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RE ALLIED PURCHASING PROGRAM

September 5, 1940

11:00 a.m.

Present: Mr. Bell
Mr. Foley
Mr. Young
Mr. Patterson

Young: George Mead just called me on this Pan-American Airline situation. He talked to Tripp and Tripp said he would release the planes.

H.M.Jr: Wonderful.

Young: So he called Purvis, and Wilson is evidently having a meeting and Purvis and Wilson are now talking about it in New York.

H.M.Jr: Purvis and --

Young: Morris Wilson.

H.M.Jr: Oh. That was quick enough, wasn't it? How many will they get on that basis, three or six?

Young: Three, I think.

H.M.Jr: Is this the Boeing or Lockheed?

Young: I assumed that was the Lockheed. He said the bomber question was out.

H.M.Jr: The bomber is out, but they can get this?

Young: Yes. These are the Lockheed.

H.M.Jr: I don't know whether it is Lockheed. They have a Lockheed coming through. They are going to release the three?

Young: That is what I understand.

H.M.Jr: Wonderful.

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Bell: What can they do with that kind of a plane?

Young: I still don't believe it.

H.M.Jr: Fly straight across.

Bell: Fly straight across?

H.M.Jr: Yes, ferry pilots over.

Bell: From Canada?

H.M.Jr: Yes.

Bell: May I take up one thing before Patterson comes? George Harrison called me this morning and said that of course their statement would be released this afternoon at 2:30 in tomorrow morning's papers, their weekly statement, and it is going to show a drop in foreign bank balances of about 220 million because of this Canadian switch, and then that shows an up in other deposits of about the same amount and the reporters, of course, will look at the 220 drop and get a story out of it.

One man said to Allan Sproul about a week ago, he said, "I assume that we ought to watch your foreign balance figure on your weekly statement and some of these days we will see a sudden drop and that will be an indication of the amount of money that Great Britain paid for these destroyers," so it happens right about the same time and it is very unfortunate.

George wants to explain it this way, that it is nothing more than a switch from central bank balances which central banks have been keeping as fiscal agent, balances of certain foreign governments, and those foreign government balances have been switched down to other balances and they are holding them now under

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the fiscal agency functions of this government for the account of those governments. He said that is about the least they can say and I see no harm in it. Merle sees no harm in it, either.

H.M.Jr: Okay.

Bell: Okay.

H.M.Jr: The most important thing that has happened around here is, I am marketing a cherry-tomato.

(Discussion off the record)

Young: The details you wanted on those planes, that was with reference to the balance of 4,000?

H.M.Jr: Yes, which was supposed to have been placed Thursday or Friday.

Young: Mead says he hasn't seen any sign of it coming through.

H.M.Jr: Won't you get it from the English?

Young: Yes. I wanted to see if he had it.

H.M.Jr: Has he got it?

Young: No, he hasn't.

H.M.Jr: Well, when I speak to Purvis and tell him about the stratoliners, tell him - on the other hand, they tell me they have given letters for 4,000 planes last Thursday or Friday and the Commission doesn't know anything about it.

Young: George wants copies of the letters if we can get them. I don't see why we couldn't.

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- H.M.Jr: Purvis' shop is run very badly. I don't blame him.
- Young: He told me yesterday he thought he would have it straightened out in a week or 10 days.
- Bell: He got rid of a lot of people.
- H.M.Jr: Did he?
- Young: He is getting the whole thing set up on an orderly basis. The whole difficulty has been that from now on it is not a Purchasing Mission.
- H.M.Jr: What is it?
- Young: It is a production headquarters to be coordinated with the defense. That is the primary problem, not the question of just going out and buying something. It is the question of building them, especially where this standardization comes up. The people who are good at purchasing are not worth a damn at production.
- H.M.Jr: What do you suppose happened?
- Young: They haven't sent me in a letter on this Springfield arsenal at Rock Island, about making Springfield rifles so they can get more Enfields.
- H.M.Jr: Did you stir them up on that?
- Young: Yes, I stirred them up.
- H.M.Jr: I want to show that to the President.
- Young: On this financing thing, the transmission sub-program for the tanks is ready, has reached that point now.
- Bell: I should think the Army would be glad to put

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- Patterson: the Rock Island arsenal in production to get it started.
- Young: Mr. Stimson told me yesterday they were putting it in production because he got worried about the number of rifles they had to let go and asked General Marshall and General Marshall said they had already --
- (Mr. Patterson entered the conference)
- H.M.Jr: I was wondering if we misunderstood each other.
- Patterson: I was detained for a minute and then I wanted to talk to General Wesson about that matter we discussed yesterday.
- H.M.Jr: We were talking about the possibilities.
- Patterson: Wesson is sanguine but is quite solicitous that nothing definite be done for the time being. He thinks that the output of five tanks a day from that plant, together with what he has from the Baldwin, American Locomotive, will give him the necessary equipment for the 1,200,000 force now in contemplation. He thinks there will be the possibility of a second shift at Chrysler and is anxious to cooperate. He says that he had talked to Keller of Chrysler about it and Keller was most anxious from his own point of view, just the plant being in the force of direction, most anxious that nothing definite be done now that might in some way leak out while the plant is under construction. He said he thought if there should be any publicity about it, that it would be very unfortunate from his point of view up in Michigan.
- H.M.Jr: He might have trouble on it?

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Patterson: I don't know, but he doesn't - we have had these leaks in the War Department.

H.M.Jr: You had a beauty today, didn't you?

Patterson: Yes. That apparently came out through some Senator. There was a letter written last month to one of the Senators. They are always pressing us for information, you know. I think that we will have to have an order there that we don't respond to any requests for information from a Senator except the Chairman of the Military Affairs Committee of the Senate. These things are all given to them and marked "Confidential", but that doesn't mean a thing, apparently. That is where that one came from today.

Wesson was so solicitous about this thing that he didn't want to make a written report to me but came down just now and made an oral report.

H.M.Jr: Well, what would that mean in terms of days?

Patterson: The plant doesn't go in operation for 10 months. The contract was only signed about two or three weeks ago.

H.M.Jr: We can't sit around and wait.

Young: They figured to get tanks, I think, didn't they, in about 15 months?

Patterson: Well, I had in mind 10 or 11 months, but I am not sure.

Young: Which is a longer period than this other tank program that I talked about.

H.M.Jr: What is that?

Young: They say they are getting their first tanks from these other people, British and Army program, in 8 or 9 months.

H.M.Jr: I see.

Patterson: They have contracts, of course, too, tank contracts around, the British.

H.M.Jr: Which have not been signed.

Patterson: Oh, haven't they?

H.M.Jr: No. Sketch the situation as it is today.

Patterson: Of course, our tank contracts outstanding with private industry are not very large. The one with Chrysler calls for a thousand and an optional additional thousand, which of course I suppose they would take. As I recall it, the ones with the Baldwin, and so on, only call for 180.

Young: 180 tanks?

Patterson: Yes. Well, that is on the program - our program in this last one was for 1180, something like that. There may have been some previous contracts outstanding with them, I don't know.

Young: That was the figure I had in mind. I thought that was additional to Chrysler.

H.M.Jr: I think - there may have been some that entered before from the old 1940 program. That is what I am not sure about at all.

Patterson: We have placed the orders for 1941, that is, a thousand through Chrysler and about 180 through these other two concerns. Baldwin

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is one and I think American Locomotive is the other.

H.M.Jr: So, what is the status right now, before I raise this point? What is the status of the tank program from the English standpoint? Where does it dovetail with the U. S. Army?

Young: From the English standpoint, first of all a standardized design has been agreed upon by both. Secondly, certain manufacturers have been specified as being capable of doing an engine job or transmission job or other component jobs of the tanks, both by the Army and by the British. As Judge Patterson says, American Locomotive and Baldwin, the Army intends to use and the British will also use those two plus four more. That is primarily on the assembling and on the armor plate and the heavy steel stuff.

On the transmissions, there is definitely a joint program with the Cleveland factory, who said they could build enough transmissions - there are two companies together there by some affiliation - they can build enough transmissions for both the Army and the British in the joint program for tanks. That sub-program on transmissions has now reached the point where some method of financing has got to be very definite. It is on the fire.

The other sub-program is the engine program, which - those would be a relatively small number of tanks. It is considered best on the part of the War Department and on the part of the Advisory Commission and with the concurrence of the British that that should not be split, that should be given to one manufacturer to do, and it is determined after much consideration that Continental

is the best place equipped to do it and a license has already been worked out between Curtiss-Wright and Continental for the engine. Continental is agreeable to going ahead. They will need money for plant expansion and for machine tools and that is the situation now which the RFC is considering and which the War Department has been talking about with Continental up to this morning when they have evidently reached a preliminary agreement as to how the Army would like to work it out on financing.

H.M.Jr:

For the engines?

Young:

This is just for the engines.

H.M.Jr:

I think what I am going to do is this: I think I will tell Purvis to go ahead and see if he can't make his contract on this for 20 tanks a day.

Young:

Yes, that is what they want.

H.M.Jr:

Then if he gets stuck with Jones, I may come back and ask you (Patterson) for some help. How is that?

Patterson:

That would be just right.

H.M.Jr:

If he gets stuck and reaches an impasse with Jones, then I will come back and ask for help. Otherwise, we will sort of keep this in abeyance.

Patterson:

That is all right, we will hold it in abeyance.

H.M.Jr:

You are satisfied to leave it with me?

Patterson:

I haven't thought of that.

Foley:

Do you have a copy of the opinion?

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H.M.Jr: I sent it over to him and he read it.

Patterson: On this?

H.M.Jr: Yes.

Foley: No, we sent it --

Young: I brought it over to you that day, the first time I met you in the War Department, and you went through it.

Patterson: An opinion on what?

Young: On this question of financing plant capacity outside of the RFC.

Patterson: Oh yes, but I thought you meant the legality of an arrangement as contemplated in the Chrysler plant.

Foley: That is right.

Patterson: Does that touch that?

Foley: Yes, it does; Judge Patterson.

H.M.Jr: Do you want us to send it back over to you again?

Patterson: Oh no, I have no doubt.

Foley: We have no doubt about it.

Young: You gave it back to me and told me to keep it. I will send it back to you.

Patterson: Give it back to me. I read it and I studied it, yes, but of course I didn't have this thing in mind at all.

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- Foley: We have given one opinion on the financing by the RFC of facilities where they might be used by the British or some other foreign power, and we also have this opinion which I am speaking about now which involves the use of facilities constructed directly by the United States for production of tanks and other equipment for a foreign power. We think both can be done.
- Patterson: Well, I would like to - I think I have stated the thing right. The Secretary is of the same view and Wesson is of the same view, that the thing might be handled, but he wants it kept very dark.
- H.M.Jr: Well, we will go ahead and I will tell Jones - I told Jones I would call him up after you left here.
- Patterson: There is a chance there. There is a fair chance that something can be worked out along that line.
- H.M.Jr: The slowness is the difficulty of getting these things through. It is very disheartening. It isn't a question of taxes or anything like that. It is largely financing.
- Young: Yes. If some sort of a pattern can be set on these engines, the thing can be applied right away to transmissions, for instance.
- H.M.Jr: It could be?
- Young: Yes. The thing boils down pretty much as to how far the Army will go toward certifying what we will need in the way of capacity created, with the concurrence of the Advisory Commission.

H.M.Jr: I just want to say a word alone with Mr. Patterson, if I may.

OFFICE OF THE COUNCIL OF NATIONAL DEFENSE
BUILDING
WASHINGTON, D. C.

