to secure grain and oil from the Ukraine. The New York Times observes, in this connection, that "Essentially the war against Russia is a counter-balance to the weight of the United States."

Other commentators argue that the Hitlerian purpose is strategic -- to secure his rear in preparation for an all-out attack on the British Isles later on. This view regards the campaign against Russia as a display of strength instead of weakness. It foresees, also, a flanking movement against the British position in the middle east.

- 3 -

Considerable weight has been given as well to a supposed psychological motivation. The drive on Russia is interpreted as an attempt to divide and confuse the democracies by the semblance of a crusade against Communism. The Hess flight is now commonly linked to a Nazi attempt to substitute war in the east for war in the west. Should the Soviet Union be quickly crushed, many commentators fear there will be, both in Britain and in this country, greater receptivity toward peace proposals which would give the Reich complete mastery of Europe. It is acknowledged that a German triumph over Russia would afford Hitler an almost unassailable position.

#### Opposition

Isolationists and interventionists alike assume that the Reichswehr will win in Russia. The Red Army is not highly rated by America's journalistic strategists. But to the isolationists, this extension of the war seems a reprieve for Britain and the United States, while the interventionists hail it as an opportunity.

The isolationist line finds its most elementary expression in The Chicago Tribune. In an editorial titled "The Heat Is Off," this newspaper declares categorically that "Britain is no longer threatened with invasion." From this premise, it argues that ". . . if there ever was any justification for our intervention in arms, that justification no longer exists." In varying degrees, a minority of newspapers reflect this tendency to relax American efforts against

the Axis.

A more specious and subtle means of distracting American attention from the main issue of defeating Hitlerism is put forward by the Scripps-Howard and Patterson papers. The former, rejoicing in the prospect of a death struggle between the dictators, assert somewhat paradoxically: "Our neutrality is positive -- against both of them." The New York Daily News echoes The Chicago Tribune's complacent assumption that Britain is now safe and plays upon the average American's distaste for Communism. "We'll be hearing a lot," it remarks, "about Russia being another embattled democracy, like Britain, China and Greece . . . But it looks to us as if it will take a very long time to sell Americans the idea of fighting with and for Joe Stalin." The Wall Street Journal pushes this prejudice a step farther by warning that American aid may turn all Europe over to Communism.

#### Opportunity

A majority of the American press, however, has refused to allow itself to be distracted from its primary purpose -- the defeat of Hitler. The Des Moines Register is representative of newspapers in every section of the country in urging that, "To permit ourselves to be befuddled and divided on this central reality would be what the Nazis hope -- and what we cannot afford."

There is a manifest sense of relief, to be sure, over the

- 5 -

editorial assumption that time and geography make the direct tendering of Lend-Lease aid to Russia largely academic. The pressure is for redoubled assistance to the British. The Administration is exhorted to give Britain at once as many planes as possible and to employ whatever measures may be needed to transport these safely and speedily across the Atlantic. Many papers urge full use of the United States Navy to win the Battle of the Atlantic now.

What Winston Churchill called "the fourth climacteric" is seen as a great chance -- perhaps the final chance -- to change the current of the conflict. The Prime Minister's speech allying Britain with Russia was generally applauded here as indicating a realistic determination to take advantage of the opportunity. High hopes are entertained for the efficacy of British bombing raids over western Europe. The chief benefit of Russian resistance is seen in the possibility of carrying the war to Germany with increasing vigor. The pace of American aid at this moment is regarded as one of the decisive factors. In the face of the opportunity, the press reflects a general public feeling of renaissance.

TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

DATE June 27, 1941

TO Ferdinand Kuhn, Jr.  
FROM Herbert Merillat

PRESS OPINION ON TAXES: INFLATION TALK

The fear, or professed fear, of inflation has been a constant theme in newspaper discussions of federal fiscal policy, especially tax problems. Most inflation talk is found in the conservative press, which points to the danger of inflation as the most compelling reason for: (1) broader income taxes or sales taxes to cut the purchasing power of low income groups; (2) termination of the President's power to devalue the dollar, which is characterized as a potent threat of inflation; (3) a ceiling on wages; (4) reduction of farm subsidies; and (5) reduction of non-defense spending.

