

- 12 -

H.M.Jr: I see.

Chamberlain: And we got word from our Minister there through the State Department that these beans were taken over by the British. Now, the French financial attache is very anxious. They have been pressing us very hard to get that \$400,000. Now, we are somewhat puzzled in view of this information we get from the - from our Minister.

H.M.Jr: Why not send for Pinsent and ask him about it?

Cochran: We already have the information from the British on this. They confirm that they will take them over themselves.

Bell: It is a little bit confusing though, because the first dispatch, as I recall it, said that they had made arrangements for taking it over and the last dispatch we had said that the British offered to take them over but apparently the French had used some influence on the Chileans involved and they wouldn't let the British have them. I think it is a little confusing.

Chamberlain: What I suspect, Mr. Secretary, is a deal here. The French wanted to take them over at the last price, but the French Minister wants the money. Maybe somebody is going to get a little commission out of it.

H.M.Jr: I see.

Chamberlain: I don't know. It looks as though the Chilean contractors were being told that the money could come from here.

H.M.Jr: Can I stall a little bit on that one?

Chamberlain: We are stalling on that.. I just mentioned it.

Then another point in connection with this is that we had word from the British Embassy that the French were inquiring of the meat packing establishments in Europe as to how

- 13 -

much meat was available and at what price for future contracts. We thought it might be well to have some of our officers keep an eye on the situation of the French buying.

H.M.Jr: And for what purpose?

Chamberlain: To see whether - in the first place, to give us information in case we get requests and to watch what they are doing, because it looks as though they - we can't understand what they are doing. It looks as if they thought that the blockade would be up and that they would be able to ship goods from South America to France and they wanted to get contracts in advance.

H.M.Jr: Does that clear your docket?

Chamberlain: That clears that part of the docket. On that, we may - we want to get your general impression and I will go ahead with the French on these last two questions.

H.M.Jr: I want to think that over.

Chamberlain: The amount is very small.

Bell: You wanted that on the list, didn't you?

H.M.Jr: Yes, I want it all on the list.

White: I stuck the \$30,000 and \$50,000 figures, hoping to get more information. It would be a little bit difficult to decide until we know specifically what they want it for, because the way it is stated, they can use it for almost any purpose they want.

H.M.Jr: Well, put it on the list.

Chamberlain: The other difficulty comes up - is one the French wanted something over \$400,000 to pay the interest due on the Swiss loan in Swiss francs --

Cochran: The French have borrowed this money from private Swiss banks in 1939 and the semi-annual

- 14 -

service was due August 1st and they had the money on deposit here in dollars and they wanted to pay the Swiss National Bank for distribution \$400,000.

H.M.Jr: In Switzerland?

Cochran: Yes.

White: Of course, they could pay in Swiss Francs. It is a franc debt and they certainly must have Swiss francs.

Cochran: And the Swiss Minister has been in already some days ago hoping that we could facilitate such a payment to help Switzerland out. That is, they say they are entirely surrounded by these --

H.M.Jr: I would be inclined to go along with that one. I would put it on the list.

White: Here the debt is in Swiss francs.

H.M.Jr: I understand.

White: They want to pay it in dollars, under the assumption they have no Swiss francs available. That is a dubious assumption to me. They are just using every possible excuse they can as they should to reduce the amount of funds which are under control here.

H.M.Jr: But if the Swiss Minister says it is all right --

Chamberlain: He has been anxious to have it. He feels it is very important.

H.M.Jr: I would be sympathetic to that.

Cochran: And he has protested to the State Department against our turning it down.

H.M.Jr: I mean --

Chamberlain: I am not unsympathetic to it. I think that

- 15 -

the only - you have got to remember that if we go - make this step, we will probably have to make other steps.

H.M.Jr: Well, they haven't got many other obligations.

Chamberlain: I don't think so.

White: Is the assumption that they will default if this money isn't available? I question it.

Cochran: I think if they have the reserves in dollars, they ought to be able to use them to keep from having a national default.

White: Why? If you assume they are going to default, and I say that is an assumption, that must be rather strange, because they must have Swiss francs.--

H.M.Jr: Granted, but this being Switzerland, I am sympathetic. I would put it down anyway. I can take it up with the President. I am definitely sympathetic on that one.

Bell: That is the trouble with this whole French situation. We haven't got definite information, but they did pile up tremendous reserves in this country and they have got practically all of their reserves in dollars and we are cutting them off when you stop these payments.

H.M.Jr: I know. I am sympathetic, particularly with the Swiss Minister asking.

Cochran: They are trying to hold onto their currency and they made the arrangement with the Government while they are still free in Viche. They are afraid the Germans may take over everything and ruin their currency.

H.M.Jr: I am running a little behind. If you could have this memorandum ready for me at ten tomorrow morning and after our 9:30 meeting, I will go over it with you; and if it isn't in satisfactory shape, I will give you a chance to adjust it again. Is that crowding you too much?

- 16 -

Chamberlain: Oh no, indeed.

H.M.Jr: I have Mr. Monet outside. Thank you very much.

190

BRITISH EMBASSY,  
WASHINGTON, D. C.

Personal and Secret.

September 4, 1940.

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

*L. L. L.*

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

Mr. H. Merle Cochran,  
Treasury Department,  
Washington, D. C.

(Signed) Maurice Meyer

EMC:lap-9/4/40  
lap

CCPT

heavy bombers, but fires were started at  
 Telegram despatched from London  
 early in the morning of September 3rd.  
 targets elsewhere in Germany.

Four aircraft attacked aero-engine factory  
 at Dusseldorf; observed results, and  
 but were started a fire at Berlin airport.

Twenty-five aircraft were engaged the

#### Naval.

His Majesty's Cruiser "Fiji" while  
 escorting an outward bound convoy, was  
 torpedoed yesterday evening in north west  
 Approaches. She is returning with destroyer  
 escort. Reference paragraph one of yesterday's  
 summary concerning two destroyers damaged,  
 H.M. destroyer "Ivenhoe" had to be abandoned  
 and sunk; 44 survivors were landed. H.M.  
 destroyer "Express" is approaching harbour in  
 tow under escort and has 90 casualties.

H.M. cruiser "Galatea" was slightly  
 damaged by mine explosion, when entering an east  
 coast harbour.

Yesterday, one mine-sweeper was lost  
 by mine, and submarine "Tuna" reports she sank  
 a U-boat.

#### 2. Royal Air Force.

During the night of August 31st/September  
 1st medium bombers attacked shipping near  
 Antwerp and bursts were seen in the target area.  
 Large fires were also caused at two oil targets  
 in Holland.

Poor visibility severely hampered our

heavy/

heavy bombers, but fires were started at Berlin gas works, and fires and explosions caused at two oil targets elsewhere in Germany. Four aircraft attacked aero-engine factory at Spandau without observed results, and two more started a fire at Berlin airport. Twenty-two aerodromes were amongst the alternative targets attacked.

Yesterday, all of our aircraft returned safely, but lack of cloud cover obliged the majority to abandon their tasks. However two aerodromes in Holland were bombed.

Last night 65 aircraft were sent out with the following objectives:-

Shipping at Emden and at ports of northern France;

Oil targets, aluminum works and an electric power station in Germany;

The Bosch magneto factory at Stuttgart;

An aircraft factory at Leipzig; and

Aero-engine works at Munich.

Railway targets and aerodromes were also included. One heavy bomber is missing; reports awaited.

#### Italy.

Six heavy bombers were again sent to the Fiat and Murelli works. All aircraft returned safely.

#### 3. German Air Force.

Night of August 31st/September 1st.

Later reports announce much damage to railway property/

20 wounded; the Bedford and Parkway Depot in south Wales was hit, was almost destroyed and three are burning. There was additional industrial damage at these depots in this area. A service 124 was caused in the centre of Bristol.

property at Leeds, one person killed and fifty-two wounded; large woodland and heath fires were also caused in Cumberland and Derbyshire.

Yesterday daylight raids were again directed against Ken and Thames Estuary area; the main objectives being aerodromes. Formation of over 100 crossed the coast near Dover about 11 a.m., was intercepted by our fighters and dispersed after half an hour's fighting. Three similar attacks took place in the afternoon. These were also intercepted and casualties caused to enemy aircraft. Considerable damage to house property at Gravesend, some industrial damage at Tilbury and in the Thames Estuary area, casualties are reported 7 killed and 43 wounded. Guard's Depot was attacked in the afternoon where 4 were killed and 16 injured.

Last night, enemy activity was on a reduced scale, and chiefly confined to south Wales and south west England. At Swansea extensive damage was done in the centre of the city. Casualties so far reported 11 killed and

26 wounded; the National Oil Refinery Depot in south Wales was hit, one cistern was destroyed and three are burning. There was additional industrial damage of less importance in this area. A severe fire was caused in the centre of Bristol.

4. Summary of air casualties.

Enemy:-

	<u>Destroyed.</u>	<u>Probable.</u>	<u>Damaged.</u>
Fighters	17	6	13
Bombers	8	4	10
Unidentified	-	-	1
<b>Totals</b>	<b>25</b>	<b>10</b>	<b>24</b>

British: destroyed 15 fighters (9 pilots safe).

5. Shipping Casualties.

Norwegian ship (1,700 tons) torpedoed and sunk by U-boat August 22nd west of Iceland. One Swedish ship (2,400 tons) in outward bound convoy, torpedoed August 23th western approach.

All passengers and crew of Dutch ship Volendam were saved with the exception of the purser.

6. Middle East.

On August 31st 37 medium bombers attacked enemy aerodromes in Eastern Libya. Bombs were seen to fall amongst aircraft and on camps and at one aerodrome a large fire was caused. At least six enemy aircraft were destroyed on the ground, and others were damaged. All

aircraft/

Telegram despatched from London

early in the morning of September 4th.

aircraft returned safely, in spite of enemy fighter opposition.

Eritrea.

Yesterday 21 medium bombers attacked Agseb. Direct hits were obtained on the jetties, warehouses, barracks and a fire visible from a great distance was started. All our aircraft returned safely.

7. East Africa.

During the period 19th - 29th the brigade group at Buna has been gradually withdrawn to a position on the line Waco-Nyiro, and the post is now unoccupied. This position is one selected last September as the foremost line of defence of the colony. A brigade group remains at Hojer.

**Telegram despatched from London**

Targets were located by aerial reconnaissance of aircraft; three were attacked at sea, results were unobserved. Military operations against Munich were hit by repeated waves, and a number of boats burnt in target areas of coast. Targets were not so numerous as before. Other objectives were a wide area with considerable loss. Naval.

In the course of operations carried out by our heavy forces one battleship and two anti-aircraft cruisers with equipment from the United Kingdom entered Malta during daylight yesterday, and, after unloading and loading other stores, proceeded to sea. His Majesty's destroyer "Express" has arrived in harbour.

On August 19th H.M. submarine "Cachalot" made a promising attack on a U-boat. After firing torpedoes a detonation was heard and oil was found.

Yesterday some aircraft attacked U-boats off the west coast of Scotland and northern Ireland, but without visible results, and a British ship fired on a submarine causing her to dive.

2. Royal Air Force.

During the night of September 1st/2nd shipping in Waden and northern French ports was successfully located and attacked. Two oil targets/

targets were bombed by small numbers of aircraft; fires were started at one other, results were unobserved. Railway communications at Munich were hit by several bombs, and a number of bombs burst in target areas of Bosch Magneto Works and an aluminum factory. Other objectives over a wide area were successfully located and attacked by single aircraft.

#### Italy.

The Morelli and Fiat factories were each bombed by two aircraft; one bomber unable to locate target attacked railway bridge over river, which was believed hit.

Last night 92 bombers in all were despatched to the following objectives; Black Forest and Thuringer Wald, 30 heavy; oil targets in Germany and Holland, 25 heavy and medium, enemy submarines and shipping in French and Belgian ports, 17 heavy and medium; armament factories in Germany, 15 heavy; railway and waterway targets, gun emplacements opposite Dover, 5 heavy and medium.

One heavy and one medium bomber have not been reported back.

6 heavy bombers were sent to attack the power station at Genoa, all have returned.

3. Detling aerodrome rendered temporarily unserviceable yesterday is already again serviceable, by day and night. Short's aircraft factory has returned to two-thirds production (reference to summary of August 15th).

explosive and incendiary took place in the Midlands, Tyne-side and over a large area of south east England. Only very minor damage as far reported with 2 killed and 4 wounded at Birmingham and 2 casualties in the outer London area.

4. German Air Force.

Night of September 1st/2nd. Further damage reported; Bristol, 5 killed 15 wounded; some damage to railway track. Swansea, numerous fires caused in business quarter but now reported 26 killed, 54 wounded. National Oil Refineries Ltd. have closed down and 4 cisterns are still burning; no Admiralty cisterns are affected.

Yesterday 5 main raids took place during the day in the east Kent and Thames Estuary areas. Approximately 850 aircraft were employed, each raid consisting of 100/150 aircraft. All were intercepted by our fighters and casualties were inflicted. 4 aerodromes were attacked, but all are still serviceable. Considerable damage to property was caused at Rochester and Chatham by the first raid, but casualties were slight, only 2 killed and 16 wounded being reported from both areas. During an afternoon raid one dock at Tilbury was hit; casualties 6 killed and 20 wounded.

Last night enemy activity was on a smaller scale. Indiscriminate bombing with high/

explosive and incendiary took place in the Midlands, Tyneside and over a large area of south east England. Only very minor damage

so far reported with 2 killed and 4 wounded at Birmingham and 3 casualties in the outer London area.

#### 5. Summary of air casualties.

##### Enemy.

Destroyed by our aircraft -

11 bombers, 27 fighters;

by anti-aircraft fire -

3 bombers, 1 fighter.

Total destroyed 42.

Probably destroyed by our aircraft

5 bombers, 13 fighters.

Damaged by our aircraft

13 bombers, 19 fighters.

Total probably destroyed 18, damaged 32.

British casualties were 20 fighters (10 pilots killed or missing).

#### 6. Shipping casualties.

During the period of the summary 2 neutral and one British ships of a total of 15,000 tons are reported as having been torpedoed in various areas, but none are yet reported as sunk.

#### 7. Middle East.

##### Eritrea.

3 medium bombers again attacked Asseb yesterday; fires started on the previous day were still burning furiously.

EIGHTEEN FINE STREET  
NEW YORK

September 4, 1940

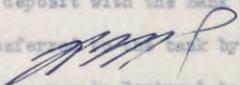
Professor Chamberlain

Mr. Cochran

September 4, 1940.

My dear Mr. Cochran:

Reference is made to my memorandum dated August 20 in which I discussed the possibility of our making some special dispensation for the accounts of American Government officials residing under orders in invaded territories. Yesterday afternoon I mentioned this subject to Consul George Brandt in the Special Division of the Department of State. Mr. Brandt shared to a great extent my concern lest there might possibly be some abuse of such privileges. While the American Foreign Service regulations prohibit State Department officers abroad from operating in foreign exchange beyond their immediate needs, there might conceivably be great pressure on such officers to accept for deposit in their American bank accounts dollar checks drawn by friends, both American and foreign, residing in the blocked areas and not having the same privileges as our officers. Furthermore, Brandt reminded me of the resentment that many Americans abroad feel against special privileges being extended to our Government officers in matters such as this. Brandt referred finally to a recent incident involving a misinterpretation, to say the least, of one of our diplomatic officers of the freezing regulations. Brandt thought it preferable that we give no general license covering our officers abroad, but consider individual cases on their merits as they arise.

He now has on deposit with the Bank of the Manhattan the sum of \$5,000, recently transferred  bank by a Portuguese bank at the time that my brother-in-law was in Portugal to be sure that the money would not fall into German hands, as did his factory in Strasbourg. He expects to be able to put more money in the account as soon as various questions in regard to his affairs in the United States are settled.

Any assistance which you may lend in regard to the favorable reception of the Bank of the Manhattan's application by the Treasury will be greatly appreciated.

Believe me, my dear Mr. Cochran,

Yours sincerely,

MAURICE BOYER  
(Signed) Maurice Boyer

Mr. H. Merle Cochran,  
Treasury Department,  
Washington, D. C.

COPY

EIGHTEEN PINE STREET  
NEW YORK

September 4, 1940.

My dear Mr. Cochran:

The Bank of the Manhattan Company, New York, has under date of August 30th filed an application, No. BMV 546, for the free operation of the account of my brother-in-law, Mr. E. C. Mathis, a French citizen now in the United States under quota immigration visa No. 1207550 and residing at the Ritz-Carlton Hotel, New York City.

Mr. Mathis is, as you may know, one of the foremost manufacturers of automobiles in France and plans to engage in this country in the business of the manufacture of automobiles and airplane engines.

He now has on deposit with the Bank of the Manhattan the sum of \$8,000, recently transferred to the bank by a Portugese bank at the time that my brother-in-law was in Portugal to be sure that the money would not fall into German hands, as did his factory in Strasbourg. He expects to be able to put more money in the account as soon as various questions in regard to his affairs in the United States are settled.

Any assistance which you may lend in regard to the favorable reception of the Bank of the Manhattan's application by the Treasury will be greatly appreciated.