December 2, 1940

...of the British Commission for
...to my conference
...to re-
...of it is
...left the ques-
...which I have dis-
...confidant-
...care of
...entered my
...two ships
...of my
...that he
...prepared to

Very truly,
Lester B. Wood
Director

...of the
...of the
...of the

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

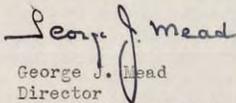
September 5, 1940

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

My dear Mr. Morgenthau:

I have reviewed the request of the British Commission for six four-engine bombers as discussed in our conference yesterday. The Air Corps are definitely opposed to releasing this equipment, as they have none of it yet in service and are in great need of it. This left the question of substituting commercial ships, which I have discussed with Mr. Trippe. He has advised that a confidential arrangement made by Mr. Balfour should take care of part of the transportation requirement. He assured me, furthermore, that he might be able to release two ships in the spring. Since the matter was getting out of my jurisdiction, I called Mr. Purvis and suggested that he make direct contact with Mr. Trippe, who was prepared to talk with him.

Sincerely yours,


George J. Mead
Director
Aeronautical Division

Copies to Mr. Wm. S. Knudsen, Nat'l Defense Com.
Hon. Robert P. Patterson, Asst. Sec. of War
Maj. Gen. H. H. Arnold, Chief, Air Corps
Mr. Philip Young, President's Liaison Com.

September 6, 1940
September 6, 1940

My dear Dr. Mead:

Thank you for your letter of September 5th giving me the status of the British request for six four-engine bombers.

I have asked Mr. Young to take the matter up with Mr. Purvis.

Sincerely yours,

Dr. George S. Mead,
Director, Aeronautical Div.,
Advisory Commission to the
Council of National Defense,
Washington, D. C.

September 6, 1940

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Thank you for your letter of September 5th giving me the status of the British request for six four-engine bombers.

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Sincerely yours,

The original was placed in Mr. Mead's mailbox on September 6, 1940. The original was placed in Mr. Mead's mailbox on September 6, 1940.

Dr. George S. Mead,

Director, Aeronautical Div.,

Director, Aeronautical Div.,
Advisory Commission to the
Council of National Defense,
Washington, D. C.

The alternative suggestion was made that the American manufacturer take the initiative in asking the Swedish Government to cancel. If the Swedish Minister agreed, the manufacturer would reimburse the Swedish Government for all expenditures immediately. (The manufacturer would have to have an agreement with the Swedish Government at the time in order to have the funds available for reimbursement). If the Swedish Minister did not agree to cancel, the manufacturer could bail the Swedish Government that he was going to cancel the contract anyway, reimburse the Swedish Government for the full amount, and take over the plane. Even if the Swedish Government claimed title to the airplane, the cancellation and tender of reimbursement would be the part of the manufacturer as an uncompleted contract would not be considered to be the title claim.

The only recourse left open to the Swedish Government would be to sue the manufacturer for damages. Then the securing of damages would depend upon whether the Swedish Government had

September 8, 1940

My dear Dr. Head:

Thank you for your letter of September 5th giving me the status of the British request for six four-engine bombers. September 5, 1940

I have asked Mr. Young to take the matter up with Mr. Purvis.

Yours sincerely yours,

Re: Swedish Planes

The original plan advanced by Mr. Berle Tuesday evening was based upon the transmission of an order to the Swedish Minister to turn over the planes to the manufacturer and **cancel Dr. George S. Head, Jr., Director, Aeronautical Div., Advisory Commission to the Council of National Defense, Washington, D. C.** Department to attend. In addition, Mr. Wiley designated Oscar Cox to represent him at this meeting. As a result of the conference, it was pointed out that there was no authority with the power to order the Swedish Minister to cancel the contracts.

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CONFIDENTIAL

September 5, 1940

To: The Secretary

From: Mr. Young

Re: Swedish Planes

The original plan advanced by Mr. Berle Tuesday evening was based upon the transmission of an order to the Swedish Minister to turn over the planes to the manufacturer and cancel the Swedish contracts.

The Liaison Committee, including Colonel Maxwell, met Wednesday morning and invited Hugh Cumming from the Scandinavian Division of the State Department to attend. In addition, Mr. Foley designated Oscar Cox to represent him at this meeting. As a result of the conference, it was pointed out that there was no authority with the power to order the Swedish Minister to cancel the contracts.

The alternative suggestion was made that the American manufacturer take the initiative by asking the Swedish Government to cancel. If the Swedish Minister agreed, the manufacturer would reimburse the Swedish Government for all expenditures immediately. (The manufacturer would have to have an agreement with the Canadian Government at the time in order to have the funds available for reimbursement). If the Swedish Minister did not agree to cancel, the manufacturer could tell the Swedish Government that he was going to cancel the contracts anyway, reimburse the Swedish Government for the full amount, and take over the planes. Even if the Swedish Government claimed title in this instance, the cancellation and tender of reimbursement on the part of the manufacturer on an uncompleted contract would tend to counterbalance the title claim.

The only recourse left open to the Swedish Government would be to sue the manufacturer for damages. Then the securing of damages would depend upon whether the Swedish Government had

- 2 -

actually suffered because it could not secure the planes. Presumably, this damage could not be proved as the planes could not be exported anyway. Further, the only other damage which the Swedish Government could prove would be that it had lost the opportunity to sell the planes to another party at a higher price. It is possible that this could be done as China has been negotiating for these planes from time to time. However, the manufacturer could include in his agreement with the Canadian Government a clause insuring him against loss if damages were secured by the Swedish Government.

There is some possibility that the Swedish Government might be able to prove conspiracy between the American manufacturer, the United States Government, and the Canadian Government. In any event, there is some danger in that the manufacturer might inadvertently tell the Swedish Government about the potential purchaser.

Mr. Hugh Cumming called me last night and said that he had had an unofficial off-the-record conversation with the Swedish Counsellor inasmuch as the Minister is out of town. The Swedish Counsellor made the following points: first, that the Swedish Government wants to get full reimbursement plus damages (trade commission administrative expenses, and some indeterminate amount for the upset of the Swedish defense system); second, the Swedish Government would not sell to a country at war with Germany; and, third, that the President had definitely assured Mr. Bostrom that "we wanted the planes".

If the third point is correct, then possibly the United States Government will have to take over the planes and release others to Canada. If it is incorrect, I see no reason why the manufacturers should not go ahead and cancel their contracts.

The Swedish Government has evidently made the same type of contract with both Republic and Vultee, namely, a 50 per cent down payment and the balance protected by an irrevocable letter of credit against which the manufacturer draws as each plane is completed. In the case of Republic, 46 planes are now ready (22 fighters and 24 bombers), and 66 (38 fighters and 28 bombers) are still to be delivered over the next three months. The completed planes are evidently now at the Republic factory and are

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owned by the Swedish Government. The amount of the Republic contract is approximately 10 million dollars.

In the case of Vultee, the situation is slightly different as no planes have yet been completed. The delivery schedule for the total of 144 planes on order, as given my by the manufacturer this morning, is as follows:

2 not later than September 30
3 by November 30
7 by December 31
10 by January 31
15 by February 28
20 by March 31
22 by April 30
22 by May 31
23 by June 30
20 by July 31

In this instance, as in the case of Republic, a 50 per cent payment amounting to \$4,567,000 has been made and a letter of credit signed for an additional amount of \$4,467,000, making a total of \$8,834,000. In addition to these 144 planes, the Swedish Government ordered $8\frac{1}{2}$ per cent spares plus 15 extra engines.

China has attempted to negotiate with both Republic and Vultee for these planes, but neither of these manufacturers has given that country any encouragement because of their sympathy with the British. Further, Vultee has informed me that in addition to China, the Dutch East Indies, Turkey, Switzerland, and Erin have attempted to buy the planes. Both manufacturers are very anxious to get this situation clarified.

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9/5/40

U. K. AIRCRAFT PROGRAMME FOR DELIVERIES BETWEEN
 BETWEEN OCTOBER 1, 1941, AND MARCH 31, 1942
 ADDITIONAL TO THOSE OUTSTANDING ON SEPTEMBER 30, 1941

FIRMS	AIRCRAFT TYPE	ENGINE TYPE	AIRCRAFT DELIVERIES IN						TOTALS
			OCTOBER 1941	NOVEMBER 1941	DECEMBER 1941	JANUARY 1942	FEBRUARY 1942	MARCH 1942	
BELL CO.	P. 39 (Single engined pursuit)	Allison E	50	50	50	50	50	50	300
BOEING CO.	Boston (Twin engined bomber)	Wright R 2600	-	-	5	45	45	45	140
BREWSTER	Dive Bomber (Single Engine)	Wright R 2600	50	50	50	50	50	50	300
CONSOLIDATED CO.	L. B. 30 (Twin engined bomber)	Pratt & Whitney R 1830	-	-	-	30	25	30	85
Do.	P.B.Y. 5 (Twin engined flying boat)	Do.	-	-	10	10	15	15	50
CURTISS WRIGHT	Hawk 87-A (Single engined pursuit)	Allison F	100	100	100	100	100	100	600
DOUGLAS CO.	Boston (Twin engined bomber)	Wright R 2600	65	65	65	65	100	100	460
LOCKHEED CO.	Lockheed 37 (Twin engined bomber)	Pratt & Whitney R 2800	-	75	75	75	75	75	375
Do.	P. 38 (Twin engined pursuit)	Allison F	-	100	100	100	100	100	500
MARTIN CO.	Martin 187 (Twin engined bomber)	Wright R 2600	-	50	50	50	50	50	250
N. AMERICAN CO.	N.A. 73 (Single engined pursuit)	Allison F	50	50	50	50	50	50	300
Do.	Harvard (Single engined trainer)	Wasp Junior	25	25	25	25	25	25	150
VULTEE	Dive Bomber (Single engine)	Wright R 2600	50	50	50	50	50	50	300
T O T A L S			390	615	630	700	735	740	3,810

- (1) The balance of 75 aircraft to yield the present programme total of 3,885 represents deliveries under option in April 1942 of -
 25 Consolidated L.B. 30
 50 Martin 187
- (2) There remains a balance of 315 aircraft orders still to be allocated to yield the full total of 4,200 aircraft (excluding spares). These requirements are under examination with particular reference to the possibilities of obtaining additional deliveries of Consolidated L.B. 30 landplanes and P.B.Y. 5 Flying Boats, Lockheed Type 37 and Harvard Trainers.

NATIONAL DEFENSE EXPENDITURES

	<u>War</u>	<u>Navy</u>	<u>Total</u>
July, 1939	\$ 49M	\$ 60 M	\$ 109 M
August	45	69	114
September	46	62	108
October	52	63	115
November	50	68	118
December	54	71	125
January, 1940	58	74	132
February	57	72	129
March	64	78	142
April	62	97	159
May	67	87	154
June	64	89	153
<hr/>			
Total fiscal year 1940	\$ 666M	\$ 890 M	\$1,556 M
<hr/>			
Total fiscal year 1939	490	673	1,163
<hr/>			
July, 1940	79	98	177
August	91	108	199

swb

September 5, 1940

September 5, 1940.
3:17 p.m.

H.M.Jr: Hello.

Operator: Mr. Purvis.

H.M.Jr: Hello.

Arthur Purvis: Hello.

H.M.Jr: Arthur?

P: Oh yes, Henry.

H.M.Jr: I had a very frank talk with Mr. Patterson this morning.

P: Yes.

H.M.Jr: And he said this, they could let England have some of the tanks from Chrysler, but this General Wesson seems to be very much worried about not letting you have it but the publicity connected with it.

P: Oh!

H.M.Jr: Also he called up Keller, Chrysler and they seem to be worried in connection for some reason or other that they might have trouble with their contractors.

P: Really.

H.M.Jr: Who are building the buildings. The suggestion was that we go ahead with Jones, see just how good a deal we can get from Jones for you.

P: Yes.

H.M.Jr: Knowing always that in the last resort, the Army is willing to do this.

P: Yes.

H.M.Jr: I told that to Jones.

P: Yes.

H.M.Jr: Jones said that he would immediately, this afternoon take off his coat and go to work on Continental Motors.

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P: Yes.

H.M.Jr: Which I understand was ready at noon, the Army had come to some sort of an agreement.

P: I see.

H.M.Jr: And if they can work it out with Continental Motors, that of course would be the formula for the whole tank program.