On the other hand, the pro-labor newspapers and labor journals are relatively quiet on the subject of inflation; they continue to demand higher wages and the exemption of low incomes from taxation. When the subject is touched on at all, it is usually said that there is no danger of inflation so long as our productive capacity is not used to the limit, and that emphasis should be placed on increasing production rather than curtailing purchasing power.

All shades of opinion agree that it is important to raise as much as possible of the money needed to finance defense by taxation

- 2 -

and borrowing from current savings rather than by borrowing from banks. Some papers and commentators, notably the Scripps-Howard papers and John T. Flynn, point out that  $3\frac{1}{2}$  billions in taxes will retrieve for the Treasury only a small part of the billions being poured out by the Government. In this fact, with its corollary of the need to rely heavily on borrowing, these papers see danger of inflation. In general, however, there is no demand for a higher revenue goal as a means of checking the inflationary spiral.

#### The Committee's Tax Bill

Press criticism of the Ways and Means Committee's tentative tax proposals follows the lines laid out in earlier editorial discussion of taxes. The surtaxes on individuals, it is noted with relief, are milder than those proposed by the Treasury, but still severe. The demand for a broader base continues in most papers. It is said that the surtaxes imposed on present taxable incomes represent too abrupt an increase when it is considered that incomes below the present exemption levels will continue to be tax free.

Much emphasis is placed on the psychological aspect of income tax payments by low income groups. Everyone, it is said, should have a feeling of making a direct financial contribution to the defense effort. Most papers urge a broader base, not as a means of raising large amounts of revenue, but on the ground that more people should be tax conscious. This is a notable change from the theme

- 3 -

developed earlier in the year, when the answer to the Treasury's prayer for more revenue was widely publicized as lying somewhere below present exemption levels.

### Joint Returns, Morals, and Manifest Destiny

The only substantive change in the personal income tax law proposed by the Committee -- the requirement that husband and wife file joint returns -- has provoked remarkably little comment.

Papers in community-property states have pointed out the special interest of such states in the proposal, but as often as not they have been uncritical. A substantial number, however, bitterly oppose the joint return plan and accuse the Committee of an attack on the moral code of the nation of invading the constitutional rights of citizens living under the blessings of the community-property system. The joint return requirement, they say, will discourage marriages and encourage divorces.

The Washington Post scoffed at the charge that the proposal would break up happy homes and concluded that the emergency justified the change. It followed up with a suggestion that bachelors be discriminated against in the tax laws, in order to encourage marriages and boost the birth rate. Only if the birth rate goes up, said the Post, will the nation be ready to fulfill its manifest destiny when Hitlerism falls.

- 4 -

Delay

There is a growing impatience in the press at the delay in Congressional action on the new tax bill. It is said that individuals and corporations should know as soon as possible what their taxes will amount to, in order to make provision for payment. Also it is pointed out that delay is costing much in lost excises. Senator Vandenberg's suggestion that the income tax and excise features of the bill be separated, with immediate action on the excises, has been received favorably.

MEMORANDUM

June 27, 1941

To: PRICE ADMINISTRATION COMMITTEE  
From: R. K. Thompson

Appended hereto are:

1. Minutes of the meeting of June 25.
2. Price schedule No. 10
3. Amendment to price schedule No. 4

5621

CONFIDENTIALSUMMARY OF STENOGRAPHIC TRANSCRIPT OF MEETING OF  
PRICE ADMINISTRATION COMMITTEEJune 25, 1941  
11:00 a.m.

Chairman: Mr. Henderson

Present: Messrs. March, Stevens, Lubin, Nelson, Clayton, Pike,  
O'Connell, Whitcomb, Barnes, Shields, Hamm, Galbraith,  
Ginsburg, Weiner, Cassels, Plummer, Thompson.1. Automobile prices

Mr. Henderson reported that CPACS has had meetings with the Packard, Hudson, Nash, Reo, and Chrysler motor companies concerning prices. Though the Chrysler Corporation made \$2.20 a share in the first quarter of this year and it is evident that in the second quarter they will make enough to make the six months' earnings at least \$5, it has flatly refused to rescind the price increases instituted on June 4 and which will represent an increase of about \$4,000,000.

