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October 29, 1940
9:05 a.m.

H.M.Jr: Hello.

Henry
Stimson: Hello, Henry.

H.M.Jr: This is Henry talking in answer to your call of yesterday.

S: Well, I

H.M.Jr: Is that overboard now?

S: I think it's overboard, at least I can't remember, at the moment. Let me see. I got the thing from Knudsen. Oh, this is it! Yes, this is it! I tried to get you in order to cheer you up. It's about the appropriation.

H.M.Jr: Oh.

S: We have got \$30 millions available for the construction of the buildings and available for the tools - let's see, I had a slip of paper here yesterday from which I could give it to you, but of course not available for some of the later matters.

H.M.Jr: I see. Good.

S: But enough to start it. We've got about \$30 million that we've been saving up.

H.M.Jr: Wonderful.

S: But of course the darn thing will cost perhaps \$200 millions eventually, but we can at least get the thing started. We've got people out looking for the places now for the two plants and we will have - I understand, we'll have some of the tools and we've got enough to construct the building. The expenses that will have to be paid for the work done by the automobile manufacturers we have not got. That's the thing that we haven't got.

H.M.Jr: I see.

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S: But of course at the time the last appropriation bill was passed this plan of Knudsen's was away in thin air and it didn't materialize - as a matter of fact, between you and me - until I went for him one day about my plan of stopping the annual models of the automobile businesses.

H.M.Jr: Good. Well, I'll be seeing you later.

S: All right.

H.M.Jr: Thank you.

S: Good-bye.

October 29, 1940
9:45 a.m.

GROUP MEETING
(Held in Mr. Bell's office)

Present: Mr. Schwarz
Mr. Graves
Mr. Pehle
Mr. Foley
Mr. Haas
Mr. Thompson
Mr. White
Mr. Cochran
Mr. Gaston

Bell: Herbert, you haven't anything?

Gaston: No.

(Mr. Gaston left the conference.)

Bell: Thompson, have you got anything?

Thompson: No. I was going to tell the Secretary about the Budget, but --

Bell: You can save that.

Harold?

Graves: Nothing, Dan.

Bell: George?

Haas: Nothing this morning.

Bell: John?

Pehle: We got a telegram which came in last night. Maybe you saw it. It is addressed to the Secretary from the Federal Reserve of San Francisco, saying, "We have been requested

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by a representative of the Federal Bureau of Investigation to make information contained in applications for licenses and reports filed under Executive Order No. 8389, as amended, available to them. Please instruct."

I have discussed it with the committee, and I just thought I would raise it here to see if anybody has any reactions to see whether we ought to give them the "wide open" on all these records, which are pretty confidential and something that are of primarily Treasury concern.

Bell: Does that mean they will have somebody thumbing through them all the time?

Pehle: That is what you don't know. What we have done in some cases in the Mint Bureau, we have more or less gotten them to narrow their request and if possible submit it through Washington, so we had somebody over here saying - and if we knew they were working on something, it would at least be helpful to us. We would be able to keep the thing under control.

White: John, aren't the boys making a list of all the doubtful names, et cetera? Might not the approach, after making it more specific, be to supply them with any material they have to have rather than set them loose on that?

Pehle: Of course, they want some definitive information. He may have some definitive information. What would you think of going back to San Francisco and saying, "Suggest that requests be submitted through FBI headquarters in Washington indicating the files concerned," or something like that, to narrow it to something reasonable.

Bell: I would be inclined to give them any information we have on specific cases, but just allowing them to go through the whole file, I think that is a --

White: I think they would be lost anyway.

Bell: You might come out with something like came out

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in Connecticut, a mimeographed letter going around to the banks asking them for information, which would be considered as confidential and of course, it wouldn't be confidential at all. That went out from FBI headquarters in Connecticut. Isn't that right, Merle?

Cochran: That is right, to all commercial banks.

Pehle: Well, I will clear with the committee and see if we can't handle it on that basis.

Bell: Okay.

Pehle: The other thing has to do with the World's Fair. You know, we have been working on the question of the property of the blocked countries at the World's Fair, which amounts to, in the case of property under Customs control alone, over \$4,000,000, principally French, and Luxford is up in New York and has been going over the situation there with the Customs people and the Federal Reserve Bank of New York. I understand that Mr. Durning had some feelings about the delicate situation we were getting into. We discussed it yesterday again at the committee meeting, and it was decided that I should advise Mr. Berle what we were doing, so the State Department would know. I talked to him late last night and he felt also that the situation was a very delicate one and he emphasized the fact, as Mr. Cochran has, that we had invited these countries over here and if we put them in the position where they could come in and say now we are trying to steal their property from them, Mr. Berle thought that would be unfortunate.

He finally agreed, however, to this type of approach if it was agreeable to the Treasury: To call in the World's Fair Commissioners at the Federal, of these countries, which we had intended to do, to ask them to file a report on TFR-100, on the property, which we had also intended to do, and which is required under the order and which none of them have done.

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Bell: You would require a license, too, to --

Pehle: Then on requiring a license, what we had intended to do was advise them of the Executive Order and tell them to report the transactions and so forth. Mr. Berle's counter suggestion was that we tell the commissioners that there was a problem about the Executive Order here and under all the circumstances, it was suggested that they might want to have their government's representative here get in touch with the State Department and then the State Department negotiate the thing with them and try to iron out all the difficulties and get an agreement.