Believe me, my dear Mr. Cochran,

Yours sincerely,

MAURICE BOYER  
(Signed) Maurice Boyer

Mr. H. Merle Cochran,  
Treasury Department,  
Washington, D. C.

COPY

MANILA VIA N.R.

Dated September 4, 1940

Rec'd 4:05 a.m.

Not to be disseminated  
without consulting Commerce.

Secretary of State,

Washington.

Fourth.

FOR COMMERCE.

Monthly General Resume (Section One).

Business conditions unsatisfactory during July. Intensification of European war and increased tension in Far East caused general weakness and uncertainty and further depressed prices of major Philippine products. Imports business extremely dull being affected by heavy stocks poor consumption and general uncertainty. Practically all buyers adopted hand-to-mouth buying policy and will consider purchasing only for immediate requirements. Retail business extremely dull even for this season of year. Quite apparent that extremely low prices of Philippine commodities substantially reduced general purchasing power thereby markedly curtail consumption in practically all lines.

Export volume showed very considerably decline from previous month and also substantially below corresponding month last year. Analysis of available export figures for July show substantial declines from previous month in coconut oil copra cake and meal desiccated coconut centrifugal sugar and cigars and gains in Abaca leaf tobacco lumber and copra. Generally believed export volume very well maintained this year despite extremely adverse conditions. Steintorf

HICKOK

MacD

PLAIN

Manila via N. R.

Dated September 4, 1940

Rec'd 7:52 a.m.

Secretary of State,  
Washington.

Fourth.

FOR COMMERCE.

Monthly, general resume (SECTION TWO).

However, analysis available figures first seven months this year fails to support this contention. This shows declines in shipments of sugar, copra cake and meal, tobacco and logs and lumber and increases in coconut oil, cigars and mineral ores. Import volume quite large during July due possibly to belated arrivals various shipments ordered early this year. Available figures show gain over June in arrivals automobiles truck tires, canned fish and canned milk with declines in building materials, wheat flour and fruits and vegetables. Probable aggregate volume considerably above June and also larger than July last year.

Government finance showed very satisfactory increase in Internal Revenue collections during July compared same month last year. Total collections Bureau Customs and Internal Revenue first seven months this year show drop considerably less than one percent compared sapely. This very satisfactory showing in view unfavorable conditions obtaining during present year. Foreign exchange market practically stationary during July with substantial demand for United States dollar and inadequate supply export cover. Condition necessitated heavy purchases of dollar drafts from Insular Treasurer. Steintorf.

HICKOK

DDM

MacD

PLAIN

Manila via N. R.

Dated September 4, 1940

Rec'd 7:55 a.m.

Secretary of State,

Washington.

Fourth.

FOR COMMERCE.

Monthly, general resume (SECTION THREE).

Banking situation featured by decline in loans discounts and overdrafts collections banks found it necessary to substantially curtail credits. Securities market continued very inactive but basic conditions slightly better and market showed signs of recovery toward close of month. Substantial increases in investments both corporations and partnerships during July thus reversing trend of two preceding months. Slight improvement in shipping conditions during July there being more tonnage available and no further heavy increases in freight rates. Railway transportations showed usual seasonal recession. Real estate sales remarkably active during July but there was fairly substantial drop in new construction permits. Demand for building materials appear to have declines somewhat. Export sugar market very inactive throughout July with prices falling to new alltime low although market showed some evidence of improvement toward close of month. Domestic consumption sugar very weak with prices falling sharply. Steintorf

HICKOK

DEM

MacD

PLAIN

Manila via N. R.

Dated September 4, 1940

Rec'd 7:42 a.m.

Secretary of State,

Washington.

Fourth.

FOR COMMERCE.

Monthly, general resume (SECTION FOUR).

Coconut products market continued extremely depressed. Prices of copra coconut oil and copra cake and meal declined very materially while there were heavy declines in exports of coconut oil and cake and meal although copra shipments slightly above June low. Abaca market statistical position renewed activity in London market and fairly substantial purchases by United States. Prices moved upward gradually particularly for lower grades. Rice market somewhat improved during July with slight advance in prices of domestic rice thus adjusting disparity between rice and paly quotations. Tobacco market showed considerable improvement in shipments both leaf tobacco and cigars while preliminary reports indicate this year's domestic crop considerably larger than for previous year. Domestic demand for lumber and timber showed further season reduction during July but export demand quite active. Gold production during July reached new high for present year although falling somewhat below high point attained in October nineteen thirty-nine. Steintorf

HICKOK

DEM

MacD

PLAIN

Manila via N. R.

Dated September 4, 1940

Rec'd 9:20 a.m.

Secretary of State,

Washington.

Fourth.

FOR COMMERCE.

Monthly, general resume (SECTION FIVE, LAST).

Cotton textiles market extremely depressed during July with domestic consumption falling to lowest level in many years and with import business almost completely stagnant. Sales of automotive vehicles during July quite substantial despite very unfavorable conditions. However continued heavy imports raised dealers stocks to new high for recent years. Reduced purchasing power as result extremely low prices Philippines products adversely affected sales wheat flour, canned milk and canned fish during July but market for fresh fruits and vegetables exceptionally active. Power production during July reached new record high of one four seven eight two thousand KWH gain six percent over June and seventeen percent larger than in July last year. Cumulative total first seven months nineteen forty shows increase eleven percent. Net radio registrations during July reached new alltime high indicating this one line of business not affected by prevailing depression with total for month one nine six three. Cumulative total first seven months shows gain sixty-one percent. (End) Steintorf

HICKOK

CSB

C O P Y

bj

RESTRICTED

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No. 185

SITUATION REPORTM.I.D., W.D.  
September 4, 1940.  
12:00 M.

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This military situation report is issued by the Military Intelligence Division, General Staff. In view of the occasional inclusion of political information and of opinion it is classified as Restricted.

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I. Western Theater of War.

1. No ground operations.
2. Air Force Operations.

During daylight on the 3rd the Germans operated in force against airdromes in southeastern England and against strong British fighter defense. While British airdromes near the southeast coast are reported as being maintained, it is evident that the German attacks are being met farther inland than was the case a week ago. During the night of September 3-4 raids were made on British ports and on factories.

During the same night the R.A.F. operated over Germany as usual. There was an air raid alert in Berlin and considerable activity in the Magdeburg area.

Air fighting is in progress today over England.

II. Mediterranean and African Theaters of War.

No ground operations were reported and apparently air activity, while widespread, was minor.

RESTRICTED

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE September 4, 1940

TO Secretary Morgenthau  
 FROM Mr. Cochran

~~STRICTLY CONFIDENTIAL~~

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

	No. of Shares Sold	\$ Proceeds of Shares Sold	Nominal Value of Bonds Sold	\$ Proceeds of Bonds Sold
August 26	25	2,303	-	-
27	-	-	21,000	14,050
28	500	58,158	58,000	39,650
29	525	11,713	53,000	35,173
30	2,800	86,872	177,000	107,112
31	<u>2,100</u>	<u>56,513</u>	<u>67,000</u>	<u>42,638</u>
	5,950	215,559	376,000	238,623
Sales from February 22 to August 24	<u>1,424,452</u>	<u>49,248,467</u>	<u>3,230,000</u>	<u>2,778,140</u>
TOTAL FEBRUARY 22 TO AUGUST 31	1,430,402	49,464,026	3,606,000	3,016,763

Mr. Pinsent reported that sales of non-vested securities for the week ending August 24 totaled \$1,000,000.

*J. M. S.*

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION



209

DATE September 4, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

~~CONFIDENTIAL~~

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

Sold to commercial concerns	£45,000
Purchased from commercial concerns	-0-

The Federal Reserve Bank reported that it sold £25,000 in registered sterling to the New York agency of the Bank of Taiwan and £5,000 to the American Express Company.

For the first time since last October, the open market rate for sterling rose above the official selling price of 4.03-1/2 for registered sterling. Following an opening rate of 4.03-1/2 bid, transactions in open market sterling were effected between New York banks at 4.03-3/4, and later at 4.04. The amounts involved in these transactions were reported to be very small. The final quotation was 4.03-1/2. The question has been raised, and is now under consideration by the British authorities, as to whether registered pounds may be employed against commitments in open market sterling. Transactions of the reporting banks in open market sterling were as follows:

Sold to commercial concerns	£28,000
Purchased from commercial concerns	£50,000

The other currencies closed as follows:

Swiss franc	.2279
Swedish krona	.2385
Canadian dollar	12-1/2% discount
Lira	.0505
Reichsmark	.4000
Cuban peso	Holiday
Mexican peso	.1996 bid, .2016 offered

We purchased \$52,100,000 in gold from the earmarked account of His Britannic Majesty's Government.

The Federal Reserve Bank of New York reported that the Bank of Canada was shipping approximately \$50,000,000 in gold from Canada to the Federal, to be earmarked for account of His Britannic Majesty's Government.

UNCLASSIFIED

J.F.S.

MAR 20 '39

per

date

210  
~~CONFIDENTIAL~~

- 2 -

The report of August 28, received from the Federal Reserve Bank of New York giving foreign exchange positions of banks and bankers in its district, revealed that the total position of all countries was short the equivalent of \$12,344,000, an increase of \$530,000 in the short position. The net changes in the positions are as follows:

Country	Short Position August 21	Short Position August 28	Increase in Short Position
England*	\$ 1,641,000	\$ 2,399,000	\$758,000
Europe	5,729,000	5,330,000	399,000 (Decrease)
Canada	244,000 (Long)	178,000 (Long)	66,000 (Decrease in Long Position)
Latin America	286,000	313,000	27,000
Japan	3,440,000	3,531,000	91,000
Other Asia	967,000	949,000	18,000 (Decrease)
All others	5,000 (Long)	-	5,000 (Decrease in Long Position)
Total	\$11,814,000	\$12,344,000	\$530,000

The report from the Federal Reserve Bank of New York listing deposits for the account of Asia as reported by the New York agencies of Japanese banks on August 28, showed that such deposits totaled \$50,175,000, a decrease of \$3,750,000 since the last report as of August 21. Included in this total were \$28,869,000 in deposits with the Yokohama Specie Bank, New York, made by its branches in China, showing little change from August 21, and \$13,525,000 in deposits made by Japanese banks in Japan and Manchuria, off \$3,187,000. Loans made to Japanese banks by Yokohama's New York agency totaled \$16,188,000, an increase of \$1,333,000 over the overdraft of August 21.

The equivalent of the Bombay gold price was \$34.24, up 10¢. Silver in Bombay was priced at the equivalent of 45.07¢, up 1/16¢.

In London, the prices fixed for spot and forward silver were both 1/16d lower at 23-7/16d and 23-1/4d respectively. The dollar equivalents were 42.56¢ and 42.22¢.

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

We made three purchases of silver totaling 325,000 ounces under the Silver Purchase Act. Of this amount, 200,000 ounces represented a sale from inventory, and the remaining 125,000 ounces consisted of new production from foreign countries, for forward delivery.

\*Combined position in registered and open market sterling.

(Handed by Mr. Stopford of the British Embassy to Mr. Cochran in the Treasury at 12:30 noon, September 4, 1940.)

"Crediona-is Madrid has asked Chase Bank whether they can discount their 3 months acceptance drawn by Mischein Clermong-Ferrand. The underlying operation covers purchase by Mischein Clermong-Ferrand Spain of rubber from Indo-China for Spanish consumption. The shipment might in any case not be allowed by us but we would not like to see such facilities placed at the disposal either of Madrid or Mischein France and hope they will not be forthcoming.

National City Bank have advised New York that on June 10th Folfuss Meig of Mulhouse asked Brown Harriman to pay 324,800 dollars and Chase Bank to pay 209,500 dollars both to the National City Bank. It appears that funds were not received. As advice was only by letter such instructions would probably have arrived after June 17th on which date the account was presumably already blocked.

On August 23rd Guaranty Trust credited Banque de Paris et des Pays Bas Geneva's account with \$160,000 received from Morgan, New York, by order of Lombard Odier through Geneva. I do not know how Banque de Paris Swiss branches are being treated but I hope their accounts are blocked and that they will not have free disposal of this or any other sums credited."

R. J. S.

-----

Sept. 4th, 1940.

COPY

(Handed by Mr. Stopford of the British Embassy to Mr. Cochran in the Treasury at 12:30 noon, September 4, 1940.)

With reference to my memorandum of 28th August regarding the Banque Francaise et Italienne, I am informed that the information supplied to me was inaccurate and that the correct story is as follows:

"General Manager of Banque Francaise et Italienne pour l'Amerique du Sud Paris is recommending B. C. I. Milan to use all possible means to secure unblocking of holdings of B. C. I. France and Banque Francaise et Italienne Paris and other branches in companies called Olandese Ozoto and Citrica Belga. Total of one and a half million dollars is involved. In attempting to secure unblocking of these securities he is concerned primarily to prevent their realization for purpose of repaying American credits and war debts and financing relief shipment. This is our first information that such a proposition has been attributed to American authorities. Please confirm if this is so and endeavour to frustrate deblocking by B. C. I."

R. J. S.

-----

Sept. 4th, 1940.

COPY

(Handed by Mr. Stopford of the British Embassy to Mr. Cochran in the Treasury at 12:30 noon, September 4, 1940.)

"TWENTSCHE Bank Amsterdam on August 27th requested the National City Bank of New York to cover overdraft of about 80,000 guilders and Guaranty Trust of New York to cover overdraft of about 90,000 guilders.

Netherlands Trading Corporation Amsterdam on August 27th requested Chase Bank of New York to remit equivalent of debit balance of 110,000 guilders in free Swiss francs to their credit with Credit Suisse, Zurich. They say that this is at the request of the Foreign Exchange Control Board."

R. J. S.

Sept. 4th, 1940.

COPY

(Handed by Mr. Stopford of the British Embassy to Mr. Cochran in the Treasury at 12:30 noon, September 4, 1940.)

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R. J. S.

Sept. 4th, 1940.

COPY

(Handed by Mr. Stopford of the British Embassy to Mr. Cochran in the Treasury at 12:30 noon, September 4, 1940.)

"Selden, American Express, New York, on August 27th advised Boyce, American Express at Marseilles that subject to obtaining Treasury license he understood that they could buy from Berlin francs payable in Paris. He asked to what extent these would be acceptable to cover operating losses.

If such a license were granted on the pretext of a loss, it would set up on a dangerous precedent."

R. J. S.

-----

Sept. 4th, 1940.

COPY

(Handed by Mr. Stopford of the British Embassy to Mr. Cochran in the Treasury at 12:30 noon, September 4, 1940.)

"On August 20th the Reichsbank instructed the Chase Bank, New York, to honour six dollar checks, each for an odd amount but totalling exactly \$200,000 to the order of Hans Heinrich Von Holleuffer. I am trying to find out who this is but transmit information to you meanwhile in case you can trace him."

R. J. S.

With the compliments of Mr. R. J. Stopford.

-----

Sept. 4th, 1940.

COPY

BRITISH EMBASSY,

WASHINGTON, D. C.

When certain papers of your's were  
 received, they were given to the  
 Mr. Merle Cochran,  
 U. S. Treasury Department,  
 Washington,  
 D.C.

(Initialed) E. J. S.

With the compliments of Mr. R. J. Stopford.

British Embassy,  
 Washington, D. C.

Sept. 4, 1935.

C  
O  
P  
Y

"From certain source but sender's name omitted, New York advise Golddiskont Bank that their balance at close of business on August 24th was 4,500,000."

(Initialed) R. J. S.

British Embassy,  
Washington, D. C.

Sept. 4, 1940.

dm

C O P Y

"Five instructions were sent on August 29th  
from Berlin to New York -

1. To Chase Bank to pay \$300,000 to Swiss Bank  
Agency for the account of Swiss Bank Corporation,  
Zurich.

2. To Chase Bank to pay \$100,000 to the Union  
Bank of Switzerland, Zurich, for the account of  
same.

3. From Goldiscount Bank to Bank of Manhattan  
to pay \$400,000 to Guaranty Trust for the account  
of Svenska Handelsbanken, Stockholm.

4. From the same to the same to pay \$200,000  
to Chase Bank for the account of Enskilda Bank,  
Stockholm.

5. Chase Bank was on August 28th instructed by  
Berlin to pay two million dollars to State Bank of  
U. S. S. R."

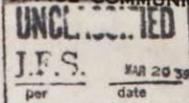
(Initialed) R. J. S.

-----

British Embassy,  
Washington, D.C. September 4th, 1940.

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION



DATE September 4, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

~~STRICTLY CONFIDENTIAL~~

By telephone this forenoon I spoke with Mr. Podesta, the representative in New York of the Bank of Italy. He told me that Mr. Mazzuchelli was formerly a manager of the Credito Italiano and had in recent years been writing financial and economic articles for the Italian paper, Il Sole. Mr. Podesta promised to send me any documentation with respect to the press report attributed to Mazzuchelli which he might be able to obtain from the Credito Italiano agency in New York.