P: Yes.

H.M.Jr: So it isn't too encouraging but on the other hand the Army is willing to let me say that it is an ace in the hole which we can use if we have to.

P: Yes.

H.M.Jr: But of course it's only a part of a tank, it wouldn't supply you with the engine.

P: Yes. What do you think of the chances of getting Jones to take a broader view on this question of the capital costs and so on?

H.M.Jr: I don't know. I found him in a better humor with me today which, I know it was significant, than I've seen him, oh, in six months.

P: Good.

H.M.Jr: His attitude towards me personally was much more friendly.

P: Yes.

H.M.Jr: I think it's important enough that in contacting him, it's something that you ought to do yourself.

P: Yes.

H.M.Jr: I wouldn't leave it to anybody else.

P: No, I get you.

H.M.Jr: Because I don't think anybody else could do it as well.

P: We'll try.

H.M.Jr: I have an idea, another one, which may be perfectly crazy.

P: Yes.

H.M.Jr: But I want to throw it at you.

P: Yes.

H.M.Jr: If they insist on putting up some security.

P: Yes.

H.M.Jr: How about putting up some securities, let's say, that the English own in the Argentine.

P: Yes.

H.M.Jr: Now you see, I understood, only learned today, from the State Department the Argentinians are quite worried about when are the English going to begin to dump their Argentinian securities.

P: Yes.

H.M.Jr: And Jones, who is in the Export-Import Bank, if he insists on security, he might be willing to take some South American securities and then work out a deal with them, to sell it to them on a - over a year or so.

P: Yes.

H.M.Jr: I mean give them a year or so - To buy these securities in.

P: Yes.

H.M.Jr: Does it sound perfectly crazy?

P: Well, I don't think anything is crazy. I think it -

H.M.Jr: Particularly if you yourself would have difficulty disposing of these Argentinian securities.

P: Yes.

H.M.Jr: You see?

- P: Yes.
- H.M.Jr: But you might work out through Jones, who has the Export-Import Bank, an arrangement, if he insists on security by giving him South American ones, and let him merchandise them for you.
- P: Yes. I'm not familiar enough with how they stand opposite those - well you can see, that kind of thing, it's another field.
- H.M.Jr: Well you could send for the man who does have it.
- P: Yes, exactly.
- H.M.Jr: You see. I mean you can just start somebody on it.
- P: Yes. What do you think of that other thing I mentioned to you the other day, that end of our purchases which have been paid for.
- H.M.Jr: Well, you can try it.
- P: Yes.
- H.M.Jr: You can try it. But what I would -
- P: You don't think there's much chance of getting back to our original ground.
- H.M.Jr: It's just a chance, I don't know. Now for instance Jones told me that in his deal with the rubber people how fairly he treated the English over here on the rubber. I don't know, he paid them an extra good price and all that sort of thing.
- P: Yes.
- H.M.Jr: You see.
- P: Yes.
- H.M.Jr: And I would try to get back on the original basis but it's something that you'll have to do, visit him yourself.
- P: I see. All right now then I'd better get a sort

- 5 -

of preliminary round up with him and see how I go.

H.M.Jr: Yes, and you can tell him that whenever he's ready to talk Continental Motors you're ready.

P: Yes, exactly. Yes.

H.M.Jr: He's only going to look at it this afternoon.

P: Yes. And I may come down tomorrow afternoon, anyway.

H.M.Jr: Tomorrow is Friday, isn't it?

P: Yes. It's a bad day but on the other hand I may run down for a few hours, if it was only for a very preliminary center.

H.M.Jr: Well he goes to Cabinet on Friday so I don't know how long -

P: Oh does he?

H.M.Jr: Yes.

P: About when does that take place?

H.M.Jr: From two to four.

P: I mean in the morning or afternoon.

H.M.Jr: Afternoon - no afternoon, two to four.

P: Oh I see, oh I see. Yes. All right now then, I'll - I think I'd better join issue with it and see what happens.

H.M.Jr: Yes, and as I say he seems to be in an excellent humor.

P: Good. Well, then it's up to me to try and keep him there.

H.M.Jr: All right.

P: Thank you very much.

H.M.Jr: I'm sending Phil Young to Buffalo on Monday to be on the ground.

P: Good. I talked to Maurice but told him it was important for him to be there.

H.M.Jr: Good.

P: He fully understands you know, the difference.

H.M.Jr: He does.

P: Oh yes, he knows those things, it was just, he realizes he's got to be willing to do a little more of what I've done.

H.M.Jr: Right.

P: And I think he should.

H.M.Jr: I think so too. Right now.

P: And these next two weeks are frightfully important on that kind of atmosphere it seems to me.

H.M.Jr: Right.

P: All right, thank you very much indeed.

H.M.Jr: Goodbye.

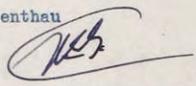
P: Goodbye.

September 5, 1940.

MEMORANDUM

TO: Secretary Morgenthau

FROM: Mr. Gaston



Admiral Stark, after a consultation with the President, has requested that we send one of the large cutters to Lisbon to replace one of two destroyers now there. The other is to be replaced by a gunboat. The reason is that the destroyers now stationed at Lisbon are of the type similar to those that are being sold to the British and it is desirable not to have our vessels on cruise in European waters mistaken for hostile ships. Since the GEORGE W. CAMPBELL is the only one of our cutters with full war equipment, it is proposed to send her after her arrival at Brooklyn Navy Yard from Greenland to replace the propellers and other minor repairs. She will be able to sail within two weeks which Admiral Stark says is time enough.

[Faint, mostly illegible handwritten notes and bleed-through from the reverse side of the page.]

GROUP MEETING

September 5, 1940
9:30 a.m.

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

H.M.Jr: I am sorry I have held everybody up, but Henderson has been on the phone for 20 minutes asking what I thought of him.

Foley: What you thought of him?

H.M.Jr: Yes. I told him I was terribly disappointed.

Foley: I think what he did yesterday was inexcusable.

H.M.Jr: He wants to get together and talk about the meeting yesterday at lunch.

Foley: Well, they called me - Mac called first and then Leon, and he said he heard that you said that this plan they had cleared with the Comptroller General was illegal, and I said you hadn't said any such thing. You thought there might be some difficulty and if they had cleared it with us first, we could have ironed out the difficulty, but you said nothing about the legality.

H.M.Jr: I said you couldn't do it without getting legislation.

Foley: I think you said that as of last Friday there was nothing in the bill that would take care

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of the situation. You didn't say it was illegal.

H.M.Jr: That is right, no.

Foley: I pointed that out to them and they thought I had advised you.

H.M.Jr: Should I have these fellows over and have a free-for-all?

Foley: I think that would do it.

H.M.Jr: The only time I could do it would be tonight. I was going to see --

Bell: Why couldn't you have them over? They know your attitude.

White: That is a good fight, too.

H.M.Jr: What?

White: I say, "The Sea Hawk" is a good fight, too.

H.M.Jr: Is it a good picture?

White: It is a good fight.

H.M.Jr: I don't know, the way I have felt - you have got to do the work. Is it any good trying to get that crowd in line?

Sullivan: Leon told me himself, he said, "I am absolutely positive of the position we have taken and the only thing that disturbs me is that you and I are so far apart," and I said, "Yes, we are. It is entirely different from any position you have ever taken before and in the testimony yesterday, it was so far --" I knew that they knew the facts

- 3 -

to be. It disturbed me very much. They are not going to get away with it and they are not doing any harm.

Foley: They are not doing the Administration any good.

Sullivan: It is the worst example of lack of teamwork I have ever seen.

White: It seems to me Leon ought to be the one on that Commission who should be fighting for the position which the Treasury has.

Foley: That is right, and if he doesn't like the position of the Treasury, he ought to come over here and give us a chance to fix it up before he goes down before a Committee.

White: That is the position he claims he is shooting at and he would like to have and if it would be possible to have another meeting - I know there have been several - and see just whether he can not be brought closer to the position and why not. He claims to have a lot of justice on his side. He said, for example, that Chuck Kades has a good deal of sympathy with his position. I don't know whether that is true or not. I haven't talked to Chuck.

Foley: Chuck was away while I was away.

White: I mean previously along the whole line. So something may be accomplished along that direction, because I certainly think it is too bad that he should be taking a different position, because we ought to depend upon him to....

H.M.Jr: Did they or didn't they say yesterday that that excess profits tax would not go through?

- 4 -

- Sullivan: That was after he concluded his formal statement. Mr. Knudsen said, "I would now like to give a personal statement. This isn't for the Commission, this is for myself." That is the one I gave you. And in that he requested a raise in the - increase in the regular corporate rates, the implication being that that would be a substitute for excess profits, and I doubt very much if he prepared that statement. I am going to try to find out where it came from.
- H.M.Jr: Knudsen - if we are going to do it tonight, I suppose it ought to be Knudsen, Biggers, Nelson and Leon Henderson. Those are four Commissioners. I might as well have Stettinius in because he seems to be friendly.
- Sullivan: I think a preliminary conference with Leon --
- White: I think before it gets to you, Mr. Secretary, I think there ought to be another --
- H.M.Jr: They can do it today if they want to. I will find out. Anyway, you two guys (Sullivan and Foley) keep this moving free until I get a chance to talk with Mac. Do you (Sullivan) have to go on the Hill?
- Sullivan: It is all right.
- Thompson: I have nothing.
- H.M.Jr: Dan?
- Bell: Nothing.
- H.M.Jr: Harry?
- White: Some requests came in for a Treasury decision on loans contemplated by the Export-Import

- 5 -

Bank and they asked our approval or disapproval. Now, they come occasionally. I was wondering whether you wouldn't suggest an informal committee which would automatically pass on that and give them your recommendation.

H.M.Jr: In the Treasury?

White: Yes. If you could have Mr. Bell and Mr. Cochran and one of Ed's men - I think Tietjens is working on it. If we could meet automatically whenever they send a request of that kind and then pass it --

H.M.Jr: Is it all right with you, Bell?

Bell: Yes.

H.M.Jr: Will you take it on?

White: All right.

H.M.Jr: Bell and Cochran. Somebody from General Counsel?

White: Tietjens, yes. He has been working on Export-Import Bank.

Foley: Yes.

White: There was a cable that came in which you may not have seen from Hongkong which was of interest in that it --

H.M.Jr: Talk louder, Harry.

White: The cable stated that the Japanese were asking all their nationals to leave Hongkong and they anticipated difficulty there. They are leaving rather rapidly. It is just of passing interest.

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Bell: I saw a story in last night's paper where China is getting a large loan.

H.M.Jr: T. V. Soong.

Bell: Yes.

H.M.Jr: Anything else, Harry?

White: No.

H.M.Jr: I am putting you down for 3:30.

White: You couldn't make it 11:00, could you?

H.M.Jr: I can't.

White: That 11:00 o'clock appointment has been canceled.

H.M.Jr: Whose 11:00 o'clock appointment?

White: The one that you have.

H.M.Jr: Your information is wrong. Mr. Patterson is coming at 11:00.

White: Doesn't McKay know it? He didn't know it ten minutes ago.

H.M.Jr: You have been snooping, have you?

White: I was on that point. I asked whether you had any free time this morning.

H.M.Jr: I will see you at 11:30. What else?

White: That is all I have.

H.M.Jr: I will have to warn McKay.

Haas: I have nothing.