Messrs. Henderson and Galbraith reported that a statement on the automobile price situation will be issued detailing the background of the negotiations with the smaller independents and with Chrysler, the cooperation received from Studebaker and Packard (the latter of which lost \$9,000 a day for about two and a half weeks in deferring price increases at CPACS' request), and releasing the independents from the CPACS' request not to increase prices in order not to be discriminatory. The statement will add that if CPACS were to accept the position that moderate increases in cost can not be absorbed in enormous increases in volume without raising prices, the entire American economy would already be in wild inflation. It will also announce that plans are under way for a price schedule on the new models from the factory on down to the final consumer.

2. Rubber price order

Mr. Galbraith reported that from the time the reduction in rubber consumption was first contemplated it was apparent that parallel action would have to be taken on the prices of crude rubber, scrap rubber and the finished products. The problem of fixing a ceiling on prices for rubber and rubber products is extremely difficult and complex as it involves both wholesale and retail price-fixing. Mr. Galbraith added that during the rest of the week CPACS is holding discussions with the rubber trade, including the Retail Tire Dealers' Association, to explore all phases of the application of a rubber price order. The order will probably not be issued for a week but in the meantime a statement will be issued announcing

5621

that a price schedule is in preparation to make it clear that price increases will not be permitted.

3. allocation of rubber

Mr. Weiner spoke of the difficulty of relating the reduced consumption of rubber to the balance of the 1941 model season and the desire of some companies to use the amount permitted to be consumed for the first two months during July so that enough tires will be produced to equip new cars coming off the assembly line. He added that the possibilities of eliminating whitewall tires or requiring trade-ins or re-treads or devices to lengthen the use of existing tires are also under consideration.

4. Vinson priorities legislation

Mr. Weiner reported that two meetings have been held with Messrs. Kmdsen, Hillman and O'Brian of OPM and Messrs. Henderson, Ginsburg and Weiner of OPACS to consider the form of an Executive Order to be issued clarifying the existing situation under the Vinson priorities legislation. The order as agreed on by representatives of the two agencies specifies what defense requirements are so that OPM's authority to determine priorities for all direct and indirect defense requirements is clarified. OPM is also required to determine what the residue is and as to that residue OPACS is to prepare plans and programs which OPM is required to administer. In order to relieve manufacturers of the difficult problem of deciding as between defense and non-defense requirements in the priority or allocation applications and as to where such applications should be sent, the Executive Order will direct all applications to be sent to OPM with internal machinery provided so that copies will flow to OPACS for consideration.

Mr. Henderson reported that a series of exploratory conferences is planned with industry to discuss their problems and their requested schedules of raw materials and other deliveries under priorities. The first conference, probably to be held next week, will be with the automobile industry and the OPM Labor Division will have representation because problems of dislocation and unemployment are involved in that industry.

5. The Kaiser proposal for a steel plant on the West Coast

Mr. Hamm reported that for some time Mr. Kaiser has been attempting to secure funds from the RFC to build a steel plant on the West Coast and that he finally laid his plan before the President in the form of a memorandum on the cost of producing steel on the West Coast and relationships with West Coast producers. The Kaiser proposal has been referred for recommendation to OPM and OPACS by the President. Mr. Hamm pointed out that since no one knows (1) how much additional steel capacity we need, (2) what type of capacity we need, and (3) where we need it, a

major survey will have to be undertaken before Mr. Kaiser can be given a specific answer. Mr. Henderson pointed out that the contemplated cost of building Mr. Kaiser's new capacity is about \$100 an ingot-ton which compares very unfavorably with a cost of about \$35 to \$50 a ton in existing plants. He added that CPACS will probably advise the President that a definitive answer cannot be given on the Kaiser proposal without having a study made of the entire situation.

Mr. Henderson reported that the President had requested him to consult with Mr. Nelson and others concerning recommendations to be made to the Budget Office for provision for the continuation of a quarterly report on steel. He asked the committee members whether they would want to join in suggesting the formation of a competent group to study the steel problem and it was the general consensus that since this is a production and not a price problem a recommendation should not be submitted to the President by the Price Administration Committee.