Incidentally, Podesta told me that Pennachio, who had been representative in Paris of the Bank of Italy in my time, and who had left Paris prior to Italy's entry in the war, has now been able to return to Paris. Likewise a Bank of Italy representative has been returned to Brussels. The latter is Mr. Santo Punto.

SEP 4 1940

221

220

Mr. Livesey

*A Kind Word For Gold*

Mr. Cochran

Cables from Rome indicate that gold as money has received a striking and unexpected endorsement abroad in recent weeks. An Italian economic meeting held on August 17 attended by financial representatives of Ger-

Will you kindly send a cablegram along the following lines, at Treasury expense: "American Embassy, Rome. communicated with various of January 12, 1940, and

Treasury Department would appreciate receiving information by cablegram to supplement and clarify press report attributed to Italian economist

Mario Mazzuchelli to the effect that at a meeting held on August 17 between financial representatives of Italy and Germany, including Funk, a decision was reached that the Axis Powers would return to the gold standard in the event of victory."

was intended, for he did concede that gold might be useful after the war in settling international accounts. Naturally, countries that have no gold, or that have very little gold, must find other means of settlement. In any event, it is the contention of Mario Mazzuchelli that Dr. Funk was misrepresented, that he did not proscribe gold but merely relegated it to a secondary plane.

Fears for the future of gold exist largely in the overactive imaginations of individuals too ready to assume that the world is facing a complete break with the past in all matters, especially economics. For these Mr. Mazzuchelli has a palliative, and it is ironic that it should come from fascist soil. His assertion that in an economy there can be evolution, but not revolution, or enduring revolution, is fitting to the occasion. It will enable some of us to sleep better.

DATE September 4, 1940

CONFIDENTIAL

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the German conclusion

funds being attached in

sda being frozen in the

SEP 4 1940

*A Kind Word For Gold*

Cables from Rome indicate that gold as money has received a striking and unexpected endorsement abroad in recent weeks. An Italian economist, Mario Mazzuchelli, describes a meeting held on August 17 attended by financial representatives of Ger-

the meeting. Apparently it was Dr. Funk's remark that gold would play no role as a basis for future European currencies that set in motion here recently a new train of disquieting speculations on the future of gold.

It is possible that in this country we may have been inclined to read more into Dr. Funk's remarks than was intended, for he did concede that gold might be useful after the war for settling international balances. Naturally, countries that have no gold, or that have very little gold, must find other means of settlement. In any event, it is the contention of Mario Mazzuchelli that Dr. Funk was misrepresented, that he did not proscribe gold but merely relegated it to a secondary plane.

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DATE September 4, 1940

~~CONFIDENTIAL~~

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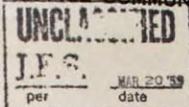
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## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION



DATE September 4, 1940

TO Secretary Morgenthau  
FROM Mr. Cochran

~~STRICTLY CONFIDENTIAL~~

I talked by telephone with Mr. Knoke at 11:00 this morning. I mentioned having learned through outside sources that the Reichsbank had communicated with various New York City banks countermanding their communication of January 12, 1940, and instructing them not to pay money received for their credit and proceeds of their collections any longer for credit in the B. I. S. account with the Federal Reserve Bank, New York, but for credit to their own account as formerly.

Mr. Knoke confirmed that the Federal had likewise received a cablegram from the Reichsbank under which the Federal is requested now to receive money for the Reichsbank and to hold it in the Reichsbank account, rather than to transfer it to the B. I. S. account. This, Knoke thought, resulted from the German conclusion that there was less risk of embarrassment through their funds being attached in their own account with the Federal, than through such funds being frozen in the B. I. S. account with the Federal.

*BMP*

HSM

PLAIN

London

Dated September 4, 1940

Rec'd 2:01 p. m.

Secretary of State,  
Washington.

3007, September 4.

FOR TREASURY.

1. A British Treasury order announced today adds securities expressed in the currencies of Portugal, Panama, Newfoundland and the Philippines to the list of "controlled securities" subject to registration and acquisition by the Treasury originally listed in S. R. & O. 1939 No. 966. A London Gazette notice adds the same currencies to those which must be surrendered but deletes those of France, Belgium, Holland and Norway from the list as originally issued on September 3, 1939. (See despatch No. 3364 dated September 15, 1939, enclosure No.4).

2. The full Exchequer accounts for the five weeks ending August 31 show that the deficit of £245.8 million for the period (representing a weekly average of £49.2 million as compared with a weekly/average of £45.4 million in the four weeks ended July 27) was financed as follows: £86.2 million from savings (or a weekly average of £17.3 million

September 4, 1940.

The Bureau of the Budget has approved and submitted the President a bill which

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MEMORANDUM

TO: Secretary Morgenthau  
FROM: Mr. Gaston

*MS.*

Last week I was over with Admiral Waesche before a committee of the Bureau of the Budget to plead the merits of a new Coast Guard Reserve bill. Now Waesche has been informed that the bill has gone to the Executive Offices with a favorable recommendation from the Budget.

We now have a so-called Coast Guard Reserve, organized under the terms of the bill passed by Congress last year. This is not actually a reserve in the sense in which the term is used by the Army and Navy but is in reality an auxiliary, which exists for purposes of giving safety training to yachtsmen and occasional assistance by these yachtsmen, who are members of the so-called reserve, in policing regattas and the like. The new bill changes the name of the existing reserve to Coast Guard Auxiliary and creates within it an actual reserve of physically fit and qualified men who may be called into the active service of the Government as reserve officers by the Secretary of the Treasury in time of peace and by the Secretary of the Navy in time of war. The new bill has the active support of Admiral Stark and in fact it was drawn in consultation with high officers of the Navy Department. Experience with the present Coast Guard Reserve, which is extremely popular, has led to the conclusion that we can enroll in the actual reserve a great many physically fit and well educated young men who operate sail and motor boats and who may be trained in peace time so as to furnish a supply of well qualified officers to undertake harbor and coastal patrol in time of war and thus free regular Coast Guard officers for war time service. The points I would emphasize are: (1) ~~we can~~ enroll many well qualified young men who would not normally be enrolled either by the Army or the Navy; (2) ~~we can~~ actually train them in peace time to take up very essential war time duties.

*Coast Guard*

*If this bill is enacted we can*

It is my belief that we ought not to neglect this opportunity to increase our effective naval strength for war time purposes and also to have available a body of men who can be called into active duty in any great peace time emergency.

*[Handwritten mark]*



September 4, 1940.

It should be emphasized that this is entirely supplementary to the Navy's program and has the hearty endorsement of the high command of the Navy. MEMORANDUM

Both Admirals Stark and Waeache believe that it would be an opportunity to realize the earlier  
TO: Secretary Morgenthau  
FROM: Mr. Gaston

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It is my belief that we ought not to neglect this opportunity to increase our effective naval strength for war time purposes and also to have available a body of men who can be called into active duty in any great peace time emergency.

8-2/183-316

- 2 -

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DECLASSIFIED

It should be emphasized that this is entirely supplementary to the Navy's program and has the hearty endorsement of the high command of the Navy.

September 4, 1940.

Both Admirals Stark and Waesche believe that it would be extremely helpful if you got an opportunity to mention the matter to the President. ~~CHIEF OF STAFF:~~

Subject: Trends of British-German Air Warfare.

1. The information contained in recent communications and cablegrams is often contradictory and confusing as to essence. In the circumstances, this is unavoidable. While definite conclusions cannot be drawn, certain trends are apparent:

a. Beginning about August 21, there were changes in German air tactics. Before that date German air attacks were almost exclusively mass daylight operations, about that time extensive night attacks were first started. These operations consisted of concentrating from 40 to 100 planes on each of one or two strategic targets, with harassing raids of from 3 to 20 planes on from four to ten other targets. Actual attacks were delivered by single planes or small groups that apparently proceeded to the target area by divergent routes. Such tactics resulted in a large part of England as far north as Manchester being subjected to air raids once or twice every night. There are some indications that about August 21, the size of the mass daylight raid formations was made smaller, but this is not certain. It is apparent that the northern limit of the zone of daylight attacks runs generally from the vicinity of Plymouth along a line over 20 miles northwest of London. About the middle of August the zone did not include London.

b. At present there is a lessening in the spread between German and British aircraft losses. It is believed that the fighters lost on the two sides are about equal, to which must be added a considerable number of German bombers.

c. There are indications that continued German attacks on airdromes have driven the line of fighter attacks back from the vicinity of the Channel to a line 30 or 40 miles inland.

d. Either the new German tactics or the weaker fighter defense, or both, has resulted in increased damage to important British targets and increased civilian casualties.

e. It is reasonable to assume that damage to key factories and the loss of rest to workmen has lowered munitions production. However, this is not true of aircraft, if the statement

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G-2/183-316

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of the Military~~CONFIDENTIAL~~  
DECLASSIFIED

DOD DIR. 5200.9 (9/27/58)

September 4, 1940.

attached targets on the continent. British bombers have  
well. Evidence is inconclusive, but it is probable that a number  
of key establishments have been damaged by these raids and that  
production in certain areas has been lowered due to fatigue

MEMORANDUM FOR THE CHIEF OF STAFF:

Subject: Trends of British-German Air Warfare. ~~is not yet critical. At least one destroyer has been sunk and~~  
fewer damaged during the past 28 days with some casualties to sailing  
naval vessels.

1. The information contained in recent communiques and  
cablegrams is often contradictory and confusing as to sequence.  
In the circumstances, this is unavoidable. While definite con-  
clusions cannot be drawn, certain trends are apparent:

a. Beginning about August 24 there were changes  
in German air tactics. Before that date German air attacks were  
almost exclusively mass daylight operations. About that time ex-  
tensive night attacks were first started. These operations con-  
sisted of concentrating from 40 to 100 planes on each of one or  
two strategic targets, with harassing raids of from 3 to 20 planes  
on from four to ten other targets. Actual attacks were delivered  
by single planes or small groups that apparently proceeded to the  
target area by divergent routes. Such tactics resulted in a large  
part of England as far north as Manchester being subjected to air  
raids once or twice every night. There are some indications that  
about August 24 the size of the mass daylight raid formations was  
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the vicinity of Plymouth along a line some 20 miles northwest of  
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be added a considerable number of German bombers.

c. There are indications that continued German at-  
tacks on airdromes have driven the line of fighter attacks back  
from the vicinity of the Channel to a line 30 or 40 miles inland.

d. Either the new German tactics or the weaker  
fighter defense, or both, has resulted in increased damages to im-  
portant British targets and increased civilian casualties.

e. It is reasonable to assume that damages to key  
factories and the loss of rest to workmen has lowered munitions  
production. However, this is not true of aircraft, if the statement

~~CONFIDENTIAL~~

Paragraph of Code Sablogram  
Received at the War Department  
of the Military Attache, London, is accepted.

f. On the average about 100 British bombers have attacked targets on the Continent each night. Losses have been small. Evidence is inconclusive, but it is probable that a number of key establishments have been damaged by these raids and that production in certain areas has been lowered due to fatigue occasioned by loss of rest. Attacks on a reduced scale have been

directed e.g. Losses of major shipping continue to be appreciable but not yet critical. At least one destroyer has been sunk and four damaged during the past 10 days with some casualties to smaller naval vessels. Submarine attacks usually result in misses or sinkings; air attacks frequently result in damage of different degrees without sinking.

September 3. German aircraft casualties were 23 confirmed lost, 21 probably lost and 10 damaged. British losses were 15 airplanes and 9 pilots. In addition the Coastal Command lost four flying boats that were either shot down or ditched. One British Liberator bomber, 5500-ton, was lost. Two civilians were killed and 20 wounded.

SHERMAN MILES,  
Brigadier General, U. S. Army,  
Acting Assistant Chief of Staff, G-2.

Copies to: General Watson  
Secretary of War  
State Dept.  
Secretary of Treasury  
Asst. Secretary of War  
Chief of Staff  
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DOD DIR. 5200.9 (9/27/58)

Signature - RHP

Date - 1-9-70

DECLASSIFIED  
DOD DIR. 5200.9 (9/27/58)

FRANKLIN D. ROOSEVELT LIBRARY

Date - 1-9-70  
Signature - RHP  
The Army requires both housing and equipment and will not be contacted with any standard except the highest for either. The blunt facts must be faced: the Army asks for additional which it is owed.

~~CONFIDENTIAL~~~~CONFIDENTIAL~~

Paraphrase of Code Cablegram  
 Received at the War Department, available the final  
 at 12:22 P.M., September 4, 1940.

victory will not be won. It is the Army that  
 must strike the final blow. Above all it re-  
 quires mechanized equipment and the close

1. German air attacks on a reduced scale have been  
 directed against Thames Estuary and East Kent. It is estimated  
 that about 150 aircraft operated over England during the night  
 of September 2 - 3 and about 600 during the daylight hours of  
 September 3. German aircraft casualties were 25 confirmed lost,  
 11 probably lost and 10 damaged. British losses were 15 airplanes  
 and 9 pilots. In addition the Coastal Command lost four flying  
 boats that were either missing or crashed on landing. A British  
 steamer, 5500-tons, was lost. Ten civilians were killed and 20  
 wounded.

2. In his speech yesterday Mr. Anthony Eden, Secretary  
 of State for War, made the following points with respect to the  
 Army:

- a. There is no evidence that Hitler has abandoned  
 his declared intentions of subduing Britain by  
 invasion.
- b. The Army requires both training and equipment  
 and will not be contented with any standard  
 except the highest for either. The blunt facts  
 must be faced; the Army asks for additional  
 numbers of every weapon with which it is armed.

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 DDD DIR. 5200.9 (9/27/58)

Date - 1-9-70

Signature - RHP/RS

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

GROUP MEETING

September 4, 1940

Present: Mr. Foley      Until these weapons are available the final  
 Mr. Gaston      victory will not be won. It is the Army that  
 Mr. Bell  
 Mr. Young      must strike the final blow. Above all it re-  
 Mr. Graves  
 Mr. Cook      quires mechanized equipment and the close  
 Mr. Thompson  
 Mr. Chamberlain      tactical support of aviation which is indis-  
 Mr. Hagan  
 Mr. White      pensible to success in modern warfare.  
 Mr. Schwarz  
 Mrs. Klotz

LEE.

H.M. Jr: Harry, we are trying to collect all this stuff that memorandum which was commented on yes-

Distribution: General Watson  
 Secretary of War  
 State Department  
 Secretary of Treasury  
 Asst. Secretary of War  
 Chief of Staff  
 War Plans Division  
 Office of Naval Intelligence

by those famous comedians, Pearson and remember, the President put Lauch Sullivan is collecting the I have just never known If you would care to write Franklin D. Roosevelt Library trying to pick it up. I don't know whether I will ever use it, but I want the

DECLASSIFIED  
DOD DIR. 5200.9 (9/27/58)

White: I will try to get all Date-11-9-70 I can.  
 You say it is referred to in Pearson and Allen?  
 Signature- RHP

H.M. Jr: Yesterday's column.

White: You remember the subject matters?

H.M. Jr: Yes.

Foley: I remember it, Harry.

H.M. Jr: Sullivan is getting it all together for me because he said he had quite a difference with --

Foley: We prepared the stuff and showed it to Harry and Lauch Currie thought that it would be a

~~CONFIDENTIAL~~

## GROUP MEETING

September 4, 1940  
9:30 a.m.

Present: Mr. Foley  
Mr. Gaston  
Mr. Bell  
Mr. Young  
Mr. Graves  
Mr. Cochran  
Mr. Thompson  
Mr. Chamberlain  
Mr. Haas  
Mr. White  
Mr. Schwarz  
Mrs Klotz

H.M.Jr: Harry, we are trying to collect all this stuff on that memorandum which was commented on yesterday by those famous comedians, Pearson and Allen, and on that tax thing, that amortization, and if you remember, the President put Lauch Currie on that. Sullivan is collecting the whole thing for me. I have just never known Lauch's side of it. If you would care to write a memorandum telling me just how he got in on it and what he did, because we are trying to pick it up. I don't know whether I will ever use it, but I want the information.

White: I will try to get all the information I can. You say it is referred to in Pearson and Allen?

H.M.Jr: Yesterday's column.

White: You remember the subject matters?

H.M.Jr: Yes.

Foley: I remember it, Harry.

H.M.Jr: Sullivan is getting it all together for me because he said he had quite a difference with --

Foley: We prepared the stuff and showed it to Harry and Lauch Currie thought that it would be a

- 2 -

good idea to write letters to the Army and the Navy and give them all the background in so far as our treatment of amortization is concerned, and I think Harry cleared the letters and then you gave them to Jake Viner and Jake had some questions about them and we never did anything about it. It just stopped right there.

H.M.Jr: That is right.

White: Well, we will write the whole thing up.

H.M.Jr: Sullivan is writing it up, but if we could get Lauch Currie to feed his in to Sullivan and you (Foley) the same, but I have given Sullivan everything I have got so far on my diary. It is just a case of somebody else - because the thing - how Pearson and Allen got the date of the memorandum, I don't know, but they have the date, November, the date we gave the memorandum to the President. Somebody must have given it to them.

Thompson: I would like to stay a half minute.

H.M.Jr: I think I can. I won't be rushed. I will give you a minute, but I won't be rushed. My resolution still holds over from yesterday.