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- H.M.Jr: Phil?
- Young: I will have this morning the first draft of an agreement between the Army and the Continental on the tank engines, which will go over.
- H.M.Jr: Good.
- Young: I will give you a memorandum on the Swedes in the next hour.
- H.M.Jr: Good.
- Schwarz: Some weeks ago at a press conference, you were asked about reports that Germany was planning to dispose of looted silver, silver looted in Europe by way of Mexico, and we said we would look into it. I understand a couple of the boys found their notes and thought about asking about it today. You might be ready for it. Do you want to set a time on Edgar Mowrer?
- H.M.Jr: Oh, 11:00 o'clock tomorrow. Tell McKay. George Mead says if they had you over there handling their publicity on airplanes, they wouldn't be in all the mess they are.
- Schwarz: I am grateful to Mr. Mead. Kintner and Alsop said yesterday Bob Horton is doing a good job.
- H.M.Jr: Somebody else tells me when you call him up he is never there.
- Merle?
- Cochran: I have nothing, sir.
- Chamber'n: With respect to the purchase of the Belgian francs for the National City Bank in Belgium,

- 8 -

they say they can get - they think they can get Belgian francs in Spain and want to know if you would have any objection to their doing that.

H.M.Jr: None whatsoever.

Chamber'n: I told them I would report to you.

H.M.Jr: Fine.

Chamber'n: I have these memoranda that I can give you that you asked for yesterday.

H.M.Jr: Are you staying after?

Chamber'n: Yes.

White: Who is making those Belgian francs available in Spain? Are you giving approval on that?

Chamber'n: Through the Bank of Spain. They have to get permission. They are not certain they can get them, but they wanted to know whether they could get them.

White: Is final action being taken on that now? I didn't know that came up.

H.M.Jr: Professor Chamberlain is recommending it.

Chamber'n: It seems that is better than getting them another way. They have tried every other way and haven't been able to find any Belgian francs. They are not sure they can get Belgian francs this way. I think it would be a good plan to let them try it out. It might save a great deal of trouble.

H.M.Jr: Ed?

Foley: I have nothing.

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- Gaston: Here is that revised short memorandum that you asked for (re Coast Guard Reserve Bill, September 5).
- Here is that letter --
- H.M.Jr: That goes to the White House for lunch tomorrow.
- Gaston: Here is that letter from the Texas Company (August 30, addressed to Mr. Cairns).
- H.M.Jr: Harry, what is the name of this oil man that is over here?
- White: Agnew.
- H.M.Jr: Sir Andrew?
- White: Sir Andrew Agnew. I think the "g" is silent, as in fish.
- H.M.Jr: How would you pronounce it?
- White: I pronounce British names exactly the way they are not supposed to be. If they are spelled with a "g", I don't pronounce the "g".
- Gaston: Here is another of those so-called aviation gasoline shipments to Japan and I asked about that, but I suppose it will be the same story, that it is within the control but it is not the actual aviation gasoline.
- H.M.Jr: I will use that this afternoon. When he comes, you (White) come, too.
- White: At what time?
- H.M.Jr: Sir Andrew at 3:30 tomorrow.
- Gaston: I will see what information I can get on that and let you know.

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H.M.Jr: Why don't you sit in also, Herbert, at 3:30
 with Sir Andrew?

Gaston: All right.

H.M.Jr: Sir Andrew is quite a fellow.

G-2/2657-220

RESTRICTEDM.I.D., W.D.
September 5, 1940.
12:00 M.

No. 186

SITUATION REPORT

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.

I. Western Theater of War.

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

During the day of September 4 at least three large formations of German planes entered Kent, Essex, and the Thames Estuary and bombed airdromes. British fighter reaction apparently was strong but developed well inland. During the night of September 4-5 German bombing, by individual planes and by formations, was on an unprecedented scale. At least fifty different areas were attacked.

British bombing targets on the night of the 3rd-4th included Berlin and certain forest areas. While hidden factories were claimed as objectives of the latter attacks, it is possible that experiments in forest-burning are being conducted.

According to news reports air fighting is in progress over England today in fine weather.

II. Mediterranean and African Theaters of War.

No ground operations reported. There has been considerable air activity over the Mediterranean, where, in addition to air fighting, the Italians claim to have bombed a convoy off Crete and naval units off Algeria. They also claim an aerial hit on a British ship in the Red Sea.

RESTRICTED

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

UNCLASSIFIED
J.F.S. MAR 20 59
per date

DATE September 5, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

~~CONFIDENTIAL~~

Today's transactions in registered sterling by the six reporting banks were as follows:

Sold to commercial concerns £71,000
Purchased from commercial concerns £ 7,000

The larger part of the sales were to cover imports of rubber.

In the open market, sterling was quoted at 4.03-1/2 all day. Transactions of the reporting banks in open market sterling were as follows:

Sold to commercial concerns £13,000
Purchased from commercial concerns £ 2,000

It was mentioned in yesterday's report that the British authorities were considering whether United States banks could acquire registered sterling to cover their open market sterling requirements. Today the Federal Reserve Bank received a cable from the Bank of England stating that it was not clear whether demand for free sterling was for United States or foreign account. The cable continued: "Should be glad to supply American demand but for administrative reasons are reluctant to permit transfers between registered and free accounts. Please inform Foreign Exchange Committee that we will provide free sterling at 4.03-1/2 to meet all United States needs but we shall require to be advised of ultimate beneficiaries." It is possible, therefore, that such sterling will not be supplied to this market unless ultimate payment is made to a United States account. However, since the volume of New York sales of open market sterling to banks abroad has been very small, England's latest action will probably have the general effect of placing a top limit of 4.03-1/2 on New York's open market quotation.

The other currencies closed as follows:

Swiss franc .2279
Swedish krona .2386
Canadian dollar 12-3/8% discount
Lira .0505
Reichmark .4000
Mexican peso .1996 bid, .2016 offered
Cuban peso 10-1/4% discount

We purchased \$1,125,000 in gold from the earmarked account of the Bank of Mexico.

UNCLASSIFIED

J.F. ... MAR 20 39
per date

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- 2 - ~~CONFIDENTIAL~~

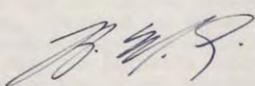
The State Department forwarded to us a cable stating that Samuel Montagu & Company, London, shipped \$75,000 in gold from England to the Irving Trust Company, New York, for sale to the U. S. Assay Office.

There was a holiday in Bombay today, and no quotations were received from that center.

In London, the prices fixed for spot and forward silver were both unchanged 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 four purchases of silver totaling 275,000 ounces under the Silver Purchase Act. Of this amount, 100,000 ounces represented a sale from inventory, and the other 175,000 ounces consisted of new production from foreign countries, for forward delivery.



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION



DATE September 5, 1940

TO Secretary Morgenthau
 FROM Mr. Cochran

~~STRICTLY CONFIDENTIAL~~

Mr. Alphan, Financial Counselor of the French Embassy, telephoned me from New York at 11 o'clock this morning. He wanted to know when he could hear from us on the various urgent matters which he has before our Control Group. I told him that these questions were being given our careful attention and that Professor Chamberlain would give him some word at the very earliest date. I suggested, however, that this would probably not be earlier than Friday afternoon. Mr. Alphan insisted upon the urgency of some relief, since it is not possible for salaries of the French diplomatic staff in the United States to be paid and for many other urgent accounts to be taken care of. Three checks which had been drawn some days ago have already been protested and he fears the credit of French officials in the United States will suffer as a result of the present situation.

Mr. Alphan referred to the memorandum left with Professor Chamberlain under date of August 28 and added that our decision with respect to paragraphs one and two thereof was urgently desired. Paragraph one refers to a Bank of Portugal transaction, and paragraph two to the South American transaction of \$5,000,000 which has been pending for several weeks. In answer to Alphan's inquiry as to whether we had done anything with respect to paragraph four, I told him that this question of payment of service on French loans floated in Switzerland was being considered along with the questions which Mr. Alphan had set forth in his long memorandum of August 29. Mr. Alphan indicated his desire to meet our requirements, but reiterated the urgency of an early answer to his problems.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

UNCLASSIFIED
J.F.S. MAR 20 59
per date

DATE September 5, 1940

TO Secretary Morgenthau
FROM Mr. Cochran

~~STRICTLY CONFIDENTIAL~~

At ten o'clock this morning Minister Procope of Finland called on me by appointment. He summarized to me the present situation in his country, and submitted the attached memorandum concerning Finland's need of credit for purchase of foodstuffs and other prime commodities.

The Minister's first question was that as to whether he might properly approach the Treasury for assistance in obtaining for Finland money out of the \$50,000,000 voted by Congress for Red Cross relief. He asked this question since he understood that Secretary Morgenthau, along with Secretary Wallace, was responsible for the administration of this fund. After checking by telephone with Under Secretary Bell, I told the Minister that he should continue to make his applications through Mr. Davis or Mr. Swift in the American Red Cross which, in turn, would pass on any recommendations to Cabinet Members, it being their duty in connection with this work to make the purchases upon which the Red Cross decides, and to deliver the goods at an American port. Minister Procope had explained to me that he had already received \$1,000,000 out of the above-mentioned fund, after taking up the matter with the Red Cross and with President Roosevelt himself.

The Minister stated that he had only about \$10,000,000 still unused out of the two credits which have been given by the Export-Import Bank. In answer to his question, I told him that I was not aware of any clauses in the bill now before Congress for additional authority of \$500,000,000 for lending by the Export-Import Bank which would place any restriction upon further credits to Finland. I suggested, however, that the Minister consult directly with Mr. Jones upon this subject.

The Minister reverted to conversations had with Secretary Morgenthau last Spring and asked whether I thought it would be worth while to revive those conversations now with the view to obtaining for Finland some additional assistance to help out over a winter that must inevitably be a hard one for his country. I told the Minister that my personal and frank opinion was that he should not approach the Secretary upon this point. Although American sympathy for Finland had not in the least declined, I doubted whether any enthusiasm could be aroused in Congress just now in favor of a special financial arrangement to help Finland, considering that Finland is now out of the active war area and that many other countries are in serious distress. The Minister realized that there might be some objection to a new step of the character under reference since there is some fear still prevalent in the United States that Russia may renew its aggression against Finland. The Minister thought this might even be an argument in favor of special treatment, it being his contention that if the United States let the Soviet see that we are willing to lend more money to Finland and are not fearing that

the Soviet may take over Finland, the Russians might be even more generous in their treatment of Finland.

The Minister stated that his country is obtaining some gasoline and grain from Russia but only a small percent of its normal imports of these products.

The Minister stated that our friend Ryti is still carrying the main load in keeping Finland together and in effecting its restoration. He is aided principally by Tanner and Marshall Mannerheim. The President of the country has recently suffered a stroke and Ryti is substituting for him. Should the President die it is quite likely that Ryti will succeed him.

Before leaving, the Minister told me that he was already considering what he should do with respect to the Finnish debt installment due the Treasury on December 15. I told him I thought his action so far had been entirely correct.

MEMORANDUM

concerning

Finland's need of credit for purchase of
foodstuffs and other agricultural commod-
ities of primary necessity.

More than most countries Finland is dependent upon her foreign trade. It is calculated that in normal years imports and exports both correspond to between 30 a 40% of the country's total national income. This means that the standard of living, and not only the rather satisfactory pre-war standard, but the nation's very possibilities to live are dependent upon imports from abroad of a lot of primary commodities, such as cereals, particularly wheat, lard, other foodstuffs, clothing material such as cotton, etc. The import was up to the war paid by exports and at the same time Finland always fulfilled her obligations with regard to her foreign loans and even repaid a great part of them.

Owing to the war Finland had to fight and through the general European situation circumstances have now completely changed.

About 10% of the country has been lost through the peace treaty. Thus and through other consequences of the war, production has decreased both in agriculture and industry. On the other hand there are in the country about 500,000 refugees to be taken care of. Thus it is obvious that the country's need of imports of primary commodities, particularly foodstuffs, has increased, although the strictest economy is scrupulously observed. On the other hand the export owing to commonly known facts, has decreased to only a small part of what it used to be.

Finland has tried to correct this situation through commercial agreements with neighboring states. But only partly could this measure bring help. Thus the commercial agreement with Russia is intended to bring about yearly exports and imports to a value of 7½ million dollars each, which is not more than about 4% of Finland's total foreign exports or imports. The imported quantities of cereals for which the agreement provides are restricted. The same is the case to a still higher degree concerning for instance tobacco and cotton. The commercial agreement with Germany, which also provides for balance in the trade and for an increase in the exports of Finnish products, particularly products of the woodworking industries, can of course not bring Finland help as far as the imports of foodstuffs and agricultural products are concerned. The same is mainly to be said about the trade relations to Sweden.