#### 6. Cotton print cloth price schedule

Mr. Henderson reported that he had received indirect information that a Congressional committee may attempt to prevent the issuance of a price schedule on cotton print cloth, but that in the absence of a Presidential or Congressional restraining order CPACS will proceed with the issuance of a ceiling in this field. Mr. Galbraith reported that the industry itself is very favorably disposed since it recognizes that the situation in this market is out of their hands and requires issuance of a ceiling.

#### 7. Price legislation

Mr. Ginsburg reported that a revision of the proposed price legislation bill is being prepared and that it is likely it will be considered by legislative leaders upon their return the end of this week. He added that there is substantial agreement that price legislation is needed but that the form and language of the bill need simplifying.

#### 8. Enforcement

Mr. Henderson reported that \$35,000 for the Federal Trade Commission and \$35,000 for the Tariff Commission has been placed in the CPACS budget for enforcement work which will be farmed out to the two agencies. He added that the Budget Committee is on notice that in the event price legislation is passed providing for penalties to individual violators, an additional appropriation would be necessary to cover the increased work.

#### 9. Shingles

Mr. Whitcomb reported that the Tariff Commission has recently been asked to make a study of the effect of the importation of shingles on the

domestic shingle situation. There is at present a quota of shingles for free entry while there is a duty of 25 cents a square on the balance, which can be changed only by Congressional action. If the report indicates that British Columbia is getting a larger share of this market, there is a possibility that legislation removing the duty could be passed which would affect prices.

---

The committee adjourned at 12 noon to meet Tuesday, July 1 at 11:00 a.m.

## OFFICE FOR EMERGENCY MANAGEMENT

## Office of Price Administration and Civilian Supply

For Immediate Release  
June 25, 1941

PW 614

Maximum prices which may be charged for pig iron, a major raw material in the production of steel, were established in a schedule issued yesterday by Leon Henderson, Administrator, Office of Price Administration and Civilian Supply.

This is the third major factor in the iron and steel industry on which action has been taken by OPACS in order to avoid inflationary tendencies. Previously ceilings had been established for iron and steel scrap and for iron and steel products.

The schedule sets forth basing point base prices for the five major grades of pig iron at various cities; such prices for three minor grades; differentials based on silicon, phosphorus, and manganese content; and two minor exceptions. The basing point prices are generally those prevailing during the second quarter.

The domestic ceiling prices will be the aggregate of the basing point base price at the governing basing point; differentials according to content of the iron; and transportation charges from the governing basing point to the place of delivery as customarily computed.

The export ceiling prices will be the aggregate of the basing point base price at the governing basing point, differential, and export transportation charges from the governing basing point to the place of delivery as customarily computed. In the case of exports the governing basing point may be the established basing point at or nearest the place of production.

Text of the schedule is attached.

TITLE 32 - NATIONAL DEFENSE  
CHAPTER XI - OFFICE OF PRICE ADMINISTRATION AND CIVILIAN SUPPLY  
PART 1306 - IRON AND STEEL  
PRICE SCHEDULE NO. 10 - PIG IRON

The Office of Price Administration and Civilian Supply is charged with maintenance of price stability and the prevention of undue price rises and price dislocations. Iron and steel scrap and Pig Iron are basic materials for the production of iron and steel products. By Price Schedule No. 4, Revised, and Price Schedule No. 6, Revised, respectively, price ceilings have been placed on iron and steel scrap and on iron and steel products. Recent wage increases and the increased demand for Pig Iron resulting from the national defense emergency have been exerting pressure upon the price structure, causing the prices of certain grades and kinds of Pig Iron to be increased. In the interest of national defense and the public interest a price ceiling is necessary. On the basis of information secured by independent investigation by this Office, and upon information furnished by the trade, I find that the maximum ("ceiling") prices as set forth below constitute reasonable limitations on prices for Pig Iron.

Therefore, pursuant to the authority vested in me by Executive Order No. 8734 it is hereby directed that:

1306.51 Definitions. When used in this Schedule:

- (a) The term "Person" includes an individual, corporation, association, partnership, or other business entity.
- (b) The term "Pig Iron" includes all Pig Iron such as Basic, Foundry, Malleable, Bessemer, Low-Phosphorous, High-Silicon or Silvery, Gray Forge, Charcoal, etc., commonly produced in blast furnaces.
- (c) The term "Basing Point Base Price" means the prices for Pig Iron as listed in Section 1306.56, Appendix A.