Dan, are you going to be ready today?

Bell: I will be ready in part.

H.M.Jr: Mr. Knudsen already knew that you had been in to Mr. Biggers.

Bell: Really? I got a memorandum last night that isn't very complete, but I will have something on it.

H.M.Jr: Mr. Knudsen says he has got a memorandum he

- 3 -

wrote a month ago on three different ways of financing. Take a look at that and see if it is correct, will you (handing clippings to Mr. Foley)?

- Bell: I will have some figures probably tomorrow. If you are not going to finance this month, you had probably better announce it.
- H.M.Jr: I wouldn't want to do that without talking to the President and I have got a tentative luncheon date with him.
- Bell: That is tomorrow?
- H.M.Jr: Tomorrow. I wouldn't want to say anything to the press. I want to go over it with the President.
- Bell: We will have something for you before you go over there on what we could do.
- H.M.Jr: Okay. What else?
- Bell: That is all.
- H.M.Jr: Harold? What do you do, Harold, who decides what kind of a picture there should be over a bar and that sort of thing nowadays, on alcohol tax?
- Graves: I think that is Mr. Sullivan's department.
- Foley: There are good pictures out West in all the bars that I was in.
- H.M.Jr: Nobody has ever told me. Who runs that show?
- Graves: It is consolidated with the Alcohol Tax Unit and very largely decentralized to the field. It is handled by the regular field set-up of the Alcohol Tax Unit.

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H.M.Jr: Did you ever take a look at it?

Graves: No, I haven't.

H.M.Jr: Just take a day and take a look at it and see what it looks like.

Harry, you look disturbed and worried.

White: That is just a specious --

H.M.Jr: Incidentally, I don't like to force anything on anybody, but if anybody wants this New Republic article on Willkie, it is there on my desk. It is very interesting.

Gaston: Thanks. I read it, and I would like to have one.

White: I learned yesterday that the inter-American bank proposal is being held up by the President with all the necessary documents, supporting data, et cetera, awaiting the passage of the Export-Import Bank additional sums. I presume it is in the expectation that if the Bank is brought before Congress first, it might jeopardize the allocation of the sums to the Export-Import Bank, so the thought now is, as I understand it, to submit that as soon as the other is disposed of.

With respect to the discussion on Chilean matters, I think it would be appropriate if the head of that coordinating committee were called in, because he seems to be reaching into every aspect of it. Is that all right with you?

H.M.Jr: Are you afraid to use the name "Rockefeller"?

White: I am for a few months.

Foley: Now is the time to use it, Harry.

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- White: I see. You ought to know. I would like about ten minutes. There are a couple of things I would like to take up with you this morning.
- H.M.Jr: Tell McKay. Incidentally, I was amazed. I didn't know - it was before my time - that Mackenzie King was the adviser to John D. Rockefeller, Jr. on that Colorado Fuel and Iron strike and went through the whole thing with him and coached him on his testimony and everything else. I never knew that. He saw him through that whole business. He told a very amusing story. There was some labor leader that had been attacking him and the suggestion was made that they meet and this man said no, he would be glad to meet Rockefeller when it was over, not until it was over. This labor leader knew Mackenzie King and he sat down and had a drink with him and when they got through he said, "You know, Rockefeller, if you would get drunk there is no telling how far you would go in this country. That is about all that you need. You are a real guy." He said there would be no stopping him.
- White: I think his son is going farther, probably.
- Foley: A couple of his boys are all right. They will make the grade.
- H.M.Jr: Mackenzie King was the person who introduced this woman who was known as "Mother" something, this labor --
- Gaston: Mother Jones?
- H.M.Jr: Mother Jones, yes. He has a whole group of very interesting stories about his experiences with Rockefeller.
- Are you all right?

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Incidentally, there is a special dispatch out of the London and New York Times today denying that the Iran Oil Company had sold any gasoline to Japan. That is pretty quick work on this fellow's part. He had time.

- White: Was it a result of that?
- H.M.Jr: I am sure on the telephone he got it over.
- White: That committee had called in for - in an advisory capacity, several bankers and exchange men from New York to give them their advice on Latin American affairs.
- H.M.Jr: All right.
- White: And Ravinsky was among them.
- H.M.Jr: Well, after while - I mean, all the experts will be in Washington.
- White: You mean all the experts will be in New York.
- H.M.Jr: No, I mean they call down so many people.
- White: Oh, I see.
- H.M.Jr: George, I want you in at that 10:30 meeting today, and you are in on that, Phil.
- Young: What is that about?
- H.M.Jr: Allison engines; this idea I want them to keep on the C-type engine. Knudsen called for me at 8:00 this morning. He agrees. That is what I had those men come up to Ottawa for, you see. They have got this C-type engine rolling now and I want the English to stay on that until they prove the other engine and not wait another six months until they prove the next engine, and Knudsen says I am

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right and he thinks they ought to place an order for another thousand, which will see them through the winter nicely. There is only ten miles an hour difference between the C and the F, but it is an entirely different construction.

- Haas: In connection with that, Mr. Secretary, the reports that we get from the Commission, the British Commission, on their business are more detailed than the one you see on the whole industry. For example, we show the deliveries to date on all types of engines and all types of planes - go down the line and take any particular company and any type of plane, all options are --
- H.M.Jr: George, bring in everything on Allison and then they will have to increase their orders to Curtiss-Wright for the same amount. Have all that in your lap.
- Haas: They have been calling up Mead's section, looking for figures. They got some figures which are wrong and they attributed them to the Treasury. I think I straightened them out. I couldn't say where they got the figures, but they said they came from the Treasury.
- H.M.Jr: What figures?
- Haas: Saying the British order amounted to 6100 engines.
- H.M.Jr: The figures which they gave me last night and I took home and read, I gave Knudsen this morning. He is bringing them back. They are the only set I had. 4200 engines they have on order. Is that right?
- Haas: Forty-two or three, that is right. There is another thing in connection with these reports.

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The Wright Company wrote in and said that the Air Corps which previously had required reports four times a month had now changed their reports to the first and the fifteenth and they wondered if this timing would suit your purpose as well. What they are thinking about is cutting out the weekly and putting it out two times a month.

H.M.Jr: All those Air Corps people will be here today. You might ask them. No, I want it weekly.

Haas: I would think so. That is all.

H.M.Jr: But have Allison and Curtiss-Wright here, will you please?

Haas: I will have it. Your report is out on Mac's desk.

H.M.Jr: And you might have also the Republic and Vultee.

I read your (Young's) report last night. I think Sumner Welles was most ungenerous in what he did to you and I thought you handled yourself very well.

Young: Did you read the letter from the Minister?

H.M.Jr: I have done everything.

Professor Chamberlain?

Chamber'n: We were going to see you at 3:00 o'clock this afternoon, Mr. Secretary.

H.M.Jr: That is right.

Chamber'n: And take up our matters.

H.M.Jr: I think the information that comes out from your section through Schwarz' office is all right. I see it all the time. It is just

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a credit to the Treasury, which I think is the way it should be.

Chick?

Schwarz: I have nothing.

H.M.Jr: I don't like to be personal, but why do you wear a vest? I look around the room here and --

Schwarz: Just happened to. It was cool out in the country this morning.

H.M.Jr: I just looked around and I wondered if you were getting a little high-hat with us. Have you got a gold chain across it?

Schwarz: No.

White: He is the Public Relations man. He has got to be careful.

Schwarz: I just happened to be cool this morning.

H.M.Jr: I think this fellow, Bob Horton, will be looking for a new job soon.

Schwarz: There are a lot of complaints around town from all sides.

H.M.Jr: Phil?

Foley: He isn't on our side.

H.M.Jr: Bob Horton?

Foley: Yes.

H.M.Jr: When you say "our side", do you mean this (pointing to Roosevelt's button)? Is that what you mean?

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- Foley: Right.
- H.M.Jr: Really?
- Gaston: Lowell picked him.
- H.M.Jr: You mean this side?
- Foley: Yes.
- Haas: He used your airplane figures to give to the President.
- H.M.Jr: It was terribly funny yesterday when Lothian was here. I said, "Wouldn't you like to take a look at this Willkie button? It is very amusing." He said, "Oh, no! You know what happened to the Ambassador who came out for Roosevelt." I said, "Oh, I didn't want you to wear it, I just wanted you to look at it." He was afraid we were going to burn him up.
- You mean to say that Bob Horton is a Republican?
- Foley: That is what I have heard.
- H.M.Jr: Well, as Herbert Gaston said, Lowell Mellett plucked him.
- Gaston: He is an old friend of Josephine Roche's, from Denver, and "Rocky Mountain" Lew's, generally supposed to be a strong liberal when he was with the Scripps-Howard people.
- H.M.Jr: Maybe he changed over when Willkie did.
- Gaston: When was that?
- H.M.Jr: Day before yesterday, according to the New Republic. My, that is written cleverly, that stuff. It is very amusing reading.

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Phil, what have you got?

Young: Do you want to bring out the question of the six Consolidated bombers this morning?

H.M.Jr: Yes. Phil, on the six Consolidated bombers, would that be the ones the President promised them or do they want five besides?

Young: I didn't know he had promised him five.

H.M.Jr: This is very much in the room here. Lothian is very much disturbed because as part of this deal he was promised 22 motored torpedo boats, 5 long distance bombers, 5 flying boats, and 250,000 rifles, and he had his troubles with Churchill in getting this whole thing through and he says, "Now nobody tells me how to do this," so he said to me, "How should I do it?" So I said, "Well --" He kept asking me whether I wouldn't do it and I said, "No, I'm not going to ask the President, 'Mr. President, have you forgotten a promise or something?'" I said, "The thing for you to do is when you see him ask him what about it and the chances are he will refer it to me," but I said, "Take it up with him." I think you had better call Purvis before 10:00 and ask him - I can do it. It will only take me a second. Ask him whether the six and the five are - but this is very much in the room, but I am not going to the President and say, "What about these items?" I mean, I haven't been here for two weeks. I thought we had the 250,000 rifles.

Young: Well, we talked about it on the telephone, don't you know, while you were away and Mr. Stimson had told me that those would be released along with the powder. That was my understanding there.

H.M.Jr: Well, I think we will let Lothian go to bat. He seemed a little diffident about doing it.

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He says he is going to see the President tomorrow and let him ask the President. I will ask that. What else?

Young: That is all.

H.M.Jr: We can ask --

Young: Are you calling Purvis?

H.M.Jr: Yes, I will do that right now.

Merle?

Cochran: You saw we had the new Canadian accounts straightened up while you were away, transferring the Government accounts to the Federal?

H.M.Jr: I refuse to answer. If I answer, you will know whether I read those reports or not.

Cochran: I forget whether I put them in or not.

H.M.Jr: What else?

Cochran: That is all.

White: You have to be born a diplomat to do that. You can't acquire it.

H.M.Jr: On the Canadian accounts, another good story. Morris Wilson, who is Chairman of the Royal Bank of Canada, wanted to get a few dollars so when he came down he could have some money, so he goes to Governor Towers who used to work for him and says, "Now, of course, if it is embarrassing, I don't want to embarrass you, but can I have some dollars when I go down to the United States?" Towers said, "Yes, it will be embarrassing. You have got to ask London." And he had to get London to



September 4, 1940  
9:55 a.m.

H.M.Jr: Hello.

Operator: Mr. Purvis.

H.M.Jr: Hello.

Arthur Purvis: Hello. Good morning.

H.M.Jr: Hello, Arthur.

P: Yes, sir.

H.M.Jr: At 10:30 when I have these Army people in, this request for six consolidated bombers -- is that part of the five and five.

P: No. This is something quite independent. The five and five we don't want to disturb at all. This is simply a priority against our part to keep communications going and has no relation whatsoever to any requests for either the flag boats or the flying fortresses.

H.M.Jr: This is something extra.

P: It's really a priority of -- simply for the help of -- that it will give to communications between North America and .....

H.M.Jr: I know what it's for because Captain Balfour told me but I didn't know whether it was the same or not.

P: No, not a bit.

H.M.Jr: Well, I'll start it at 10:30 this morning.

P: Good. Now in the meantime the Ambassador is doing as you said, he is simply going to have a talk with the gentleman across the way and he will then tell him what he understood of the situation/suggest if possible could it be worked out through you.

H.M.Jr: That's all right.

- P: So -- with the necessary help. (Laughs).
- H.M.Jr: All right.
- P: So that that will start on that basis. Now I had Fairey here, at least I told Fairey to come with Phil unless he knew the picture fully, that we'd leave it with him but that he must be -- it must be somebody who has it at finger-end. When would you .....
- H.M.Jr: They should be in Philip Young's office from 10:30 on.
- P: All right. I'll arrange that then.
- H.M.Jr: Now I had a preliminary talk with Knudsen and he agrees with me that you people should continue with the C engines.
- P: Well Fairey, I think -- I talked with Fairey about that and I think at the pitch that can be got out of Fairey this morning if you wanted it.
- H.M.Jr: Well, he should be ready because this is what I said to Knudsen, supposing they should want another 500. So he said, oh, they ought to take at least 1000. And then I gave him the memorandum that you gave me so he could read it about the 400 odd engines at the end, you see.
- P: Yes, exactly.
- H.M.Jr: And 150 extra Hawks, so I'm going to take that all up this morning so somebody should be there so that if they say yes, you can have them, that your people could say, yes, we'll buy them.
- P: Yes. Well, now I think Fairey is in that position because I told him he had to be in a position to handle whatever came out of the meeting along the lines of any further discussion.
- H.M.Jr: Well, would you want to sit in yourself?
- P: Well, I tell you. I would like to in one way but I've also got something here that I really

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am anxious to get off if I can. If I were a little late.

H.M.Jr: Well, it's not necessary and I don't know how long it will run.

P: Well, if I can get down I will. If not, would you .....

H.M.Jr: It's not necessary if you'll just have Fairey so that he can say yes or no.

P: I'll telephone through to Fairey immediately now.

H.M.Jr: You see. I mean, because if they say fine, we agree they should continue on the C engine, they can have 1,000, I'd like your people to be in a position -- of course that 1,000 is in place of the F engine.

P: Yes.

H.M.Jr: And Knudsen tells me that .....

P: I know they wanted the F if they could get it because of the higher power and the value that would have. But on the other hand if it's going to ease up the production situation I suppose that's the point about it, is it?

H.M.Jr: Of course, there's ten miles an hour difference.

P: Is that all?

H.M.Jr: That's all and it's an entirely different construction. I mean, one as I understand it is a direct drive and the other is a gear drive.

P: And the result is that it loosens up the production picture, is that it?

H.M.Jr: Well, you know that these C engines will roll out to you every day.

P: Exactly, whereas the other is still .....

H.M.Jr: Well, it might be another 3 months before it's .....

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- P: Well, the great thing as we said before is to get airplanes into the air.
- H.M.Jr: Well, if you can get another 1,000 airplanes by mid-winter .....
- P: (Laughs). There isn't any question what the decision is.
- H.M.Jr: And your people, Balfour and all of them say, that the C engine -- Curtiss P-40 -- is better -- is faster than the Hurricane and they're still making Hurricanes.
- P: That's very interesting, isn't it?
- H.M.Jr: Yes. He says it's not as fast as the Spitfire but it's better than the Hurricane and they're still making Hurricanes, so he said, well, of course we'd take them.
- P: Yes, that that looks like an open and shut case.
- H.M.Jr: I think so.
- P: All right, thank you very much. I'll get in touch with Fairey immediately.
- H.M.Jr: Thank you.
- Foley: Well --
- H.M.Jr: Well, you haven't had a chance.
- Foley: Yes, I have. I know this fellow. I have had a chance to check him with my people. Do you want someone on them or want me to tell you what I think?
- H.M.Jr: Tell me what you think.
- Foley: In so far as this bill would permit using United States contracts as collateral, that is the proposal that Mr. Jones went over here some time ago and before I left, our people had worked out something with Sam's people

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Young: Want me to hold the British in my office until they are sent for?

H.M.Jr: That is right. I don't know what is the matter with these people. None of them seem to get the details or know what it is all about. Somebody somewhere along the line ought to know. You see, the thing is, this C engine now is approved. It has passed its 150-hour test. They are rolling out every day now. They are really coming and why take a chance on something that is of different construction? It is a gear drive instead of direct drive. It is ten miles an hour faster, but it is a different thing and they may fool around with it from three to six months. It isn't worth it.

Gaston: No.

H.M.Jr: Ed?

Foley: Nothing.

H.M.Jr: What about those clippings?

Foley: Well --

H.M.Jr: Well, you haven't had a chance.

Foley: Yes, I have. I know this fellow. I have had a chance to check him with my people. Do you want memos on them or want me to tell you what I think?

H.M.Jr: Tell me what you think.

Foley: In so far as this bill would permit using United States contracts as collateral, that is the proposal that Mr. Jones sent over here some time ago and before I left, our people had worked out something with Dan's people

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that was satisfactory and I think it is probably our bill that has been presented to the Judiciary Committee, and I think it will speed up production because it will permit a fellow having a Government contract to get financing at the Bank in the same way he can if he is manufacturing for private consumption.