LEGATION OF FINLAND
WASHINGTON, D.C.

2.

Finland's only hope is thus in the trade with the United States and Finland ventures to trust that she will be able to acquire from here considerable quantities of different agricultural products such as wheat, cotton, lard, etc. That nothing of what Finland thus could get from here will be re-exported, is evident owing to the general food situation in Finland and the Finnish Government is of course disposed to give all possible guarantees in this respect. On the other hand Finland cannot under the present circumstances pay for these commodities by her exports. She must hope to get them either as direct assistance out of the 50 million dollar amount allotted by Congress for suffering European nations, or on credit. In this respect it is to be noted that what is left of the 30 million credit, which the Export-Import Bank last winter accorded Finland or about 11 million dollars will very quickly be consumed.

Under these circumstances the Finnish Minister has expressed the most sincere hope that Finland may get extended credits from the United States Government or Governmental Agencies and that the restrictions to the 30 million credit now in force as far as the Export-Import Bank credit is concerned, be removed.

Washington, D.C., September 5th, 1940.

SANDIDGE-MURPHY DEVELOPMENTOWENSBORO, KENTUCKYGENERAL

This project contemplates 103 houses meeting all FHA requirements to be built in two FHA analyzed subdivisions to sell for \$1570 per unit, complete with lot, including builders' profit of \$100 per unit, and to be financed under FHA terms either Title I, Class 3, or Title II, Section 203.

Thirty-nine houses in the first group were sold before construction started and all were financed under the FHA plan.

Lot size averages 58' X 70', approximately 26 feet between houses and all construction well set back from the street. City water and sewerage, electricity, gas, and cinder and oil streets are furnished.

The over-all dimensions of the houses are approximately 22' X 24'.

FEATURES

The following features are to be found in each of the houses: galvanized termite shield, solid concrete foundation, sand finished tinted plaster on walls, two flue brick chimney, built in bath tub, large closets with shelf and hook strip to accommodate rollaway bed off living room, metal lath angles at all corners of openings, double roof (asphalt slate shingles over felt roofing sheathing), finished oak hardwood floors over subflooring and slaters felt, ample wall receptacles, gas heater and 30 gallon hot water tank, built in cabinet under sink, built in table and seats in breakfast nook, linoleum and plywood over subfloor in bathroom and kitchen and utility room with 30 square feet floor area.

FINANCING

FHA Title I, Class 3 - Sales price \$1570. Amount of loan \$1470. Down payment \$100. Amortization of principal and interest per month \$12.47. Total estimated monthly payment \$15.00.

FHA Title II, Section 203: Sales price \$1570. Amount of loan \$1400. Down payment \$170. Amortization of principal and interest per month \$6.93. Total estimated monthly payment \$10.24

given me by E. S. Lusher
F. H. F.

have 15 years to amortize

have 25 years to amortize

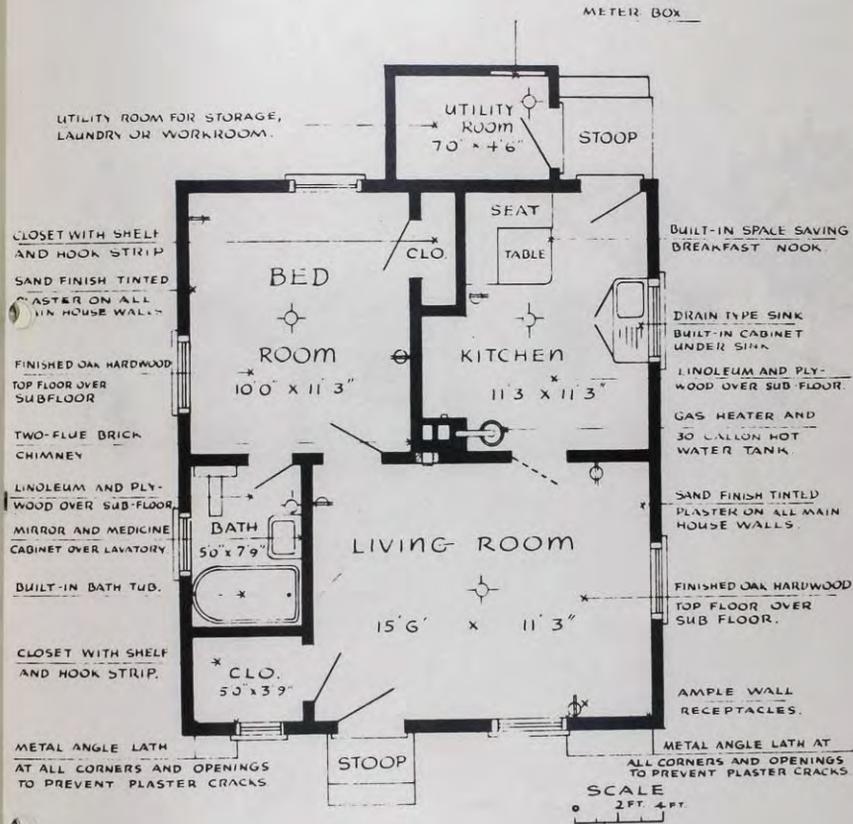
Sept. 5th 1940

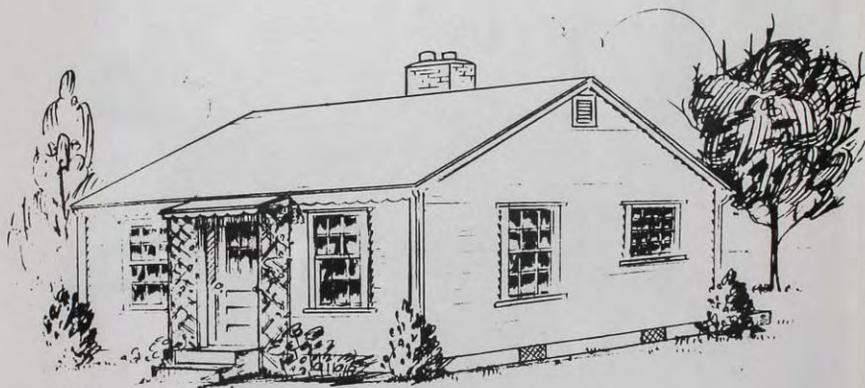
THIRD FLOOR PLAN
 UNIVERSITY DEVELOPMENT
 COLEBURN, KENTUCKY

NO. 1168: \$1,570.00

GENERAL

TERMITE PROTECTION WITH GALVANIZED TERMITE SHIELD
 SOLID CONCRETE FOUNDATION
 WATER, LIGHT, GAS AND SEWER CONNECTIONS COMPLETED.





ELEVATION OF HOUSE A

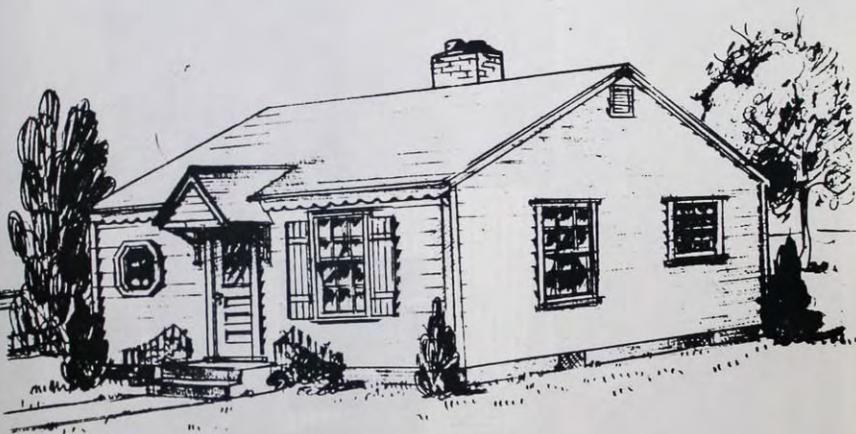






ELEVATION OF HOUSE C





ELEVATION OF HOUSE D

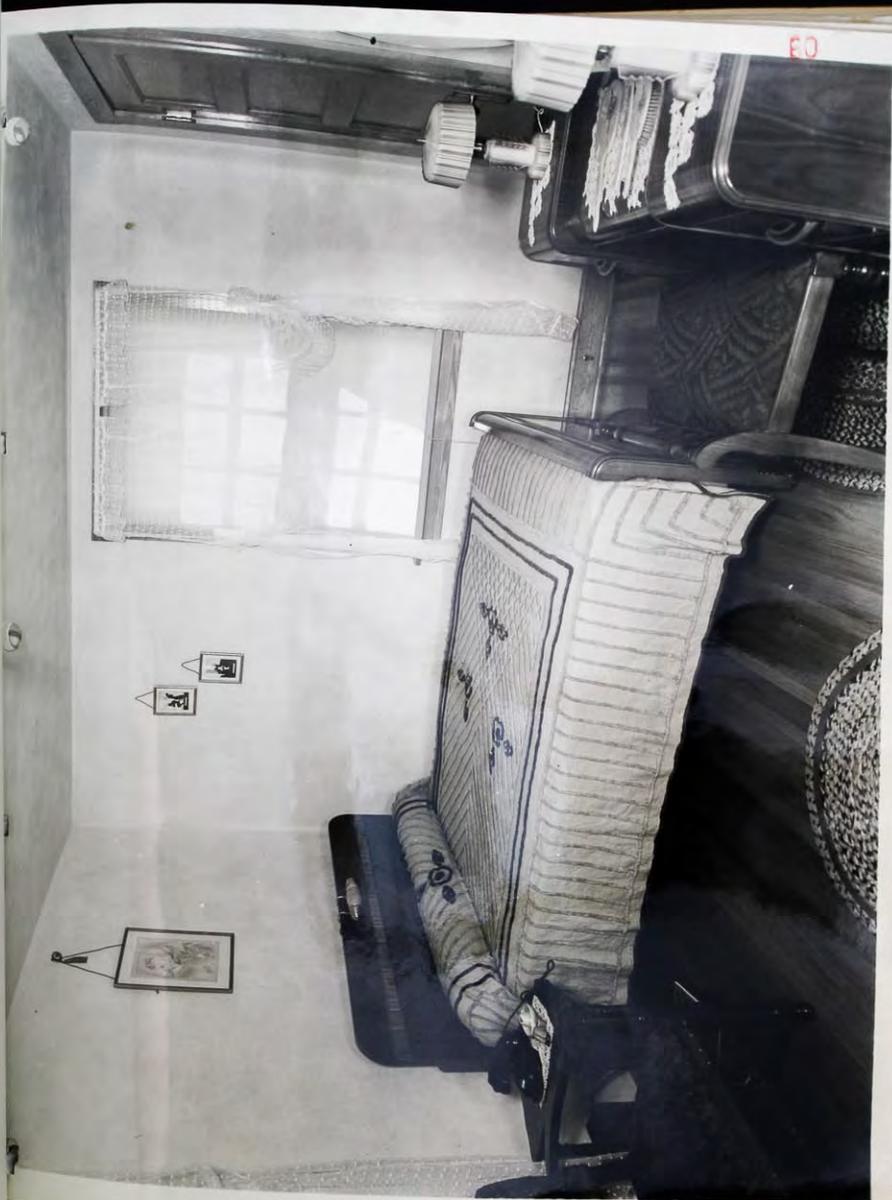




ELEVATION OF HOUSE E













KWANG PU CHEN

September 5, 1940.