- 2 -

(d) The term "Differential" means those provided in Section 1306.56, Appendix A, otherwise the charges in effect June 24, 1941, prescribing additions or deductions from the base price to make adjustment for various analyses of the product sold from the product governed by the base price, which variations may be in chemical analysis, or other quality of the product.

(e) The term "Governing Basing Point" means that basing point the use of which results in the lowest delivered price at the place of delivery; in the case of exports it may also mean the established basing point at or nearest the place of production.\*

\* 1306.51 to 1306.56, inclusive, issued pursuant to the authority contained in Executive Order No. 8734.

<sup>a</sup>  
§ 1306.52. Maximum ("ceiling") prices on sales of Pig Iron. On and  
after June 24, 1941, regardless of any commitment theretofore entered into, no Person who produces Pig Iron shall sell or deliver or offer to sell or deliver any such product, and no purchaser shall buy or accept delivery or offer to buy or accept delivery from such Person of any such product, at a price exceeding the maximum ("ceiling") price: Provided. That with respect to any sale of Pig Iron for future delivery, a contract may provide for the payment of an adjusted price not to exceed the maximum ("ceiling") price in effect at the time of shipment.

A lower price than the ceiling price may be charged, demanded, offered, or paid. The price limitations set forth in this Price Schedule shall not be evaded by additional charges for prompt or early delivery, or by other direct or indirect methods, nor shall the other terms and conditions of sale be made more onerous to the purchasers than those available or in effect on June 24, 1941.

- (a) The domestic ceiling price for any grade or kind of Pig Iron for which there are Basing Point Base Prices shall be the aggregate of: (1) the Basing Point Base Price at the Governing Basing Point; (2) Differentials; (3) transportation charges from the Governing Basing Point to the place of delivery as customarily computed.
- (b) The export ceiling price for any grade or kind of Pig Iron for which there are Basing Point Base Prices shall be the aggregate of: (1) the Basing Point Base Price at the Governing Basing Point; (2) Differentials; (3) export transportation charges from the Governing Basing Point to the place of delivery as customarily computed.

For all special kinds or grades of Pig Iron for which there are no Differentials, the ceiling prices shall be the Basing Point Base Prices and the special differentials which were or would have been charged by the seller on June 24, 1941, (upon the basis of the prices, discounts, charges, or special differentials then listed or quoted by the seller) for such kinds or grades of Pig Iron, exclusive of any premium or charge for advanced delivery or any other inducement offered by the buyer or demanded by the seller to negotiate the sale.\*

§ 1306.53. Records. (a) Every Person who produces Pig Iron shall retain copies of all invoices, dated January 1, 1941, or later, relating to sales of such products, including sales to exporters, brokers and all other Persons purchasing for resale. Reports on such sales, in such form as may be determined, will be required by Supplements issued under this Price Schedule.

(b) Every Person who produces and sells Pig Iron shall file a copy of his price schedules, including Differentials, stating the prices, charges and discounts in effect on June 24, 1941. Such materials shall be filed with the Office of Price Administration and Civilian Supply, Washington, D. C., on or before July 10, 1941.\*

§ 1306.54. Supplement. In order to facilitate the application of this Schedule, Supplements further stating its scope will be issued from time to time as may be necessary, or appropriate.\*

- 4 -

PM 614

§ 1306.55. Modification. This Price Schedule is issued upon the basis of presently existing conditions. It is subject to adjustment or revocation if called for by changed conditions. Persons complaining of hardship or inequity in the operation of this Schedule (whether arising from action taken in reliance on a commitment of sale at prices in excess of those herein established, or from any other cause) may apply to the Office of Price Administration and Civilian Supply for approval of any proposed modification thereof.\*

Issued this twenty-fourth day of June, 1941.

---

LEON HENDERSON  
Administrator

CERTIFIED TO BE A TRUE COPY OF THE ORIGINAL:

---

John E. Hamm, Deputy Administrator