Bell: There is an old revised statute that prohibits the assignment of claims against the Government and that is a modification of that old statute to permit assignments.

H.M.Jr: If it is good, let's get behind it.

Foley: It is good.

Bell: Jones wanted something and we thought we shouldn't let down the bars entirely. I think it is pretty well protected.

H.M.Jr: And the other thing --

Foley: The other thing, I would rather see the RFC own the property because then it gives the Government a chance to acquire those plants if they want to at the expiration of the lease, but if it is municipally-owned property which is leased by the RFC, the principle is exactly the same.

H.M.Jr: When I left, you didn't know whether you could give them a tax ruling on it or not.

Foley: That was all straightened out and the thing went ahead. It was cleared Wednesday, the week following your departure.

H.M.Jr: You had better come to that luncheon today, too. I am having Bell, Young and you and War and Navy and Jones. Bell is working up a memorandum on the various methods of

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financing. He talked to your people yesterday. You had better talk to him about it.

- Gaston: Yesterday, Colonel Maxwell had another meeting of his interdepartmental advisory committee. A man from Leon Henderson's section of the Price Stabilization Section, Defense Advisory Commission, presented the idea that if we get into full capacity production of steel, there will be a shortage of scrap. You have probably seen that before.
- H.M.Jr: They were here yesterday.
- Gaston: They recommended a complete embargo on scrap, which is an interesting contrast to the position previously taken by this Committee. They are now licensing all kinds of scraps and shipments, even number one melting scrap, and this expert advises a complete embargo on all kinds of scrap.
- H.M.Jr: Well now --
- White: Who did you say advised it?
- H.M.Jr: Get that to Harry, because Harry sat in yesterday when Stettinius and Batt were here on scrap iron. They were here to see me yesterday.
- Gaston: Yes.
- H.M.Jr: At the request of the President, that was. I am talking to the President about it Thursday, so what happened at your meeting, will you feed it to Harry so he can put it together for me?
- White: Did you say the Committee made that recommendation?
- Gaston: I said that Bishop, representing Leon Henderson,

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made a report to the Committee and recommended that there be complete embargo on all kinds of scrap.

H.M.Jr: We have Leon's report. Did your Committee do anything?

Gaston: This Committee did nothing. Maxwell didn't lay it before the Committee for action. He did present a tentative draft for an order which would include all kinds of scrap instead of simply number one melting scrap in the controls, but no action was taken on it.

H.M.Jr: Phil - is that all?

Gaston: That isn't all I have to report, no.

H.M.Jr: Oh, go ahead. Can you hold yours for a minute?

Gaston: Surely.

H.M.Jr: Just to make sure that you (Young) are not liable to a lawsuit, that suggestion that A. A. Berle made yesterday about your Committee on the Swedes, you had better submit it to the General Counsel before it goes out, because you might have a suit on your hands.

Young: Yes.

H.M.Jr: Will you do that?

Young: Yes.

Gaston: They presented another order which was approved which was an amendment of regulations which would include machinery and methods for making aviation gasoline and for making tetraethyl lead within the controls, as well as those materials themselves. It would also include plants for aircraft and plants for aircraft engines.

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Last week I noticed in our reports on cargoes to Japan some so-called aviation gasoline. I took that up with Maxwell right away and gave him - I looked up the license numbers on it. They were licensed shippers. He reported back to me later that while they were called aviation gasoline, it was only because they had to be licensed, but he said actually they were low-test motor gasolines. It seems that this order that aviation gasoline shall not be shipped out of this hemisphere doesn't cover the whole ground of the control order covering - the control order proclamation covers crude oil from which gasoline can be extracted, and he said that this President's order, of which we have never seen a copy, is limited strictly to aviation gasoline and that these materials he licensed were materials outside of the President's embargo order but within the control limits. In other words, they were relatively low-test gasolines which would come under the petroleum products control. It is apparently some directive by the President to Maxwell. They have never submitted it to the Committee, as far as I know. He just gave me that information about it over the phone.

- White: I think we have it, I am not sure. I will find out. I don't know how we got it.
- Gaston: All that I know is what is in the papers.
- H.M.Jr: You know that this Englishman here has been sent here to see me about control of oil of the world?
- Gaston: I only know what you mentioned several weeks ago, that you talked to Lothian on the subject.
- H.M.Jr: Well, he is here now.
- Gaston: That doesn't for the present affect any of

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our policies in regard to ship movements, I suppose?

H.M.Jr: No.

Gaston: I am holding a Latvian ship. Two agents - the Amtorg man claims he has the right to control the movements of the ship and the old agent claims he has the right, so I thought as long as there was a dispute, I would just let her stay where she is.

H.M.Jr: Is that all?

Gaston: That is all.

Mr. Evans  
Mr. Fairley  
Mr. Hollister  
Mr. Scolding

H.M.Jr: Outside of being a brief as possible, in the talks that I have had with the British Purchasing Mission, I have been watching this all-weather engine thing very closely and I don't take it and Kilbourn seems to be looking along now on the C engine. I don't have an official list about the F engine except when I talked to Mr. Evans he said that General Motors had not yet given their approval.

Gaston: That is right. The C engine is an approved type.

H.M.Jr: It would be best not yet given it and since the best month or so are critical to them. I made the suggestion to them of the possibility of continuing on the D engine until General Motors and the Army were entirely satisfied with the success of the F, and with that in mind, I asked for an opportunity to meet with you gentlemen.

September 4, 1940  
10:30 a.m.

RE BRITISH PURCHASING PROGRAM

Present: Major Lyon  
Mr. Langmead  
Major Doolittle  
Mr. Irvine  
General Arnold  
Mr. Patterson  
Mr. Haas  
Mr. Buckley  
Mr. Young  
Dr. Mead  
Mr. Knudsen  
Mr. Kraus  
Mr. Fairey  
Mr. Ballantyne  
Mr. Spalding

H.M.Jr: Outside of being as brief as possible, in the talks that I have had with the English Purchasing Mission, I have been watching this Allison engine thing very closely and I can't take - and Allison seems to be rolling along now on the C engine. I don't know an awful lot about the F engine except when I talked to Mr. Evans he said that General Motors had not yet given their approval.

Knudsen: That is right. The C engine is an approved type.

H.M.Jr: He said he had not yet given it and since the next month or so are critical to them, I made the suggestion to them of the possibility of continuing on the C engine until General Motors and the Army were entirely satisfied with the success of the F, and with that in mind, I asked for an opportunity to meet with you gentlemen.

- 2 -

- Arnold: According to our information, Mr. Secretary, that I received from our representative out at the plant, the F engine is still some distance away and with that background we decided and the Secretary of War approved this morning that we would not count on any F engines for the Curtiss contract at all in the 540 contract. We would shift to all C engines in the 540 planes and the Secretary agreed to that and we have made that decision and all the people have been notified so far as that 540 pursuit planes are concerned, we have made that decision.
- H.M.Jr: You will have to help me out. According to this memorandum here, the English had of the C engines on order - it looks like they had 814, of which they proceeded to deliver 28.
- Knudsen: That is not entirely correct, Mr. Secretary. The British have the understanding with Allison that they can deliver all the C engines they want until we are ready to switch.
- H.M.Jr: Allison, General Motors, bought enough material for two thousand engines, of which 1,700 were for the English and 300 for the Army. They also told me that sometime within the next week or two they were going to make more C's and they would have to know whether to buy this material, but the decision would have to be made within a week or ten days. Does that sound right?
- Knudsen: That is right.
- H.M.Jr: So if you gentlemen approve and thought it wise for the English to continue on the C, then they ought to notify General Motors that they want another 500 or 1,000 more.
- Knudsen: If they do that now, then it is all set, he will have to go buy material for the United States Army engines, plus whatever he thinks is necessary to protect the English.

- 3 -

- H.M.Jr: They are down the hall and they are ready to come in any minute after you people will tell me what you are willing to have them do. Would it make any difference to you if they continue on the C rather than the F?
- Arnold: No, sir, it wouldn't make any. As a matter of fact, it would help us out. Isn't that right, Jimmy?
- Doolittle: There is only one thought there, and that is that the longer C's are made, the less pressure there is to perfect the F.
- Knudsen: I don't think you need to worry about that. You are not going to have a repetition of the C performance with the F engine.
- H.M.Jr: That takes care of that. Well, now, let me ask this question. If the English - it was Mr. Knudsen's offhand suggestion this morning - if they are going to do it, they ought to say they will take another thousand. That is what you said this morning. What does that do to Curtiss-Wright? Does that make any difference to them, as far as the frame is concerned? Do they have to order another thousand of the P40's?
- Arnold: Yes, sir, they would have to order some more material and it would take them some time to get the material in, but they could get the material in by the time the engines were completed so there wouldn't be any trouble with that. It would just fit in.
- H.M.Jr: But they would have to give Curtiss an additional order for additional P40's?
- Arnold: That is right.
- H.M.Jr: Is that additional to you people?
- Arnold: Yes, sir.
- Knudsen: It is only a question of putting the C or F in the P40's, isn't it?

- 4 -

- Arnold: We haven't talked to Curtiss yet until we go up there. We are going up there on Monday. We don't know what their capacity is. They may have increased their capacity to take that.
- Knudsen: The English have got more engines on order. We got about 4,300, didn't we, Doctor?
- Mead: Yes.
- Knudsen: Forty-three hundred altogether of the C and F.
- H.M.Jr: This figure which they gave me last night says up until August, 4,144 Allison's.
- Mead: Well, the British, on order, Mr. Morgenthau, is 3,490. Then they have options for 2,625 at the top of the sheet, you will see.
- H.M.Jr: That is right. You are right.
- Mead: Now, I think the danger only lies in this, that if you don't have any more airplanes coming out of Curtiss than they can now produce, and they can swap from one type to the other, that is all right, but if you add a thousand airplanes on top of what they have got, you may sink the ship. I say may because as you say, I don't know just how much we can stretch them; but if the British are simply willing to exchange F engines for C engines in comparable airplanes, that would be fine. There would be little or no question about that.
- H.M.Jr: Well, what they told me was this, that they consider the P-40 as between the Hurricane and the Spitfire, and that they are still making Hurricanes and they are still doing a good job, so they will be delighted to get as many more Curtiss P40's as they can get.
- Arnold: But it depends on the productive capacity of their plant, and I don't know what it is.

- Kraus: You can't stretch it very much, General. There are a couple of holes in which there is some recession in employment. There are a couple of holes that might be filled out. That is the best information I have on the plant. You may get some different information.
- Knudsen: The British have a plane for every engine they have on order, haven't they?
- Arnold: No, sir. I am not sure that that is true of Allison, but we know it is not true of others. Do you know, Irvine?
- Irvine: No.
- Arnold: Do you know, Al, whether they have a plane for every Allison on order?
- Lyon: Yes, sir.
- Arnold: They do have?
- Lyon: If I may explain, the D differs in certain parts - that is, the P40D differs in detail from the P40. Taking first our order for additional 324 P40's in lieu of the D's, will be satisfactory due to the fact that we have tentative orders under discussion on the 14,000 program, which will allow us to use those parts for the 14,000 plane program. Now, with respect to the British --
- H.M.Jr: Excuse me. The 14,000 program is the English program?
- Lyon: It is our program.
- H.M.Jr: It is your program?
- Mead: It is our part of the 33,000.
- Lyon: Now, at the time we standardized on the P40D with the British Purchasing Commission. The Curtiss Company went ahead and ordered parts for the P40D for production, which we must determine from the British F when they chopped off their P40. Now, that point can

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only be determined from Mr. Baker, as General Arnold pointed out.

H.M.Jr: Who is Mr. Baker?

Arnold: He is their representative.

H.M.Jr: Well, the head fellows are down the hall, Fairey and a couple of others. We will bring them in.

Lyon: So in effect it remains to be determined in conference with the Curtiss Company how many more airplanes should be ordered by the British, which, plus the 324 airplanes that we are going to add, they can handle to fill out the flat spots which were pointed out by Captain Kraus. That is the whole problem.

Kraus: There are a couple of dips in their production.

Knudsen: You switched from P40D to P40 because of the material to be used?

Lyon: There was no material lost, sir, for the reason that we have under negotiation now additional orders over and above the 524 engines, in which we will use all parts.

H.M.Jr: In this memorandum they say they would like to place an order for 150 additional Hawk 81A's, which they say is a spot there. Make a note of that. They would like to place an order for an additional 150 Hawk 81A's, for which capacity is available.

Knudsen: That is on top of the 14,000.

Mead: I would like to explain that one. I talked to the Curtiss Company this morning.

H.M.Jr: I don't know --

Mead: And the reason they do that was because they were afraid the Army, not having made the decision as yet, that they might not have any

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work for the plane shop.

H.M.Jr: Oh.

Mead: So that I think it is important that General Arnold have a chance to check and in this instance I believe he is correct, that he has got ships on order for F so if he simply shifts from F to C type of airplane, he won't be putting an additional load on the plant; but if the British order an additional 150 on top of their existing orders is what I am concerned with. I don't know what that does to Wright.

H.M.Jr: You (Arnold) will be up there Monday?

Arnold: Mr. Knudsen and I are going up there on Monday morning.

H.M.Jr: When can you let us know?

Arnold: Monday night.

H.M.Jr: When will you be coming back to Washington?

Arnold: We expect to be back on Tuesday night or Wednesday morning.

H.M.Jr: All right.

Knudsen: We can call up.

H.M.Jr: Then the other thing that they say, they hope the Administration will allow orders to be placed for a thousand more Allison's, thereby disposing of the previous deficit. Did you look into that?

Knudsen: That is 472 we are short now and putting them down on the back end.

H.M.Jr: Phil, you have this photostated and have as many copies made as the people want here and give them copies, will you? Will that also be decided on Monday?

Knudsen: The 472 engines are part of the present order. We just take them from one place and put them in the other place.

Arnold: We could decide that before, because they have got the Allison production here and we know our requirements even with this new load, so we could decide whether the British could get that right now.

Knudsen: What is the monthly schedule?

Arnold: The monthly schedule of production is that they start out with 200 for September and 300 for October and November, 350 in December, January, February, March, and 400 in April. Out of that, the maximum production of the Army is - requirement of the Army is 75 a month, even with this new load, so that leaves to the British 150 for the - September, 250 in October, - no, 225 in October, 225 in November, 275 in December, and 275 from then on.

H.M.Jr: Don't you think it would be better to give them the full answer at one time?

Arnold: I think we can do it.

H.M.Jr: Give them the whole thing at one time.

Knudsen: That is 105 more planes.

H.M.Jr: A hundred and fifty more planes, and then that shortage of 472 engines they are talking about at 80 a month and can they take another thousand C instead of the F. I take it that they have a thousand F on order.

Knudsen: Yes, sure.

H.M.Jr: And will there be the frames to fit the engines.

Arnold: I think that is up to Baker to tell us.

H.M.Jr: Well, we will have him in in a minute. Before they come in, there are two other things that

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I would like to bring up. This is sort of confidential. One thing is extra confidential. It is all confidential. In this deal on the destroyers, there was supposed to have been five long-distance bombers and five long-distance flying boats. Since I am back I haven't seen the President and I don't know just - the British Ambassador asked me about it last night and I told him to take it up with the President and if the President wanted to make the request of the Army and Navy, he would. But there is that thing hanging fire. Then the other thing, which has nothing to do with this, the thing that I would like to bring to your attention now - maybe it has already been brought to you - the Undersecretary for Air when he was over here, was very anxious to get six Consolidated flying planes now at the end of your order. In other words, he wants to use for transporting pilots via Botwood these planes. He wants six to carry pilots across.

Knudsen: All this means we are simply rearranging the orders for planes. Are we going to put a load on top of the 14,000 planes?

H.M.Jr: They are not trying to inch in on the 14,000, no, just to rearrange with them. They are not trying to inch in on it.

Knudsen: You know, any planes that we are talking about doesn't change the totals. It simply rearranges the deliveries.

Arnold: We can't change that until we change the facilities.

Knudsen: That is right, but I just wanted to make that clear, that this is merely a rearrangement of the facilities.

H.M.Jr: But these six planes he wants for transferring pilots. Beaverbrook says this is very, very important to them.

Patterson: What kind of planes are those, transports?

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H.M.Jr: They want a land plane --

Kraus: They are B24's.

H.M.Jr: I think they have them on order, haven't they, Captain Kraus? They want some right away and - they will let you have some of theirs later on and they frankly are going to use them to carry pilots across.

Patterson: From Canada?

H.M.Jr: From Canada.

Arnold: Isn't there some way to purchase some of these Stratoliners that run the commercial line for that carrying business?

H.M.Jr: Yes.

Arnold: And let us keep our bombers. Because frankly, right now I am afraid of the criticism that is going to come to the Air Corps for not having airplanes. We have been deferring and deferring for one reason or another, and I am sort of fearful of what is going to happen if we defer much longer.

H.M.Jr: These six have nothing to do with the destroyer thing.

Arnold: I appreciate that.

H.M.Jr: But there may be a request for those five, but the six - your suggestion is to get some of the Stratoliners?