Shao Shing Tractor Corporation,
Kumming, China,
Sept. 5, 1940.MEMORANDUM

TO: Secretary Morgenthau

FROM: Mr. Gaston

We were directed by the President (through a phone call from Pa Watson to me on August 24th) not to do anything about the appointment of a successor to Charles H. Graves, Collector of Internal Revenue at Toledo, Ohio, who died August 15th, until the President should have an opportunity to speak to you about the matter. Subsequently we received from the White House a letter to the President from Senator Donahey, dated August 23rd and received at the White House August 26th, recommending for appointment Ralph O. Snyder, Secretary to Congressman John Hunter of Toledo and also stating that the appointment of one Frazier Reams, a lawyer of Toledo, would likewise meet with his, Donahey's, approval.

This morning I had a phone call from Senator Donahey's secretary. He had previously called the White House and had been informed there that the matter had been referred to us. He wanted to know how soon the appointment could be sent to the Senate, as the Senator was anxious that the appointment be made and confirmed before adjournment. He said it was very important in the election, that Willkie might win if the appointment were not made, "and of course we wouldn't want this to happen". I assured him that we wouldn't and that I would look into the matter right away.

I don't think the President will wish to make any appointment on the recommendation of either Senator Donahey or Congressman Hunter, or both, but will await word from Charles Sawyer of Cincinnati, National Committeeman. I doubt that there will be a desire to make any appointment until after the election.

HEG/r

KWANG PU CHEN

Foo Shing Trading Corporation,
Kunming, China,
Sept. 5, 1940.

The Honorable Henry Morgenthau, Jr.,
Secretary of The Treasury,
Washington, D. C.,
U. S. A.

Dear Mr. Morgenthau:

Since I mailed my fifth letter to you on August 16, much has happened in the Far East. Japan has increased her pressure on Indo-China, demanding to use it as a base for invading Southwest China and pushing her southward expansion program. Whether Japan will succeed in Indo-China remains to be seen, but, at least for the time being, it seems safer to count the Yunnan-Indo-China railway out of our consideration in estimating the present capacity for transporting goods in and out of Southwest China.

Despite restrictions imposed by the Burmese government, the Burma Road remains to be the sole international outlet from Southwest China. On the basis of field investigation made by Mr. C. T. Tung, General Manager of Foo Shing Trading Corporation, it is estimated that the monthly capacity of the Burmese Railway can be increased to 12,000 metric tons. For the distance of 193 kilometers on the Burmese Highway from Lashio, the terminus of the Burmese Railway, to Wanting, on the Chinese-Burmese border, the Southwest Transportation Co. has secured permission to operate 200 trucks of two-ton capacity. Calculating on the basis of thirteen round trips a month, the total monthly capacity would amount to 5000 tons. For the distance of 1146 kilometers on the Yunnan-Burma Highway from Wanting to Kunming, there are enough equipment available for carrying 3,500 metric tons per month. All these figures are estimates based upon the highest possible exceptions and represent objectives that are only attainable with great effort and barring unexpected developments.

The total amount of government-owned material stored in Rangoon is 30,000 metric tons, of which 8,000 are goods belonging to the prohibited categories. In addition, there are 13,000 tons stored in Lashio, 25,000 tons at various places along the Yunnan-Burma Highway and 10,000 tons in Kunming. This tremendous accumulation of goods in

Secretary Morgenthau

- 2 -

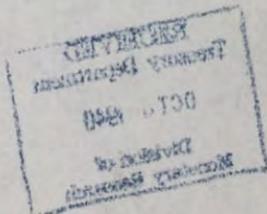
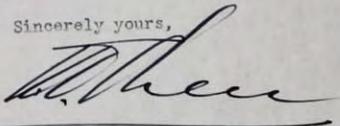
Sept. 5, 1940.

Rangoon and other places along the road makes it necessary to devote most of the available transport capacity for the next few months to the carrying of these goods. This means that, with the exception of goods of an emergency character, there is little capacity left for carrying materials freshly brought to Rangoon from abroad.

I have been following the daily press reports of your multifarious activities and it gives me great pleasure to be repeatedly reminded of the fact that you are taking such a leading and active part in the hestoric task of fortifying the Western Hemisphere against aggression and thereby strengthening the forces of freedom the world over. All enemies of aggression, therefore, should feel grateful to you.

With warmest personal regards,

Sincerely yours,



67

58.3

material stored:
10,000 tons
KUNMING

Monthly capacity 3,500 metric tons
Material stored along Highway: 25,000 tons

Yunnan

WANTING

Monthly capacity 5,000 tons

LASHIO

Material stored:
13,000 tons

Burma

Indo-China

THAILAND
(Siam)

Monthly capacity 12,000 metric tons

RANGOON

Material stored:
10,000 tons



CONFIDENTIAL

UNCLASSIFIED
J.F.S. MAR 20 39
per _____ date _____

September 5, 1940

Secretary Morgenthau
Mr. Cochran

~~STRICTLY CONFIDENTIAL~~

In line with your request for information of this type, I have received from Mr. Knake the attached memorandum showing transactions debited by the Chase National Bank to the account on its books of the Bank for Foreign Trade (of Russia) from January 1, 1940 to August 15, 1940. Several payments to the Russian Embassy are mentioned. The payee, Kenneth Durant (Russ Agency) is covered in some detail in reports which you have in your files from the F. A. I., E. F. Colerus,

515 E. W. Westworth & Co., 1918 Bway, N.Y. 3,312.00

Summary, 1940

1/5	Bank for Foreign Trade	Agency for Export	10,322.00
2/5	"	John H. Grant, 112 E. Cedar St., Chicago, Arkansas	1,771.95
3/4	"	Embassy	10,322.00
4/7	"	John H. Grant, 112 E. Cedar St., Chicago, Arkansas	730.00
5/3	"	Agency for Export	2,510.49
6/3	"	K. Durant (Russ) Secy. Center	5,000.00
7/3	"	George Fellard, 1072 - 1074 St., Washington, D. C.	4,150.00
8/1	"	Edward E. Humphrey, 100 Broadway, N. Y. Window Co., Toronto	1,751.00
			2,510.49
			2,510.49

not return 000 51 Philadelphia 111-100

January, 1940

<u>DATE</u>		<u>PAYEE</u>	
1/2	Bank for Per. Trade	Eva Jersolan, 219 Amber St., Brooklyn, N. Y.	\$ 3,323.00
1/3	"	Josephine Klamm, 3 Salvart St., Harrison, New York.	522.00
1/3	"	James Magnus, 640 Riverside Drive	1,041.85
1/5	"	Robert and Minnie Schneider, 1520 Crotona Park East, Bronx	3,622.62
1/5	"	Rubasy	21,144.00
1/15	"	Berbel Lovpovich, 1434 White Plains Rd., Bronx	1,870.00
1/16	"	Chas. F. Sherman, 128 Farragut Ave., Vallejo, Cal.	869.22
1/19	"	Elizabeth Berland, c/o Mrs. R. T. Coburn, c/o F. W. Woolworth & Co., 1518 Bway, N.Y.	3,212.00

February, 1940

<u>DATE</u>		<u>PAYEE</u>	
2/5	Bank for Per. Trade	Antorg for Karsov	10,382.00
2/6	"	Pete Stefanotes, 510 Monroe Ave., Detroit	3,771.85
2/6	"	Rubasy	30,344.00
2/7	"	Lola E. Grant, 772 W. Cedar St., Elserado, Arkansas.	736.00
2/9	"	Antorg for Karsov	2,910.49
2/9	"	E. Durant (Dana) Mack, Center	5,000.00
2/15	"	Georgia Pelloni, 1072 - 45th St., Brooklyn, N. Y.	4,350.00
2/23	"	Richard E. Humphreys, Londonderry, Windham Co., Vermont	1,751.00
		Wagon and Truck Purchase, 1874 Bway Avenue, Bronx	4,607.48
		Antorg for Associated Electric	2,300.00

March, 1940

ORDER

PAYEE

3/2	Bank for For. Trade	E. F. Reeves, 434 Beck Bldg., Detroit	\$ 437.17
3/2	"	Grant Graham, Fair Haven, Ninn.	434.75
3/4	"	Embassy	42,000.00
3/6	"	E. Durant (Tass) Rockefeller Center	5,000.00
3/11	"	Alfred H. Billstein, 2336 Hollywood Av., Toledo, Ohio	8,755.43
3/12	"	E. Durant (Tass) Rockefeller Center	8,000.00
3/12	"	Expenses of Commission	15,456.00
3/27	"	Antorg for Karvov	13,700.00
3/29	"	Robert F. Marshall, 715 W. Pinekey St., Madison, Wisconsin	7,800.00 1,730.75

April, 1940

ORDER

PAYEE

4/3	Bank for For. Trade	Albert Klein, 1115 D St., Sacramento, California.	1,740.00
4/5	"	Embassy of the U.S.S.R.	2,929.00
4/5	"	"	39,385.00
4/9	"	John Kasparianac	1,300.00
4/9	"	Embassy (for Pensioners)	236.00
4/10	"	Kenneth Durant (Tass)	10,000.00
4/10	"	Harry Kleiman, 4200 Baltimore Av., Philadelphia	953.95
4/10	"	National City, a/c Wilder P.C.	41,000.00
4/10	"	Wang order Chinese Military Attache	2,380.40
4/10	"	Joe Hilburger, 343 E. 34th St., N.Y.	4,667.00
4/27	"	Hymen and Irving Friedman, 3078 Perry Avenue, Bronx, N.Y.	8,500.00
4/29	"	Antorg for Extended Missions	

Nov. 1940

ORDER

PAYEE

TREASURY DEPARTMENT

5/8	Bank for For. Trade	Embassy U. S. S. R.	\$27,665.00
5/8	"	Antonio Garcia, 6425 Stevenson Av., Chicago, Ill.	2,371.00
5/9	"	Kenneth Durant, Rockefeller Center (Tass)	6,000.00
5/9	"	Antorg for Malina	7,327.00
5/13	"	David Winters, c/o Gentslman, 230 W. Bayou St., Newark	3,138.00
5/14	"	Dirk Landstra, Alameda, Cal.	1,119.24
5/17	"	Thos. and E. L. McDonough, Parsonsburg, Maryland. (Tass Agency)	2,617.64
5/24	"	F. Goodman, 1277 Bellrose St., Pittsburgh	1,599.00
5/29	"	Adolph J. Merschall, 515 No. Pineskey St., Madison, Wisconsin	11,700.00 1,739.75
7/30	"	Antorg Trading Corp. - for Malina	6,521.00

June, 1940

ORDER

PAYEE

for A. L. Michel
(disposal of)

6/1	Bank for For. Trade	Antorg Trading Corp. for Karov	\$ 369.00
6/1	"	" Karov	768.00
6/1	"	" Karov	1,422.00
6/3	"	A. Sinesoff, 926 So. Seymour, Lansing, Michigan.	21,999.75
6/3	"	Carl F. Helbig, 1645 Clay Street, S.E. Wash.	14,274.86
6/3	"	Antorg Trading Corp., for Karov	1,500.00
6/3	"	Wm. Wisner, 550 Seratoga Ave., Brooklyn	536.18
6/5	"	Antorg Trading Corp., for Karov	10,500.00
6/5	"	Karl Lorenz, 138 Jefferson St., Hartford	(183.61 163.86
6/6	"	Kamuel M. Swartz, 50 Park Terrace W., N.Y.	523.78
6/10	"	Anna Rochester, 65 Bedford St., N.Y.	435.00
6/12	"	Mary and Chas. Helthouse, 330 Main St., Ossawatimie, Kans.	877.64 5,268.30

June, 1940 (Cont'd.)

ADDRESS THE COMMISSIONER, U.S. CUSTOMS SERVICE
WASHINGTON, D.C.