Arnold: I don't see why they can't defer the delivery of the Stratoliners to Pan-American. They are coming through now.

H.M.Jr: Who would they take that up with?

Arnold: And they would hold more people.

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- H.M.Jr: Who would they take that up with?
- Kraus: Warren Tripp, I guess.
- Arnold: Warren Tripp and the Boeing people.
- Patterson: Would it be Civil Aeronautics?
- Knudsen: No, that will have to be found out by contact with the plane manufacturers.
- H.M.Jr: Anybody here want to volunteer?
- Knudsen: We will volunteer to find out how many Stratoliners are ready for delivery and when.
- Kraus: I think we found there was some opposition from the commercial operator deferring, especially with respect to three of those planes, since he will regard them as competitors with their own line.
- H.M.Jr: You mean to go to England?
- Kraus: Yes. Three of them are for carrying pilots and the other three apparently are to take up and continue the British Trans Atlantic Air Service through the winter when ice sets in at Botwood. They want to use land planes and I therefore suspect that Mr. Tripp of Pan-American would be reluctant to defer his choice equipment in order to let his competitor run a winter line across the Atlantic. Whoever approaches him will have to realize that would be a very natural reaction for a man who is in a commercial operation.
- H.M.Jr: They will give Tripp a contract to carry these fellows across. They will give him a contract at so much a head, if you want to do it that way.
- Arnold: Just for carrying, I think that is a much more reasonable way to do it, if it will work.

- H.M.Jr: You mean to give Tripp a contract?
- Arnold: Yes, give him a contract.
- H.M.Jr: They can do that. Hell, it costs them enough now.
- Kraus: You can see that Tripp wouldn't want to give up his airplanes just ready to be put in service in order to establish a line in competition with himself.
- H.M.Jr: Find out if he will take a contract at so much a head to take them across.
- Mead: Do you know how many men?
- H.M.Jr: No, but we can find out.
- Arnold: You can carry more in the Stratoliners than than you can carry in the B24's.
- Mead: I suspect there was a little thought given to that one too, that they will be useful as bombers if and when.
- H.M.Jr: Well, are you going to work on that?
- Mead: Sure, I will.
- H.M.Jr: Should I have the English come in and you can ask them some questions, is that all right?
- Patterson: Yes, sir. Could we finish with the Allison engine now?
- H.M.Jr: Do you want to bring up something?
- Patterson: No, I am just grasping the Allison figures now and this talk about the Curtiss planes, I am just not up on it.
- Knudsen: It is perfectly evident inasmuch as we have a deal with the British that they get a plane for every engine. He must have planes on order that he will have to switch from the D to the P40, just like General Arnold used to

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with the American planes. If he can do that, then we will have no trouble at all.

Patterson: Is there any dam-up now with the British planes?

Arnold: Yes, there is.

H.M.Jr: The situation as of Friday, August 30, was that they had 72 P40 planes and they got - still have 14 P36's. As I understood from Mr. Evans, the deal he has on for the Army is that they complete delivery of 200 engines to use today or tomorrow and that from then on, on the hundred spares, you agree to take one spare a day and the rest can go to the English. Is that correct?

Arnold: We have got an agreement arranged now whereby the English have 150 engines during the month of September and 250 during the month of October and that will give us barely enough to get our frames out.

H.M.Jr: But does that check with what Evans told me?

Doolittle: For September, yes, sir, it does.

Patterson: As I understand it, that is a concession on our part of 24.

Arnold: That wouldn't check exactly because - it will for September and October.

Lyon: No. We will be short of the two engines over and above which Mr. Evans stated. How many more was that, Jim?

Doolittle: That fifty was made up of twenty that they still are required to put into Army air frames at Buffalo, eight that are required to go to the fields immediately for replacements, and twenty-two at one a day from then on through the rest of the month. We wanted eight before we started taking them one a day. That makes up the fifty for the month of September, and is exactly the schedule we gave to Mr. Evans and Mr. Evans gave to you. Fifty comes out

exactly right for September.

Arnold: How about fifty for October, is that the same as Evans' figures?

Doolittle: I don't believe Mr. Evans gave you figures for October.

Arnold: Then that will give the British 150 engines for September.

H.M.Jr: How many is that a day?

Doolittle: They plan to put out eight a day for the next 25 days.

H.M.Jr: He said seven a day, five going - that Curtiss could make five P40's a day and would take two out of reserve, out from a reserve, which would give them 7 planes and 7 engines a day. That is what he told me as of Friday. Does that check? And the eighth engine would go to the Army?

Doolittle: Curtiss now would like to make about eight a day, five new ones for the British and make up three of the ones that are partly fabricated and get the extra engine on the ninth one for the Army.

H.M.Jr: It depends on how many Allison can turn out a day.

Knudsen: The Army gets one and the British get the rest.

H.M.Jr: That is for September?

Doolittle: That would start about next week, because we have got to get - we have got to make up the 240 we are short and start 8 spares out.

H.M.Jr: Will somebody tell them that officially when they come in?

Doolittle: Yes, sir.

Arnold: Major Doolittle will do that.

- H.M.Jr: Now, are we ready for them?
- Arnold: Here is one other thing. I want to get this actual production. It looks to me as if we are demanding from Allison more engines than they actually can produce if they give that order for a thousand. We will exceed their capacity by June '41 if we give Allison any more orders, and a thousand extra engines will do that.
- Knudsen: Say that again.
- Arnold: By June, 1941, if we give Allison any more orders, we will exceed the Allison capacity and Allison will have to have more facilities.
- Knudsen: Well, I think --
- Arnold: Will those facilities be in operation by June?
- Doolittle: They anticipate 600 engines by June.
- Arnold: We need right now 623 in July and 655 in August, plus spares, so our present requirements exceed their capacity --
- H.M.Jr: Why not leave it this way, that by Monday night or Tuesday the Army will be ready to tell the English, "You can have so many more C engines in substitution for the F engine." Is that right?
- Arnold: Yes.
- H.M.Jr: Depending upon how many additional P40's Curtiss can turn out.
- Arnold: We will find out about the P40's on Monday.
- H.M.Jr: And the thing to ask them is, whatever you say they can have, will they say they can take them; and if they are prepared to say yes, we will let them have them. Is that all right?
- Knudsen: That is all right.

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Doolittle: There is one point first, Mr. Secretary, and that is that Allison thinks they will put out 200 engines in September. We need 50 of them, so we can't say definitely that the British will get 150. They will get the difference from what Allison puts out and the 50 we require to keep our airplanes in the air.

H.M.Jr: Tell them whatever the facts are. Buckley, would you go down and get the English?

Knudsen: So we don't split it all on one side.

H.M.Jr: Does that sound all right? Is everybody happy?

Mead: That sounds all right.

H.M.Jr: While we are waiting, just another thing. We get our statistics weekly and the airplane engine companies now say that the Army has asked for a semi-monthly report. We would rather continue to get them weekly. Will you talk to George on that?

(Mr. Fairey and Mr. Ballantyne entered the conference.)

H.M.Jr: Mr. Fairey, we have gone over this situation on the Allison engine and these gentlemen would like to ask you some questions about your orders and about Curtiss.

Arnold: We were talking over this question of deliveries and it looks now as if Allison will be able to deliver approximately 200 C engines during the month of September. The Army requirements will be 50, and we would leave the balance available for you. That would be about 150 C engines during the month of September. If Allison reaches their estimate of 200 engines, that would give you 150. If they miss it a couple, you would miss your 150.

Fairey: And you want to know can we absorb them?

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- Arnold: No, it is a question of whether that comes somewhere near meeting your requirements.
- Fairey: Yes, it does. I won't trust my memory for the figures. That would be 150 in September. I am not sure how many air frames they have accumulated at Curtiss-Wright.
- H.M.Jr: They have got 72.
- Fairey: We shan't want any for those. We will want that number for Curtiss-Wright and this month none for Lockheed or North American, so that meets it easily. But how does it go on after that?
- Arnold: We have decided we are going to keep on with the P40 airplane until we complete a contract for 500, so we are switching over some 300 airplanes from the P40D to the P40, which means from the F engine to the C, so that increases our requirements for the C engine. The F engine we can't figure how we are going to get any of those until later in the fall, and we need the air frames for units coming in this spring, so the way this would work out for the balance of the year, our requirements would be 50 for September, 50 for October, 75 for each month thereafter until next March and your - there would be available for you according to Allison estimated production 150 in September, 250 in October, 225 in November, 275 in December, 275 in January, February, and March, and about 300 --
- Fairey: You are a bit ahead of me, but it looks so far - 275 was which month?
- Arnold: We started in 275 in December.
- Fairey: Yes.
- Arnold: When it gets to 300 is in April.
- Fairey: Yes. That is all right except we want more Hawk 81A's ourselves if we could have them.
- Arnold: I don't know about that, because we don't know

right this minute what the productive capacity of the Curtiss-Wright is. Mr. Knudsen and I are going up on Monday and we expect to have an answer for you sometime Tuesday or Wednesday.

Fairey: Those deliveries will cover us nicely for the ensuing time, subject to the fact that we would want more Hawks.

H.M.Jr: Well, are you prepared to say that if they can find up to a thousand additional Curtiss P40's, I mean if that is within the possibilities, with the C engine, that you will take them?

Fairey: Yes.

H.M.Jr: So they know if they go up there they can speak for you?

Fairey: Yes.

Mead: That is not an addition, that is just an exchange of airplanes that had F engines to airplanes that have C engines, or are these additional quantities?

Fairey: Within what period?

Arnold: We don't know yet, until we find out what Curtiss can do.

Fairey: Of course, my answer depends on how soon we can get them, but I will take them certainly and with C engines if we can get them.

Arnold: When is your outside limit on delivery of those thousand? What would be your last delivery date? We would like to have this.

Fairey: This is the 81A's.

H.M.Jr: Is that the same as the Curtiss P40?

Irvine: Yes, sir.

Fairey: The 81A is the one you call the P40 and the 87A is the P40D and the 87A takes the F or C engine.

Arnold: F only.

Fairey: So by taking C engines we are giving ourselves the 81A, or the ordinary P40.

Knudsen: You switch.

Fairey: That was what I wasn't quite sure about. Will the 87A take the C engine?

Arnold: No, we can't switch. We are running on our contract for 500 airplanes with the C engine, which is the 81 type, because we see we can get delivery for those so much quicker than we can the other, and our next order is going to be for your 87 or our P40D type, which is the F airplane. The parts are now in process of being made at the plant and we are going to hold over the parts.

Fairey: Was this addition of the extra ones because our total orders for the Hawk type, unfulfilled so far, is 1,243? That is of all types, including 560 of the 87A's.

Knudsen: How many? Is that the total airplanes you have on order?

Fairey: That is the total complete aircraft.

Arnold: Then you have got there about 560 of engines that you are going to require.

Fairey: Yes.

Arnold: You won't get deliveries on those, as far as I can see now, before some time - you won't get the engines until late in the winter or early in the spring. Is that about right, Jimmy?

Doolittle: Yes, sir.

Fairey: We were reckoning to start those, one in February, nine in March.

Arnold: Do you think you can meet that, Jimmy?

Doolittle: No, sir.

- Arnold: That is the reason why we have changed our orders from the P40D to the P40, because we didn't think we could get deliveries.
- Fairey: We have an elastic contract by which we take either the C or F motor.
- Doolittle: That would work.
- Fairey: The Allison Company inform us and we come to an agreement so many months ahead of which engine we will have. You see, we have an elastic running contract. We place an order, what we call a material release, for so many engines which doesn't fix the type. Two months after that we give the order which does give the type. Our contract is interchangeable.
- Knudsen: I am wondering about the air frames you have ordered.
- Fairey: The air frames we have ordered so far are only 560 of the type, the 87A's, which must have the F motor.
- Knudsen: But you can defer that and take more P40's?
- Fairey: We could. We are reluctant to. We like them because they are a bit better, but the temptation if we could get more aircraft before is very great.
- H.M.Jr: That is the whole point.
- Patterson: That is what caused us to change our minds and take more of the C's in actual production rather than to experiment with an engine still in the course of development.
- Fairey: In round figures, that would leave us, if we took 4,000 total C's - except, of course, we would rather use the C motors, if we took 1,000 C's, and it would leave us with only just 250 odd 87A's.
- Now, what should we gain?

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- Arnold: We can't tell that. That is one reason why I think it might be a good idea to wait for a further decision on that until after Mr. Knudsen and I talk to the Curtiss Company.
- Fairey: You want to know if we are willing to take more C's and less of the F's on the strength of the fact we will get more machines earlier?
- Knudsen: It is for your benefit.
- Fairey: Yes. Well, the answer is, in principle, yes, but I don't want to lose altogether the F's or the 87A's that are to come later on.
- Arnold: There is one other item that enters into that. If you want to put in a thousand additional 81A's - we don't know when the productive capacity will enable you to get deliveries. What is your final date on it?
- Fairey: I could tell you that if I knew the month by month production I would get. Can you - could it be a thousand put in month by month --
- Arnold: We will give you that when we get up to Buffalo.
- Fairey: Because my acceptance of an additional thousand is dependent on how soon I can get them.
- Knudsen: You are switching the thousand from one kind to the other.
- Fairey: Yes. You don't mean I am getting an additional thousand machines?
- Knudsen: No.
- Fairey: Quite right.
- Patterson: It is a point now to be impressed, that you should prepare with the Curtiss people to take 81 instead of the 87.
- Fairey: Yes, for an additional number, but we have only of the 87A's, only 560 on order. We have roughly 630 - about 700 81A's.

patterson: It is conceivable that you will have some C type surplus. It is the question of whether you will have an arrangement with the Curtiss people for a frame to fit those.

Arnold: I think what we ought to do is to find out from Curtiss just what his maximum production is and then arrange the two schedules so that we use the whole capacity. That is what we ought to do.

H.M.Jr: Right. Day and night.

Fairey: I understand his capacity is around 170 a month for this type, isn't it?

Arnold: Well, we don't know. I have heard so many figures I don't know which one of them is so.

H.M.Jr: But I mean, this seems to me the - it stands to reason that if the Army has made the decision they are going to continue on the Curtiss P40 with the C engine in order to get the additional deliveries extended to some 500 additional frames - isn't that it?

Arnold: That is right.

H.M.Jr: And you hope to get them several months earlier.

Arnold: We will get them several months earlier.

H.M.Jr: Now, after you have taken care of yourselves, if you could do the same for the English, I should think the English should jump at it.

Fairey: Certainly we would jump at it.

Arnold: The only thing required is that they are manufacturing certain 40D parts for you now, 87 parts, and there would have to be some sort of an agreement so that when we switched back from 40 to the 40D you would also switch so as to use up their regular parts as the F engines become available.

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- Fairey: In fact, you are suggesting we should cooperate to this extent, both cooperate on the 81A to get maximum deliveries and then both go together over to the 87A, and the meaning of this to us is that we have to wait a bit longer for our F engines. Then we both switch over.
- Arnold: The same as we have.
- Fairey: We both have to wait longer, but meanwhile we get more of the 81A's.
- Mead: You are waiting because you can't get the engines, so you are getting something.
- H.M.Jr: Wouldn't it be better for Mr. Knudsen if Mr. Fairey or somebody was on the ground Monday in Buffalo to give you yes or no right there?
- Fairey: I will come there.
- Arnold: Monday afternoon?
- Fairey: At Curtiss-Wright's.
- Arnold: We are going to the Republic plant first on Monday and then to Buffalo, so we will be in there Monday afternoon.
- Fairey: I haven't been there for years, but I will find it all right.
- Arnold: Right in the main office of the factory.
- H.M.Jr: If you would be there, Mr. Fairey, you could give them yes or no right on the ground.
- Fairey: I certainly will. Then we will be able to tie these things down.
- H.M.Jr: It looks like a good deal, doesn't it?
- Knudsen: In other words, a thousand C engines and 500 for you, a total of 500.
- Arnold: Yes.

## RE BRITISH PURCHASING PROGRAM

September 4, 1940  
2:40 p.m.Present: Mr. Young  
Mr. Bell  
Mr. Foley  
Mrs Klotz

H.M.Jr: In the first place, I want to compliment Mr. Bell on the way you mastered that thing. I thought you did a grand job.

Bell: We were talking about a subject I knew so little about.

H.M.Jr: Well, you had lots of company. Wasn't it Theodore Roosevelt who came back after exploring the upper region of the Amazon and said, "Has anybody here ever been there?" They said, "No," and he said, "Well, now I am going to tell you about it." Isn't that the story?

Well anyway, Jones stayed behind and he said to me, "The last suggestion you made is the best suggestion that has been made yet." I appreciate why he thinks it is the best suggestion, because it takes the heat off him. Right?

Foley: Oh, yes, sure. That is what I said coming up in the elevator, that you got what you were after at the luncheon.

H.M.Jr: I got what I was after, but I didn't want to bull the thing on him too fast because they might think that was why I had the luncheon.

Foley: We were rehearsing it.

H.M.Jr: Very good. We will let you go back to the ranch again, providing you come straight home. These homing pigeons that come home on the other side of the triangle....

Well anyway, Jesse thinks it is swell. Now,

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Mr. Patterson is coming back here at 11:00 tomorrow and I want you three here to listen to him, and Purvis is coming in at 4:00 o'clock. If you (Young) will be here at that time and I will tell him what happened. In the meantime, Jones is getting into the Continental Motor thing. There is one point he made which he said embarrasses him very much. He said everything that he has had so far, the English want two-thirds and the Army only want one third. We are so predominantly for the English, it makes it very difficult for him to be too liberal in his credit terms. He said if it was reversed, it would be much better. I am telling you this side of the story.

Young: That is not true in the Continental case.

H.M.Jr: Isn't it? I thought they wanted 3500 and we only wanted a thousand.

Young: Well, it is a production rate of 20 to 10, 20 for the English and 10 for the Army, but the Army will certify that they need capacity for 20, so that makes it different.

H.M.Jr: Anyway, when Purvis comes in I am going to tell him to wait 24 hours and see what happens, because I don't think Mr. Jones is quite as smart as he thinks he is. I want you fellows to know I am not so dumb as I seem. I am perfectly willing to let Mr. Jones say this is swell and let the Army do it, and once the Army has done it, we will sit back and say, "If the Army can do this for the Government, certainly Mr. Jones can do it through the Treasury." I mean to set the precedent that the Army goes ahead and builds a Government plant and then let them subcontract to the English, it makes Jones' position very much less tenable. Am I right? I just want to let you know that you aren't putting anything over on me.

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Foley:

It is much more difficult to do it this way than it is on the Jones side. On that side there is no question but this way there is some question, because the Government owns the plant but as long as it is being leased to a private contractor and the Government doesn't need full capacity, there is no reason why the private contractor in the Government-owned plant may not use the excess capacity that the Government doesn't need for some third party or some other Government. It is perfectly all right.

H.M.Jr:

Well, of course Jones can sleep on this thing and maybe he will wake up to the fact that once we get this precedent set, we will go back at him. But I feel a little bit better. How about you? Do you feel a little bit better?

Young:

Very much.

H.M.Jr:

Are you sure?

Young:

Yes, sir.

H.M.Jr:

Don't say yes unless you mean it.

Young:

I have no doubts about saying yes, sir.

H.M.Jr:

What do you think?

Foley:

I think he did a good job.

H.M.Jr:

What do you think?

Bell:

I think it is as good as could be done.

H.M.Jr:

And I loved letting Mr. Stimson know they had written the Comptroller General without asking us. Didn't I get that over nicely? I only said it three times.

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- Young: And ringing the bell every time.
- Foley: The thing that bothered me was what we were going to say that we couldn't go along with. I didn't understand that. What could we have told them before they went to the Comptroller General that we can't do now?
- H.M. Jr.: Well, according to Sullivan - Sullivan read this thing and then called me back and said the way the thing was written that you couldn't use it without getting legislation. As I understand it, they got this opinion and then told them it was all right, they could use this formula as is. That is the way I got it from Sullivan.
- Bell: I think he must have meant the reimbursement.
- Foley: I don't see the relationship between the reimbursement and the tax problem.
- Bell: There isn't.
- H.M. Jr.: I simply said, "When Sullivan comes down, he will explain it." You ask John when he comes down what he meant or what I think he meant.
- Bell: I have some question where they got the authority to put that provision in the contract and Patterson said he didn't think they had the authority, they were just putting it in.
- Foley: That is what the Comptroller General, as I understand it, said they could do. They came to Cox on the thing and I told Cox he couldn't go over to the Comptroller General with them and they went over, because I didn't believe in it and didn't want him to have anything to do with it, and he didn't go.
- H.M. Jr.: Talk to John about it tonight and ask him about it. I may have misunderstood him.

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But I feel very pleased. I think a little bit helps.

Foley: Sure. Jones felt a little bit better today than last time we talked to him.

H.M.Jr: Well, he has had a little vacation. He has his "Mr. Secretary" complex with him.

Klotz: Aren't you catty?

H.M.Jr: I am just Washingtonian, that's all.

I just got this idea. If that is true, what is the difference between letting them have tanks out of Chrysler and letting them have guns out of Watervliet?

Foley: Who operates Watervliet arsenal?

H.M.Jr: Army.

Foley: That is the difference. You can't do that here. That is using your own facilities to aid a belligerent.

Young: I just found out about this Springfield rifle plant the other day from one of the people in Ordnance over there. They have got a complete Springfield rifle plant that can build a thousand rifles a day, sitting out there in grease.

H.M.Jr: In where?

Young: In grease, g-r-e-a-s-e.

H.M.Jr: I was going to say, if anybody is going out to Macedonia --

Bell: But that isn't ready to produce a thousand rifles a day now. It would take a year.

- Young: That is the maximum production they reached when they closed down. But the complete plant is there idle, ready to operate. So I asked him this noon whether or not the same principle wouldn't apply to that. He said, "Well, Marshall told me yesterday that because of the difficulty in getting Garands and his perturbation about letting go of the Enfields, they thought they would start manufacturing some more Springfields." However, there is a question as to whether or not it will take all the capacity of that plant.
- H.M.Jr: But that is Government owned and operated.
- Young: Yes.
- H.M.Jr: So we are out of luck there.
- Young: Not necessarily. If you can persuade them to build more Springfields and release more Enfields....
- H.M.Jr: But you can't take a Government plant, Government owned, and release guns to the English, is that right?
- Foley: That is aiding a belligerent with your own facilities.
- H.M.Jr: "Button, button, who's got the button?"
- Bell: How about leasing a corner of the building?
- Foley: That might be all right.
- H.M.Jr: Have you got the Swedish thing all settled?
- Young: No, not yet. We had a long talk on it this morning. Hugh Cummins came over from State, who was there last night when I talked to Berle about it. He is in charge of the Scandinavian section. We talked it all the

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way through and Cox was also there from Ed's section. After going over it, it seemed that it might be better if the manufacturer went ahead, rather than if we went ahead and told the Swedish Minister, which we haven't got the authority to do, as I understand it, to go ahead and cancel his contracts. We can't walk up to him and say we canceled the contracts, because he still has the stuff.

H.M.Jr: You want the manufacturer to do it?

Young: Even though he can't get it out of the country. Now --

H.M.Jr: What is that game you play where everybody holds hands and they have a bean bag and you run around and find who has got it?

Young: This is perfectly simple. You just light a bonfire under the manufacturer instead of under the Swedes. He goes to the Swedes and asks them to cancel the contract and they will probably say no, because they have got to keep their noses clean. Whereupon, he tells them he will cancel it anyway and he will give them their money back next week and then all the Swedes can do is sue for damages. The Canadians will guarantee the manufacturer damages if it is a reasonable delivery date.

H.M.Jr: What is the next move?

Young: I am waiting for a call from Cummins now. He was checking back with Berle.

H.M.Jr: Everybody happy? Thank you.

## RE BRITISH PURCHASING PROGRAM

September 4, 1940  
4:15 p.m.

Present: Mr. Purvis  
Mr. Ballantyne  
Mr. Young

- H.M.Jr: I don't know who gave you your tide information, but I have been studying tides. Dover, England.
- Purvis: You would go right to the base of this thing. Six, seven and eight, is it?
- H.M.Jr: This is six, seven and eight and this is the number of feet. It is 19 and then it goes down to 18. You see, the crest is on the fifth.
- Purvis: That is today or tomorrow.
- H.M.Jr: That is tomorrow. I wanted to point out that the crest will pass on the fifth and then it goes steadily down and it will come back up again, but it doesn't come up as high again, you see, on the 18th. The all time high is on the fifth, p.m., so it would be a night landing.
- Purvis: So it was really the third, fourth and fifth?
- H.M.Jr: And it comes up to a high again, but it only reaches 18.5.
- Purvis: And in the meantime, the weather gets worse.
- H.M.Jr: Yes. I have the weather maps. It gets terribly worse. But the high is on the fifth.
- Purvis: That is fine. Of course, I wouldn't know that you had the dope.
- H.M.Jr: I have nothing to do today.
- Purvis: I keep having more respect for the Administration's ability to put its finger to the point

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of things. I can understand having it around for a sail off Martha's Vineyard or something.

H.M.Jr: But I was just curious. You notice it goes in cycles of 10 days and it comes back up, but not as high. The high point is tomorrow night.

Purvis: I think I am right in saying that once a month you get the particularly high waters.

H.M.Jr: But it doesn't come as high again. Want to take it home and look at it?

Purvis: I would like to.

H.M.Jr: All right.

Purvis: I will send a cable to Hitler.

H.M.Jr: You had better wait until the 6th. He might not know it.

Purvis: It may be tomorrow morning.

H.M.Jr: We had a very interesting luncheon.

Purvis: Good.

H.M.Jr: And I will be frank, as usual. I mean, the first thing was, we spent the first time around trying to get them to agree that there should be sort of a clearing committee where they would all have one kind of contract. They couldn't see that. It would slow things up and so forth and so on. But we did get them to agree that before they told the manufacturer and gave their interpretation of the tax law, they would ask us first, because they would be giving the wrong information. Then I got around to your business of how could you place orders here without putting up any money in

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advance and I asked Mr. Stimson and Mr. Patterson, could you have the product of Chrysler tanks of one shift, maybe five tanks a day, using that as an example, and if you could, could you do others the same way. They wouldn't commit themselves but both Mr. Stimson and Mr. Patterson said at first blush they saw no reason why you couldn't and I learned this, you see. A Government arsenal, say Watervliet, Government owned and operated, you can't have that product, but their offhanded opinion is that Chrysler, who has been given Government money, is a private contractor, that if he wants to, after having made the agreement with the Government, sell part of this product from the factory, they see no legal objection, and that is the position Mr. Foley holds.

Mr. Patterson is coming back at 11:00 o'clock tomorrow morning to see me about it. Mr. Stimson - I explained to him why I wanted to do it, the full significance of it. He said, "Of course, I am in complete accord with the principles involved." He would give you the maximum use of your money. Much to my amazement, Jones repeated everything I said. He said, "Do I understand what you said?" repeating word for word. Whereupon, Jones said, "Well, this is the best suggestion that has been made yet."

Now, of course it is obvious why Jones likes it, because he thinks it is going to get the heat off him. Nevertheless, he says he likes it and it is the best suggestion that has been made yet and he is keenly interested.

Now, I don't want to raise your hopes. You have been around Washington long enough to know, see.

Purvis: Quite.

H.M.Jr: I am simply reporting, I think fairly accurately, Phil, what happened.

- Young: Yes, sir.
- H.M.Jr: Jones also promised me at my request that he would immediately look into this Continental situation. The thing that bothers Jones, both on the Continental and on Chrysler, is that the predominance of the orders in each case are for you. You see, if it was reversed and the Army took two-thirds and you took one-third, it would be better. You have heard him say that.
- Purvis: Yes, I have.
- H.M.Jr: I can't explain it, but that is the way he feels.
- Purvis: I agree.
- H.M.Jr: There is definitely no basis for it except that that is the way he feels and he is entitled to feel that way. Jones was in a much better humor today, wasn't he?
- Young: Yes, sir.
- H.M.Jr: Didn't you feel that way?
- Young: Oh, very definitely.
- H.M.Jr: So much for that. Now, I don't know what has been happening. By my doing this, have I in any way slowed up the brass hats on machine guns or anything else?
- Young: Oh, no.
- Purvis: The machine gun is waiting for something quite different.
- Young: The machine gun thing, as I see the picture, is part of the machine tool program. That

is what you get back to.

Purvis: That is the point.

Young: The machine tool program is something all by itself.

H.M.Jr: Well, let's wait until 11:00 o'clock tomorrow and see what happens on the thing, because if the War Department would say tomorrow that you can have five tanks a day from Chrysler, I would consider that a major step forward, wouldn't you?

Purvis: Oh, I think that is right, but now there is only one thing that would worry me. It is this: We want, if possible, I take it, to avoid any situation whereby the number of any given weapon that is produced is limited by the --

H.M.Jr: They would then have to go ahead, you see, and make another arrangement - a similar arrangement in another factory on an eight-hour day and then Jones kept saying, "The thing I like about it is this eight-hour day idea, that the Army makes the arrangement for eight hours and the English can take the other 16 hours if they want to."

Purvis: It gives them a reserve capacity in a very sensible form.

H.M.Jr: There won't be a bottleneck and we will have just as much production.

Purvis: Right. The only - on quantity, on the eight-hour day basis, it doesn't measure up to war needs looked at from the other end. Then we have got to find an additional way of taking that.

H.M.Jr: You can always go to Jones. But let's see.

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You can take all that is possible this way.

Purvis: Do you see any hope of adapting that idea to the airplane situation?

H.M.Jr: Yes, I said to them, for instance, now - did you hear a report about the meeting this morning? Has Fairey told you?

Purvis: Fairey told me, yes.

H.M.Jr: I talked here - you know - I talked - what? Finally, somebody said to Fairey - Fairey kept saying --

Purvis: Oh, then we haven't heard a report.

H.M.Jr: Finally, somebody said to Fairey, "Well, you are not doing us a favor, you know. We are trying to arrange this for you."

Purvis: But you don't --

H.M.Jr: Right?

Young: Yes.

H.M.Jr: He sort of sat back as though somebody were trying to put something over on him.

Purvis: I should have come.

H.M.Jr: You should have.

Purvis: I was just between two fires.

H.M.Jr: Finally, somebody said to him, "You know, we are trying to do something for you."

Young: Knudsen and Mead.

H.M.Jr: Yes. I mean, instead of bubbling over a little bit like you and I do, he is so reserved

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and afraid they are putting something over on him. The Army and Navy are together. They have seen the light. They have agreed that this is smart and we are going to do it first. And then they said well now, if they both did the thing, maybe we could get Curtiss-Wright to increase the combined production for both.

Purvis: You know I --

Ballantyne: I think, sir, if you will permit me, when he was sitting here, he was slow in getting - grasping the point, and I know, I am pretty sure, the phrase that gave that impression. He leaned back in his chair and said, "Now, what are we getting out of this?" I think he had it in his mind, but he was trying to see just what this would mean to us, he was slow.

H.M.Jr: Why can't a man do his multiplication and addition before he comes in this room? He didn't even know how many Curtiss P-40's they had on order.

Ballantyne: No, I know that is true.

H.M.Jr: And he had to do his addition there and everybody sat around while he waited to add up how many planes. You were here.

Ballantyne: Yes, that is quite right, sir. I was very disturbed, particularly when you had to tell him how many empty airframes we had, which you did at one place.

Purvis: I particularly asked that he come posted with all of the information. I know where I am now.

H.M.Jr: I don't know whether the man's brain is slow, but there are certain types of very cold Englishmen and we need a little Scotch or a little Irish around here and a little enthusiasm

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and a little laughter and not quite so much heavy logger.

- Purvis: By the time he had digested it, he had become quite convinced, although I must admit when he was describing it to me, he couldn't see anything wrong in it, which should have given me the tip. That should have given me the tip, but I didn't realize what had happened.
- H.M.Jr: His whole attitude was, "Well, is somebody putting something over on me?" Don't let him go on up to Buffalo alone. It is going to be settled in Buffalo Monday afternoon. Let Morris Wilson go with him. It is important enough. It may mean five or six hundred planes, three to six months sooner, and which is very important.
- Purvis: Yes.
- H.M.Jr: But I mean - correct me, please, if I am wrong.
- Ballantyne: No sir, I quite agree with you.
- H.M.Jr: Please correct me.
- Ballantyne: Oh no, I was very bothered. Sitting in a corner over here --
- Purvis: I had talked to him very carefully after I talked to you this morning. Now, the desideratum is, can more planes be gotten in the air during the early months, with which he agreed.
- H.M.Jr: But he had everybody around saying, "Well, this is fine, this is great for the English, this is one time we are getting somewhere." Now, Morris Wilson is an enthusiast.
- Purvis: He gives out, yes.

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- H.M.Jr: He bubbles over, and for heaven's sake, let him be in Buffalo because this thing of coming in and being so terrifically suspicious - I went all through it with him Sunday and you see, I explained to the Army what I wanted. They saw it and they grabbed it. They will take it. The Army is taking it. They never would have taken it if I hadn't suggested it first for you.
- Purvis: No, quite.
- H.M.Jr: They are doing just what I suggested for you.
- Purvis: I immediately congratulated him on having more planes in the air. It seemed so sensible, when I heard it, but I didn't realize there would be any reaction of this kind.
- H.M.Jr: I don't want it to go back.
- Purvis: Oh no, but it is just your point of view.
- H.M.Jr: But you have all these people sitting around here --
- Purvis: And you want a warmth, I quite agree.
- H.M.Jr: "Oh, this is fine, this is great and my people will be so happy," and so forth and so on.
- Purvis: Yes, a little --
- H.M.Jr: A little line. You don't mind my being frank, because you will really be needing enthusiasm this time.
- Purvis: Of course we do. The whole thing gets pushed --
- Klotz: A little "oomph".
- H.M.Jr: Right.

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Now, what else - oh, on these six Consolidated transports, I couldn't answer it. What they whispered to me was that they were very suspicious that the Imperial Airways really want freedom to go into competition with our airways and I don't know what the answer is.