TREASURY DEPARTMENT

UNITED STATES COAST GUARD

<u>ORDER</u>	<u>PAYEE</u>		
6/14	Bank for For. Trade	Antorg Trading Corp., for Kalinin	\$13,465.00
6/15	"	Antonio Boniti, 5483 Claremont Av., Oakland, Cal. September, 1940	522.00
6/19	"	Regina Schreiber, 122 East 34th St.,	616.00
6/21	"	E. Durant, Bank Centre #545 (Tass)	470.00

July, 1940

<u>ORDER</u>	<u>PAYEE</u>		
7/2	Bank for For. Trade	Kenneth Durant (Tass Agency)	\$ 8,000.00
7/5	"	Embassy U.S.S.R. Soviet affairs, upon the receipt of	24,370.00
7/5	"	Consul General [unclear] and President Roosevelt	11,700.00
7/15	"	Antorg Trading Corp. - for Kalinin	6,000.00
7/26	"	" for A. I. Michel (disposal of)	3,968.25
7/29	"	" for Karov	6,862.00
7/30	"	" for Kalinin	3,000.00

August, 1940

8/9	Bank for For. Trade	Embassy U.S.S.R.	\$21,900.00
8/9	"	Antorg Trading Corp. - for Consul General	16,800.00
8/9	"	" for Kalinin	7,687.00
8/12	State Bank	" for A. M. Petrov	5,000.00

Last currency shipment January 9, 1939 - \$500,000. Moscow Narodny Bank, London.

Individual tickets examined by no. period July 1st to July 13th, 1940, inclusive.)

DECLASSIFIED

ADDRESS THE COMMANDANT, U. S. COAST GUARD
AND REFER TO NO.



TREASURY DEPARTMENT

73

UNITED STATES COAST GUARD

WASHINGTON

5 September, 1940

~~SECRET~~

Date-
HEADQUARTERS

Signature-

From: Spagent, Shanghai, China.
To : The Secretary of the Treasury.

Message from Professor Buck, via Mr. Nicholson.

Chiang Kai-shek requests that the position of adviser be continued but with secret direct contacts with him. General Chang Chung, trusted adviser to Chiang Kai-shek on Sino-Soviet affairs, upon the request of Chiang Kai-shek desires me to approach you and President Roosevelt informally regarding effective United States help sufficient to cause Japanese withdrawal. China will continue resisting to the limit of her ability. Chiang Kai-shek's two proposals follow. Alternative informal proposals welcomed.

Proposal number one: " leasing for ninety nine year period or other method giving the United States control of Hainan and Formosa, the Chinese forces in Hainan consist of five poorly equipped divisions and 150,000 guerillas with no equipment which would assist United States naval forces to obtain control, while in Formosa the anti-Japanese populace could be incited to action assisting U.S. control ".

Proposal number two: " complete U.S. economic monopoly in China, excluding other countries and turning over present French and British interests to the United States, this is possible since the British record is too friendly to Japan".

Cheng states that these proposals represent a loss of face for China but arise from desperate situation here intensified by

SECRET

DECLASSIFIED

ADDRESS THE COMMANDANT, U. S. COAST GUARD
AND REFER TO NO.



TREASURY DEPARTMENT

73

UNITED STATES COAST GUARD

WASHINGTON

SECRET

Date-
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SECRET

SECRET

74

impending offensive against Chungking. The Chinese prefer to lose part or all of their country to any country but Japan. Since outside assistance is imperative, American cooperation is preferred. There are strong objections to granting privileges to Russia, but this is probable as a last resort, China expects cooperation from Russia in Manchuria simultaneously with American activities."

Informal reply is desired via Mr. Nicholson at Shanghai. My messenger is awaiting reply in Hongkong. If reply is favorable, official steps are to follow.

SECRET

September 5, 1940.

MEMORANDUM

TO: Secretary Morgenthau

FROM: Mr. Gaston

We were directed by the President (through a phone call from Pa Watson to me on August 24th) not to do anything about the appointment of a successor to Charles H. Graves, Collector of Internal Revenue at Toledo, Ohio, who died August 15th, until the President should have an opportunity to speak to you about the matter. Subsequently we received from the White House a letter to the President from Senator Donahey, dated August 23rd and received at the White House August 26th, recommending for appointment Ralph O. Snyder, Secretary to Congressman John Hunter of Toledo and also stating that the appointment of one Frazier Reams, a lawyer of Toledo, would likewise meet with his, Donahey's, approval.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE September 5, 1940

TO Secretary Morgenthau
 FROM Mr. Cochran



In line with your request for information of this type, I have received from Mr. Knoke the attached memorandum showing transactions debited by the Chase National Bank to the account on its books of the Bank for Foreign Trade (of Russia) from January 1, 1940 to August 15, 1940. Several payments to the Russian Embassy are mentioned. The payee, Kenneth Durant (Tass Agency) is covered in some detail in reports which you have in your files from the F. B. I.

DECLASSIFIED

Treasury Dept. Hq., 2-12-73

RAB APR 7 1975

January, 1940

<u>ORDER</u>	<u>PAYEE</u>	
1/2 Bank for For. Trade	Eva Joroslau, 219 Amberet St., Brooklyn, N. Y.	\$ 3,123.00
1/3 "	Josephine Klempa, 3 Calvert St., Harrison, New York.	522.00
1/3 "	James Magnus, 640 Riverside Drive	1,041.86
1/5 "	Robert and Minnie Schneider, 1520 Crotona Park East, Bronx	3,622.62
1/5 "	Embassy	21,144.00
1/15 "	Barbel Lovpovich, 1434 White Plains Rd., Bronx	870.00
1/16 "	Chas. F. Sherman, 128 Farragut Ave., Vallejo, Cal.	869.22
1/19 "	Elizabeth Borland, c/o Mrs. R. T. Osborne, c/o F. W. Woolworth & Co., 1518 Bway, N.Y.	3,212.00

February, 1940

<u>ORDER</u>	<u>PAYEE</u>	
2/5 Bank for For. Trade	Antorg for Karsov	10,382.00
2/6 "	Pete Stefanotos, 510 Monroe Ave., Detroit	3,771.83
2/6 "	Embassy	30,344.00
2/7 "	Lola E. Grant, 772 W. Cedar St., Eldorado, Arkansas.	736.00
2/9 "	Antorg for Karsov	2,910.49
2/9 "	K. Durant (Tass) Rock. Center	5,000.00
2/15 "	Georgio Pellori, 1072 - 48th St., Brooklyn, N. Y.	4,350.00
2/29 "	Richard N. Humphreys, Londonderry, Windham Co., Vermont	1,751.00

March, 1940

<u>ORDER</u>	<u>PAYEE</u>	
3/2 Bank for For. Trade	H. F. Reves, 434 Book Bldg., Detroit	\$ 437.17
3/2 "	Grant Graham, Fair Haven, Minn.	434.75
3/4 "	Embassy	42,060.00
3/6 "	K. Durant (Tass) Rockefeller Center	5,000.00
3/11 "	Alfred H. Billstein, 2338 Hollywood Av., Toledo, Ohio	8,755.43
3/12 "	K. Durant (Tass) Rockefeller Center	8,000.00
3/12 "	Expenses of Commission	15,456.00
3/27 "	Amorg for Karzov	13,700.00
3/29 "	"	7,800.00

April, 1940

<u>ORDER</u>	<u>PAYEE</u>	
4/3 Bank for For. Trade	Albert Klein, 1115 D St., Sacramento, California.	1,740.00
4/5 "	Embassy of the U.S.S.R.	2,929.00
4/5 "	"	39,385.00
4/9 "	John Kaspariunas	1,300.80
4/9 "	Embassy (for Pensioners)	238.00
4/10 "	Kenneth Durant (Tass)	10,000.00
4/10 "	Harry Kleinman, 4200 Baltimore Av., Philadelphia	953.95
4/10 "	National City, a/c Wilder P.C. Wang order Chinese Military Attache	41,000.00 — ?
4/10 "	Jos. Hilburger, 343 E. 34th St., N.Y.	2,380.40
4/27 "	Hyman and Irving Friedman, 3078 Perry Avenue, Bronx	4,667.00
4/29 "	Amorg, for Extended Missions	8,500.00

- 3 -

May, 1940

<u>ORDER</u>	<u>PAYEE</u>	
5/8	Bank for For. Trade	Embassy U.S.S.R. \$27,665.00
5/8	"	" 2,371.00
5/9	"	Kenneth Durant, Rockefeller Center (Tass) 8,000.00
5/9	"	Antorg for Kalinin 7,387.00
5/13	"	David Winters, c/o Gendelman, 230 W. Runyon St., Newark 3,138.00
5/14	"	Dirk Landstra, Alameda, Cal. 1,119.24
5/17	"	Thos. and E. L. McDonough, Parsonsburg, Maryland. 2,617.84
5/24	"	P. Goodman, 1277 Bellerose St., Pittsburgh 1,802.00
5/29	"	Adolph J. Marschall, 515 No. Pinckney St., Madison, Wisconsin. 1,739.75

June, 1940

<u>ORDER</u>	<u>PAYEE</u>	
6/1	Bank for For. Trade	Antorg Trading Corp. for Karzov \$ 369.00
6/1	"	" Karzov 768.00
6/1	"	" Karzov 1,422.00
6/3	"	A. Simeonoff, 926 So. Soyamore, Lansing, Michigan 599.75
6/3	"	Carl F. Helbig, 1645 Clay Street, S.F. 174.46
6/3	"	Antorg Trading Corp., for Karzov 1,500.00
6/3	"	Wm. Wiener, 550 Saratoga Ave., Brooklyn 536.18
6/5	"	Antorg Trading Corp., for Karzov 10,500.00
6/5	"	Karl Lorenz, 138 Jefferson St., Hartford (183.61 (183.86
6/6	"	Manuel M. Swartz, 50 Park Terrace W., N.Y. 523.78
6/10	"	Anna Rochester, 85 Bedford St., N.Y. 435.00
6/12	"	Mary and Chas. Holthouse, 330 Main St., Osawatomis, Kans. 877.84 5,268.30

- 4 -

June, 1940 (Cont'd.)

<u>ORDER</u>	<u>PAYEE</u>	
6/14 Bank for For. Trade	Amtorg Trading Corp., for Kalinin	\$13,465.00
6/15 "	Antonio Romiti, 5483 Claremont Av., Oakland, Cal.	522.00
6/19 "	Regina Schreiber, 122 East 34th St.,	616.00
6/21 "	K. Durant, Rock Centre #545 (Tass)	470.00

July, 1940

<u>ORDER</u>	<u>PAYEE</u>	
7/2 Bank for For. Trade	Kenneth Durant (Tass Agency)	\$ 8,000.00
7/5 "	Embassy U.S.S.R.	24,370.00
7/5 "	Consul General	11,700.00
7/15 "	Amtorg Trading Corp. - for Kalinin	6,000.00
7/26 "	" for A. I. Michel (disposal of)	3,568.25
7/29 "	" for Karzov	6,886.00
7/30 "	" for Kalinin	3,000.00

August, 1940

8/9 Bank for For. Trade	Embassy U.S.S.R.	\$21,900.00
8/9 "	Amtorg Trading Corp. - for Consul General	16,800.00
8/9 "	" for Kalinin	7,687.00
8/12 State Bank	" for A. M. Petrov	5,000.00

Last currency shipment January 9, 1939 - \$500,000. Moscow Narodny Bank, London.

(Individual tickets examined by me, period July 1st to July 13th, 1940, inclusive.)

FROM: Belgrade

DATE: Sept. 5, 5 p.m.

NO. : 377

Excerpt from #377.

Talk with high Yugoslavian Official.

I spoke of problems which we are encountering with the National Bank in obtaining foreign exchange for the purpose of importing American goods and specifically for motion pictures. He replied that this was due to German pressure and added that there had been friction between the Minister of Finance and the Governors of the National Bank. The result would probably be the replacement in the near future of the present governors. He promised to arrange any specific difficulties which might be brought to his attention in this matter.