Purvis:

Talking with Fairey after that, I think he feels very definitely that it should be possible for us to meet any fears that Pan-American has and perhaps make practical suggestions that would suit them. Otherwise, here is a war necessity which brings up something where we must take a broad line.

Now, he is aware of the possibility and I was warned in advance that apparently there has been a good deal of jockeying for places for a considerable time between Pan-American and Imperial Airways. Now, in anything that we do here, would you try, if it comes back to you, to guide it, on the assumption, at least, that we shall be able to get a broad outlook taken in taking care of anything of that kind and then let me try it on that line. I believe it can be done.

H.M.Jr:

You know the suggestion I made. The suggestion I made is that if Pan-American have these planes ready to go, I don't think it will cost you any more money to make a contract with them, per head, to ferry these people across.

Purvis:

Would there be anything to prevent - that is one way. That is quite a thought.

H.M.Jr:

Don't overlook that.

Purvis:

Still under the flag of the English?

H.M.Jr:

No, no, no, no.

- 9 -

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Purvis:

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H.M.Jr:

No, no, no, no.

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Purvis: Under U. S. flag?

H.M.Jr.: Why, no. If they are going to run this thing - it came out that they are going to use these this winter for the very thing that you are talking about.

Purvis: Oh, to Ireland?

H.M.Jr.: I don't know, I couldn't get it. This winter they are going to use them. If they are going down to Portugal, it would be much easier for you to pick up these people in Portugal. Supposing they said - they asked how many you wanted? Mead seemed to know all about it. How many do you want? Now, if you could make a contract on a wholesale basis to transport a hundred or a thousand men, 50 a week, or whatever you want, wherever they are going to go - I don't know, I am just throwing that out.

Purvis: I have an idea we would be getting those men down into territory where they might be captured, but may I ask another thing, just as a pure shot out of the dark? Do you think there is any chance of establishing a U. S. line to Ireland, a neutral company, a steamship line, or other line?

H.M.Jr.: Why not?

Purvis: It is a neutral country. It would have to be, on the other hand, probably Congressional action.

H.M.Jr.: The President wouldn't do that.

Purvis: Not even to a neutral country?

H.M.Jr.: No, he wouldn't. He doesn't want that --

Purvis: It just occurred to me. Then Pan-American could run it. It would be simply perfect.

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- H.M.Jr: I have heard him on that too often.
- Purvis: My only thought was answering Pan-American's objection. But we can answer it some other way.
- H.M.Jr: Didn't Mead say he would carry the ball on that?
- Purvis: Yes.
- Young: In that connection, I have here a scheme covering that very point, which was brought in by a gentleman while you were away, formerly with Pan-American, whom McReynolds sent over to see me.
- H.M.Jr: Well, turn it over to Mr. Purvis.
- Young: I have given Fairey a copy of it ten days ago, wasn't it?
- Ballantyne: That man never turned up in our office.
- Young: He didn't?
- H.M.Jr: Well anyway, that gives you a report and I am a little bit more cheerful about the possibilities. They may turn me down, but at least I said I would have a yes or no for you within 24 hours. We couldn't do it any quicker than that.
- Purvis: Oh, no. In fact, I wouldn't want it spoiled by moving it one minute too quickly.
- H.M.Jr: Are you going to be here tomorrow?
- Purvis: I had intended to, but I would really very much like to go up and organize my group of production men under Weir, get him working in New York, and I will fly down tomorrow or any time.

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- H.M.Jr: Do it on the phone.
- Purvis: I am so anxious to get my organization right so I can slough off some of this stuff.
- H.M.Jr: I can call you on the phone tonight and tell you what Patterson has to say.
- Purvis: And I can come down if it is at all necessary.
- H.M.Jr: And you will have Morris Wilson at Buffalo?
- Purvis: I will.
- H.M.Jr: And for heaven's sake, let them have their figures there.
- Young: What about this standardization committee which Mr. Stimson wrote about and which is getting warmer all the time on aircraft, which is just the opening gun?
- Purvis: Baker was there last week, was he not, talking about that? They had their first --
- H.M.Jr: They referred to Baker. They seemed to want him today. They kept talking about him.
- Purvis: He is a technical head on the side.
- H.M.Jr: Will he go to Buffalo, also?
- Purvis: I would think he would be going.
- H.M.Jr: I would load that fairly heavy so that they can make the decisions up there, you see.
- Purvis: But is there anything there that we are slow on?
- Young: Yes, I think so, because this letter came

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through from Secretary Stimson and I gave Mr. Ballantyne a copy in which he asked that the British appoint two people who have the power to act, to take the responsibility for standardizing, and he obviously expected an answer.

Purvis: Oh, there is no answer to that?

Ballantyne: When you were away, Phil, Major Smith from the General Staff phoned Mrs. Jones and I called back to him and said could we work out the two names down here this week, and Fairey has got that in hand. I expected him to bring the names down today.

Purvis: I will follow that.

Young: I think something ought to be done about it.

Purvis: I didn't know it. I suppose that should go to the Air section. Well now, on the next week, the other thing that we are trying to do is to get over, as I said, Sir Walter Leighton, and he will be here and that will bring it right into this program.

H.M.Jr: Right. And then Mr. Stimson said - I am just repeating what he said, but - that Lothian should come to see him about these odds and ends, which was a part of the contract.

Purvis: Ah ha!

H.M.Jr: But I say he still should talk to the President, and I am repeating what Stimson said. It wouldn't do any harm to do both, but Stimson said to tell Lothian to come and see him about it because he said that was his responsibility, but I still say I think if I were Lothian, I would want to talk to the

- President about it.
- Purvis: Exactly.
- Young: Mr. Stimson told me on the telephone while you were away that he hadn't seen anything of the British and wanted them to come around and see him and visit with him and I explained that in the usual way - and he said, "Oh, I know all this business of going through Mr. Morgenthau and so on, but that was before you had a Secretary of War."
- Purvis: I take it it is all right for me to go to him. I haven't done it, but I think under those circumstances, I would like to go along on that.
- H.M.Jr: He is a funny fellow. I suppose one has to remember that he was once Secretary of State.
- Purvis: Yes.
- H.M.Jr: You can't lose that foreign office taint.
- Purvis: That is true.
- Klotz: Definitely. I think once you have got it you always have it.
- H.M.Jr: Once a Secretary of State, always a Secretary of State.
- Purvis: In that case, I think I had better --
- H.M.Jr: I think you had better put on your cutaway when you go over there.
- Purvis: Yes, indeed. That will help.
- H.M.Jr: Well, I think we will call it a day now.

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- Purvis: May I mention one other thing? I think you must have heard it?
- H.M.Jr: Who did you say had the "oomph"?
- Purvis: Well, you remember that when you sold us all that very valuable equipment, we had what you might call a large preponderance of Point 30 calibre machine guns and rifles. We also - you were able to secure for us 130 million out of stock of ammunition and 58 million 30-calibre ammunition to shoot in them over the remainder of the year. We got the eight million. August was the next ten million and until those factories come in, those things aren't very useful compared with what they should be.
- H.M.Jr: I tell you, when you put on your cutaway and high collar, you mention that to Mr. Stimson, because I have mentioned it to him so often I am afraid to mention it to him again, being a very timid person.
- Purvis: All right.
- H.M.Jr: But I have mentioned it to him again and again.
- Purvis: All right. I can't --
- H.M.Jr: I mentioned it to the President and the President said, "Tell Stimson about it." That was Friday a week ago.
- Purvis: Because it really was something that was, you might say, coupled with the deal.
- H.M.Jr: I told him. I would like to kind of concentrate on this financing thing and if I could do that --

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- Purvis: Of course, that is of major importance, and also what seems to me to be so terribly important, it ties right into the integration of the two programs into one program, in so far as possible, in which your idea is perfect.
- H.M.Jr: Another example is this thing with Curtiss-Wright. I mean, here you are and the United States Army, both saying to Allison, "We both want more Curtiss P-40's and we both want Allison C type," and you move together with the idea that by both doing it we can increase the production above five planes a day, which is all they say they can do now of P-40. Whoever goes up there ought to have the idea, how many more planes can you make above the five, you see.
- Purvis: Yes, exactly. That is the whole thing.
- H.M.Jr: If you both move together, or else if we both move together - I don't know whom I represent - if we both move together, he may give you ten a day and they said here this morning that on this F engine that any - what did they say, for six months, is that what they said?
- Young: Yes, it would be early spring.
- Purvis: After all, it is perfectly ridiculous. We should go just as far as we can on the C, just as far as we can without any fault finding.
- H.M.Jr: And don't forget to tell them that Knudsen is working to get you another thousand C engines over and above what you have on order now. That is what his suggestion is, another thousand C engines over and above what you have. Am I right? That is what he said.
- Ballantyne: Yes.

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- H.M.Jr: That is what he said.
- Purvis: Fine.
- H.M.Jr: And I talked with Evans today, of General Motors, and they again ran into some more trouble. I got him to describe to me over the telephone the difference between the F and the C, and before they get that F going, there is going to be some time elapse.
- Purvis: I am all for that. They have licked the C. Let's stay with it until we know definitely they have licked the F.
- H.M.Jr: Let me ask you another thing which occurred to me. This factory on Long Island, what is it, Republic, who wanted those 40-odd planes?
- Young: For the Swedish.
- Purvis: That is right.
- H.M.Jr: If they can turn out planes, is there any capacity there that you can pick up?
- Purvis: I think it has been done, but I don't know. I think - or if it isn't, it is purely because of an engine difficulty.
- H.M.Jr: Well, isn't it --
- Purvis: I can check on that.
- H.M.Jr: Well, do it right now. You can look over my shoulder.
- Young: I did get clearance for you on the St. Louis Aircraft Corporation.

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- Purvis: That will be one a day.
- Young: Sure.
- H.M.Jr: Now, you see, they have no orders after that. You see, it runs out and here is the P-35, eight on order, that is all.
- Purvis: But then the Army takes up the equivalent.
- H.M.Jr: But what I am getting at, couldn't you maybe give them an order to continue through the spring on the P-35, give them orders for the three months?
- Purvis: Yes.
- H.M.Jr: If there is an engine to go with it.
- Purvis: That will be the point.
- H.M.Jr: This point here, you see, for January, February, March, is blank.
- Purvis: Yes, I get you.
- H.M.Jr: I just wondered. I don't know if the plane is any good, but couldn't you extend that for, say three months?
- Purvis: Oh, yes, if there are any blanks --
- H.M.Jr: And here is a blank, you see, the 2-P-A pursuit for Sweden. I don't know what the 2-P-A is. They both stop in December.
- Purvis: One doesn't carry on at all.
- H.M.Jr: Do you want to take a look at Consolidated?
- Purvis: If I could, yes, sir.

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- H.M.Jr: Here is Curtiss-Wright. Which is the one?
- Purvis: It is the PBV-5. That is 220. Now then, ours is --
- H.M.Jr: What is the number of yours? Here is the Navy bomber, 28 --
- Purvis: This is it. Isn't it funny it is under another designation? May I just take those initials down so I can check them? What is the 28?
- H.M.Jr: You have got 149 on order.
- Purvis: Which won't be enough. The other is the 5-AME. That wouldn't be near enough. It can't be right, because I know we have a very substantial order.
- H.M.Jr: That will be 30 heavy bombers.
- Purvis: I think that is the one. We are not quite up to the 220. My point is to get it up to the 220.
- H.M.Jr: And Phil, make a note of this, Holland has on order 36 No. 28-5-MN Navy bombers.
- Young: They have got a bunch of planes on order.
- H.M.Jr: I know.
- Young: They are trying to place orders for about 500 more.
- H.M.Jr: They have delivered one. All right?
- Purvis: Yes.
- H.M.Jr: Can I give you anything else?
- Purvis: If I stay around for long - might I leave with you, just to glance at, a little thing which

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was sent to me --

H.M.Jr: I would like to look at it.

Purvis: And then I will get it back from you next week.

H.M.Jr: Yes. This goes to the house.

Purvis: It will show you exactly how I stand. Thank you very much.

H.M.Jr: Well, I will phone you tomorrow.

Purvis: Thank you very much. I am hanging on this one, because I think it is tied right in with the big program.

September 4, 1940  
2:32 p.m.

H.M.Jr: Hello.

Mr. Evans: Hello.

H.M.Jr: Mr. Evans, this is Morgenthau.

E: Yes.

H.M.Jr: Mr. Knudsen told me that it's going to be quite difficult for you to come tomorrow, and we had a meeting here this morning with everybody concerned and I got what I wanted in the way of information.

E: Oh, good.

H.M.Jr: And Mr. Knudsen and General Arnold and Mr. Fairey of the English Purchasing Mission are all going to go to Buffalo Monday and depending upon how many extra P-40's they can make will depend upon how many more C engines.

E: I see.

H.M.Jr: But I don't think I'm telling any tales out of school when I tell you that the Army decided today that they're going to order more C engines.

E: That they are going to order more C engines.

H.M.Jr: Yeah and, I take it, <sup>taking</sup> postpone/delivery on the F's you see and the English will do the same up to the amount -- up to 1,000 more C's depending upon how many the Army will O. K. and depending upon how many frames they can get from Curtiss.

E: The rate at which they can get frames.

H.M.Jr: What's that?

E: It will depend a little on the rate at which they can get frames because it's a matter of time against rate.

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- H.M.Jr: Well, that's right, I mean, after all what the English want is that they can get 100 planes say in three months with C engines as against possibly having to wait for the F. They're going to take as many as they can.
- E: Uh-huh.
- H.M.Jr: So knowing how busy you are, that boils down an hour's conversation, and so I don't want to ask you to come to Washington.
- E: Well, that's fine, Mr. Secretary.
- H.M.Jr: Let me ask you just this -- I mean, isn't that good news for you, because that takes the pressure off you on the F.
- E: Well, except that -- it does take the pressure on delivery of F's off, it's good news in that way. On the other side we're keeping a full production of C's going based on the use of them in Lockheed, see?
- H.M.Jr: Oh.
- E: So in one way it's added pressure because they'll want more C's -- (laughs) -- on the other hand we can possibly build more C's in February and March than we would be able to E's and F's.
- H.M.Jr: I see.
- E: Well .....
- H.M.Jr: Well, you haven't okayed the F yet.
- E: No.
- H.M.Jr: Do I understand -- is the principal difference between the F and C that the F has the gears --- the power flows through a gear to the propeller, is that it?
- E: Well, it does in both cases, Mr. Secretary, but in the case of the C the reduction gear is an internal gear and in the case of the F it's an external gear.

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- H.M.Jr: Oh, I see.
- E: Then the next difference is that the extensory drive in the C is taken off the front end -- the same end that the propeller power is taken off -- which means that the total power of the engine flows through the reduction gear.
- H.M.Jr: I see.
- E: And in the case of these altitude engines the amount of power required for the super-charger and other accessory drives is a very considerable portion of the total power.
- H.M.Jr: What power? I didn't get that.
- E: The power for the super-charger and accessories reaches as high as 160 horse power. And now when you go to the F, that power for the accessory drives is taken off the opposite end of the crank and does not have to flow through the reduction gear.
- H.M.Jr: Oh.
- E: And that's the thing that permits the F and E to be rated higher than the C.
- H.M.Jr: I see, because they take it off <sup>opposite</sup> ends, is that it. I mean, the extra power for the .....
- E: Yeah, the super-charger.
- H.M.Jr: ..... is taken from the opposite end from the propeller. Is that it?
- E: That's right.
- H.M.Jr: I get you.
- E: That's right. That's the simple difference that permits a higher rating of the E and F than of the C.
- H.M.Jr: Well, anyway, they're all going to go to Buffalo Monday and then I imagine you'll hear from them direct and if you don't mind, I'd keep this to yourself until you do hear from them.

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E: Right-o.

H.M.Jr: But you have been so cooperative with me that I wanted to let you know just what happened.

E: Well, thank you very much.

H.M.Jr: And as I understood it, you're laid out for 2,000 C's anyway, aren't you?

E: For 2,000 C's and we're prepared to add month to month further quantities.

H.M.Jr: And how much -- well, aren't you gradually approaching that time that if you were going to have to make more C's you'd have to make up your mind.

E: About the 15th of this month we'll decide. We'll actually be against the February production.

H.M.Jr: Well, then if they make up their mind by -- they're talking about making up their mind next Tuesday .....

E: That's time enough.

H.M.Jr: That just is time enough, isn't it?

E: Yeah.

H.M.Jr: Well, that's perfect isn't it?

E: Yeah, that's about O.K.

H.M.Jr: How're you coming otherwise?

E: Well, we've had a bad couple of days. We ran our test stands right through Labor Day -- worked 24 hours Labor Day -- but even so we've had a lot of bad penalty runs and we're not getting many engines off, but I hope it'll be better by tomorrow.

H.M.Jr: O. K.

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E: All right.

H.M.Jr: Then I'll see you some other time.

E: Yes. Thank you very much for calling,  
Mr. Secretary.

H.M.Jr: Good-bye.

E: Good-bye.