By phone from State Department.
9/26/40

KA:EH

SUMMARY

Table I - Foreign Holdings of United States Property Affected by Control

Various Dates - (In millions of dollars)

	: Denmark :	: Norway :	: Luxembourg :	: Belgium :	: Netherlands :	: France :	: Latvia : : Estonia & : : Lithuania :	: Total :
1. Bullion)								
2. Currency)	22	20	<u>1</u> /	173	351	560	9	1,135
3. Demand Deposits)								
4. Time Deposits)	33	79	30	249	341	411	17	1,160
5. Securities:								
(a) U.S. Government obligations	3	2	<u>1</u> /	2	20	44	<u>1</u> /	71
(b) State, municipal and other local	<u>1</u> /	<u>1</u> /	-	2	4	22	<u>1</u> /	28
(c) All other domestic securities:								
i. Bonds)			1	7	27	42	<u>1</u> /)	
ii. Preferred stocks)	13)	16	1	6	52	40	<u>1</u> /)	1,226
iii. Common stocks and other)								
securities:)								
(a') Common stock (10% or more)								
of issue outstanding)			3	93	272	22	<u>1</u> /)	
(b') All others)			9	78	359	184	1)	
Total Domestic Securities	16	19	14	189	734	354	1	1,327
(d) Foreign securities:								
i. (Same country as in heading))				13	4	6	<u>1</u> /)	
ii. All others)	9)	35	1	48	42	44	<u>1</u> /)	202
6. Credit Instruments and Claims	2	9	1	51	93	50	<u>1</u> /	206
7. Goods, merchandise and chattels	4	7	1	5	9	13	<u>1</u> /	39
8. Real property	1	1	<u>1</u> /	<u>1</u> /	15	8	-	25
9. All other property interests	3	5	<u>1</u> /	9	9	68	<u>1</u> /	94
Total	91 <u>2</u> /	176	47	738	1,597	1,514	28	4,191
Debit balances	<u>1</u> /	2	<u>1</u> /	1	3	1	-	7
Total (deducting debit balances)	91 <u>2</u> /	174	47	737	1,594	1,513	28	4,184

Treasury Department, Division of Monetary Research.

September 5, 1940.

1/ Less than \$500,0002/ Excluding 35 of American origin belonging to 3 individuals

Lithuania, Estonia, and Latvia

Summary

July 10, 1940 - (In thousands of dollars)

	Lithuania		Estonia		Latvia		Total
	Banks in NY: Total	:All Groups:	Banks in NY: Total	:All Groups:	Banks in NY: Total	:All Groups:	
1. Bullion	2,806	2,806	2,880	2,880	3,430	3,430	9,116
2. Currency	-	16	-	34	-	1/	50
3. Demand Deposits	2,425	2,625	5,562	5,636	8,296	8,320	16,581
4. Time Deposits	20	89	19	20	20	27	136
5. Securities:							
(a) U.S. Government obligations	-	11	-	-	32	42	53
(b) State, municipal and other local	-	-	-	-	-	4	4
(c) All other domestic securities:							
i. Bonds	6	37	7	8	2	5	50
ii. Preferred stocks	-	6	42	42	2	3	51
iii. Common stocks and other securities:							
(a') Common stock (10% or more of issue outstanding)	-	20	-	-	-	-	20
(b') All others	47	54	884	886	115	138	1,078
(d) Foreign securities:							
i. (Lithuania, Estonia or Latvia)	-	-	149	150	-	-	150
ii. All others	60	78	290	290	17	18	386
6. Credit instruments and claims	11	49	6	109	12	206	364
7. Goods, merchandise and chattels	-	-	-	6	2	11	17
8. Real property	-	-	-	-	-	-	-
9. All other property interests	-	74	1	7	3	8	89
Total	5,375	5,865	9,840	10,068	11,931	12,212	28,145

Treasury Department, Division of Monetary Research.

September 5, 1940.

1/ Less than \$500.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE September 5, 1940

TO Mr. White

FROM A. M. Kamardk

Subject: Comments on Hitler's Speech

1. Hitler stated that in retaliation for the British bombings, the German answer was night raids of increasing intensity. This is a recognition of the failure of the German Luftwaffe to date to achieve the destruction of British air resistance. Had this goal been won, the Germans would be able to bomb England at will in the daytime and would not need to resort to night bombing.

This does not mean that all German daytime raids will cease. In the case of objectives important enough to repay the necessary expenditure of material and men, daylight bombing will continue. But for other purposes, night bombing (also having purely nuisance value of itself) will be used. One of the lessons of the war so far has been that as yet no good defense can be made against night bombings.

2. Hitler's condemnation of the R.A.F. raids proves their value, of course.

3. There was a hint in Hitler's speech of psychological preparation of the Germans for a long war. In the propaganda-wise Third Reich, such preparation is significant -- unless it were merely to throw the English off guard. If the English now start again to boast that "Hitler has missed the bus" an invasion will be imminent.

CABLE

FROM: Treasury Attache Nicholson,
Shanghai, China.

DATE: September 5, 1940.

For the Secretary of the Treasury.

Current situation for week ending August 31. Week on local exchange market was one of rumor and uncertainty with Chinese dollar weakening from both speculation and merchant activity. Overbought position in foreign currency was increased considerably during the period while local value of sterling ranged between U.S. dollars 3.57 and 3.59. Figures available locally show Hongkong trade slightly down from June. A prominent feature is that exports increased while imports were less than normal indicating shipments being made from accumulated stocks. There was large decrease in both import and export trade with Indochina. Customs figures for China trade July compared with June show import up 26% exports up 3% total trade up 15%. On sterling basis with adjustment made to compensate for over valuation of imports in North China comparison shows imports up 18% exports up 2% and total trade up 14%. Compared with July 1939 the Customs figures show imports up 94% exports up 113% total trade up 102%. On sterling basis as above comparison shows imports up 41% exports up 53% total trade up 43%. On this adjusted basis excess of imports for month was roughly £7,000,000. Japan again

- 2 -

largest importer with U. S. second while U.S. was largest purchaser
of exports with Hongkong second.

NICHOLSON

eh

TO THE SECRETARY
TREASURY DEPARTMENT
OFFICE OF THE

DEPT. OF THE TREASURY

RECEIVED

- 2 -

largest importer with U. S. second while U.S. was largest purchaser
of exports with Hongkong second.

NICHOLSON

eh

TO THE SECRETARY
TECHNICAL ASSISTANT
OFFICE OF THE

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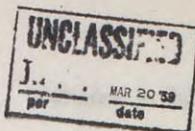
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PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Rome, Italy

DATE: September 5, 1940, 6 p.m.

NO.: 417



It would be appreciated by the Treasury if you would telegraph information to supplement and make clear the report appearing in the newspapers attributed to Mario Mazzuchelli, the Italian economist, to the effect that Italian and German financial representatives, including Funk of the German Reichsbank, met on the seventeenth of August and reached a decision that in the event of victory by Germany and Italy the Axis Powers would return to the gold standard.

HULL
(HF)

RECEIVED
TREASURY DEPARTMENT

690 SEP 7 AM 3 44

TO THE SECRETARY
TECHNICAL ASSISTANT
OFFICE OF THE

EA:LWW

September 5, 1940

Professor Chamberlain

Mr. Cochran

Mr. Livesey telephoned me yesterday to the effect that the Ambassador of Ecuador had inquired about a request which he had recently submitted to the State Department for a permit for "Cordevez" to send his mother in France \$2,500. I have no record of any communication from the State Department in the premises, and have asked Mr. Livesey to provide any further information available in the State Department on this case. If the Control may already be familiar with the application, I should appreciate receiving some answer to pass on.



September 5, 1940

Professor Chamberlain

Mr. Cochran

Mr. Livesey telephoned me from the State Department yesterday evening to the effect that the Bulgarian Minister had called referring to his notes submitting two applications for licenses. We had given a reply that part of the items mentioned in the first memorandum had been acted upon. We have given the Minister no further information. He is now receiving cablegrams from his Government requesting a report, and will call personally at the State Department this week for information. Can we assist the State Department in answering the Bulgarian Minister?

JMF

The second application is No. 43,304 and concerns a remittance from the endowment fund in the United States of the Committee for Men Blinded in Battle to the committee "Phare de France", the organization which functions in France. Mr. Carter is also treasurer of this committee, in which the President's mother, Mrs. James Roosevelt, is a prominent member.

JMF

9:21:9.5.40

September 5, 1940

Professor Chamberlain

Mr. Cochran

Mr. Bernard Carter telephoned me from J. P. Morgan & Company in New York at 11:15 this morning. He wanted to know whether it would be advisable for him and Mr. Alexander to come to Washington at an early date to discuss the question of the handling by Morgans of the sinking fund on certain French loans floated in this country. I told him that I had submitted a memorandum upon this subject to my colleagues when this matter had first been raised by Mr. Alexander, and that I would solicit their opinion in the premises. When I suggested that a formal application for license might be the best approach, Carter stated that there were certain points they would rather clarify with us before taking this formal step. (My memorandum under reference was dated August 2, 1940.)

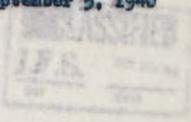
While on the telephone Mr. Carter asked if I could assist in getting some action on two applications filed by Morgan & Company with the Treasury. One of these, No. 43,902 for \$10,000 is for use by the Anne Morgan Committee. Miss Morgan may return to the United States in the near future, but needs francs to the above extent to carry on while still in France. Mr. Carter is treasurer of the above Committee. He understood that Mrs. Robert Woods Bliss of Washington had talked with Professor Chamberlain upon this subject.

The second application is No. 43,904 and concerns a remittance from the endowment fund in the United States of the Committee for Men Blinded in Battle to the committee "Ehars de France", the organization which functions in France. Mr. Carter is also treasurer of this Committee, on which the President's mother, Mrs. James Roosevelt, is a prominent member.

September 5, 1940

Professor Chamberlain

Mr. Cochran



After speaking with Mr. Livesey, I today talked by telephone with Mr. Thompson, Mr. Livesey of the State Department telephoned me yesterday evening in regard to application No. 39389 made in New York by Mr. Thomas S. Mason, who last Saturday landed at New York from a Clipper ship and immediately departed by steamer to Dakar, French West Africa, where he is to open an American Consulate. He would like to have his bank accounts freed as soon as possible, insofar as our control of assets is concerned. I told him that we planned to extend for an indefinite period the general license heretofore granted to the Banque du Congo Belge. He approved of this idea. Mr. Thompson promised to let me know what action is taken upon the memorandum submitted to the State Department by the Belgian Embassy in regard to Mr. Bern's requests.

Handwritten signature

Sincerely yours,

Wanda Clark, Secretary,
 Department of State,
 Washington, D. C.

6-27-1940-4118

U.S.A. 1940
September 5, 1940

Professor Chamberlain

September 5, 1940

Mr. Cochran

AMERICAN LEGATION FROM NEW YORK
ATTORNEY GENERAL IN EUROPE

DECLASSIFIED
U.S. NA 20 25
DATE

PERSONAL AND CONFIDENTIAL

Mr. Livesey of the State Department telephoned me yesterday evening in regard to application No. 39309 made in New York by Mr. Thomas C. Wassen, who last Saturday landed at New York from a Clipper ship and immediately departed by steamer to Dakar, French West Africa, where he is to open an American Consulate. He would like to have his bank account freed as soon as possible, destruction of stock certificates abroad.

Dear Louis:
Open the receipt of your letter dated August 29, 1940, and the draft which you had prepared for notifying the Treasury Department. It is the policy of the Treasury Department that no one should be allowed to propose a draft letter the following concluding paragraph:

"Under the provisions of Executive Order No. 6369, as amended, new securities may be issued in substitution for the above-described securities only pursuant to a license issued by or under the direction of the Secretary of the Treasury. Application for a license should be made in the manner provided in the Regulations issued under Executive Order No. 6369, as amended."

Sincerely yours,

- I. STATE OF A RECEIVED COPY BY A DIVISION.
- II. WORK OF THE ASSISTANT SECRETARY

E. Noble Cochran

Technical Assistant to the Secretary

Louis Clark, Requisite,
Department of State,
Washington, D. C.

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Date- 7-7-70

Signature- RYOR