Well, of course, that is one way of handling it. It has some advantages, particularly in the French case where you are going to have the difficulty, probably the most difficulty, both from the position the country is in and the amount of property. The State Department has been handling the negotiations with the French on all the larger issues that arise with regard to the Government on blocked property, and it isn't at all inconsistent with that approach to have them get into this picture. They also feel that since the State Department was the one that urged these countries to participate in the affair, that they are in a sort of a bad position. I didn't tell them what we were going to do, I just left it that way. I also told him there were some paintings coming in today on the Donald McKay from South America, consigned to the French Embassy, and that we intended to merely tell the line when the paintings came in that when the French Embassy presented the bill of lading they would have to tell them to get a license before they could get the transfer.

Bell: What is it?

Pehle: Some paintings that were apparently on exhibit some place in South America and they are coming in consigned to the French Embassy. Berle was agreeable to that, but he seems to be more

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concerned with the World's Fair case.

Bell: Have you got any thoughts on the World's Fair?

Foley: Well, I talked with Luxford two or three times yesterday and with Harry Durning. Harry's feeling was that during the next ten days we ought not to stir up that situation out there so that we get adverse publicity, but his principal concern was to keep the Customs service out of the arrangements. He admitted that these things were being moved out there all the time. Most of it was not subject to Customs control and it was covered by the freeze control, so he had no objection at all to having Norman Davis call in the commissioners from these different countries and point out the requirements for reporting under the Executive Order and let them assume the responsibility of getting those reports in and that is what Luxford was going to do when I left him.

Pehle: That was held up until we got this clearance.

Foley: He is still up there. Durning thought that would be all right, for the Federal Reserve Bank to do it.

Bell: Does this material have to be moved immediately?

Foley: No, but it is all being moved out right away.

Bell: Into storage or --

Foley: Well, all over. Some of it is going to galleries for sale or for exhibition and some of it is for shipment out of the country, so some action, I think, ought to be taken. I don't think we ought to just wait for ten days and do nothing about it and Harry agrees.

Schwarz: Not do it through Customs.

Foley: Not do it through Customs, so they won't think the Customs Service is moving in on them or stepping beyond their normal authority in such a way that they would believe they were being

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discriminated against. It is the bank that does it by way of instructions as to what the law provides insofar as reporting is concerned. I think that takes the stigma off.

Bell: Then when we get the reports, we will submit them to the State Department --

Pehle: According to Berle's suggestion, which I think probably I would go along with, we would ask Norman Davis to suggest to the commissioners that this is something that we had better have their governments' representatives get in touch with the State Department about. I should imagine they would be in there pretty quickly.

Bell: I should imagine most of them would sell that material except possibly France.

Pehle: It depends on whether they need the money to conduct the war. I suppose the Dutch, for instance, have quite a bit of money left.

Bell: But they can't ship it back to Holland.

Pehle: But they can store it until the war is over. Of course, there is all sorts of property, everything you can imagine.

Foley: Uncut diamonds and jewels and things like that.

Bell: We can turn it over to the State Department when they get the reports, and let them talk to the representatives.

Pehle: Yes. So the Federal of New York wanted something in writing and I was drafting a telegram merely telling them to call in the - that we had examined our files, that the reports had not been filed, and would they please call in the commissioners and ask them to file the reports, just that.

Bell: Okay.

Pehle: So if that is agreeable, we will go ahead promptly

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on that because time is running against the thing.

Bell: Fine. That is all right.

Merle?

Pehle: Is there anything doing on Greece?

Bell: Well, I haven't heard a thing.

White: Yes, I thought from the papers yesterday one got the impression that it was already applied.

Foley: I think that it would be a mistake to apply that freeze control until Greece is overrun. I don't see why we should embarrass them.

White: You don't need to embarrass them. By applying the control it wouldn't embarrass them.

Pehle: In Norway and Denmark we immediately went in. In France we didn't do it. Here, of course, instead of fighting the Germans, they are fighting the Italians.

Foley: They may never get in.

Pehle: They may never get in.

Bell: Was it discussed yesterday at all? The Secretary and Hull must have had a conference.

Foley: He called for me and said he didn't know I was in New York. I called him and told him the papers were all ready and he said okay and I asked him if he wanted me to come back and he said no and I said I could come right back if he wanted me but he said that was all right, to stay up there as long as I was up there then. He said he was coming up at 5 o'clock anyway and would see me then, so I stayed up there.

Bell: He had some conversation with Hull some time yesterday.

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Foley: I think they decided to do nothing about it. He didn't even send for the papers, but he knew they were ready.

Schwarz: They wanted them ready and that is all that anybody gave out. Early said they would be flown up, I think, and some of them wrote they were being flown up.

Bell: Of course, that is fine to give all this advance advertising so if they wanted to they could draw their funds out and put them where they wanted.

White: It is the very ones you don't want to do that who are likely to do it. I wonder if we might not do something such as we have done the last times and ask them informally to go light for a day, although it is kind of late now.

Pehle: At least they ought to watch everything. I don't think they do.

Cochran: I don't think you ought to ask them that now. The Secretary sent me over to the State Department. When I was up in Hull's office, Jimmie Dunn came out of the Secretary's office and said they were talking to him before he was to go to the White House at 3:30 to discuss this matter of whether there was a war and whether there should be freezing or not and they told me they would recommend to Mr. Hull that he hold off both on his neutrality work and on the freezing, for today certainly and maybe for tomorrow.

Foley: Insofar as the neutrality is concerned --

Cochran: There is no declaration of war.

Foley: But even if there was, what would follow would be ineffectual because for all intents and purposes, we are on that basis now. I mean, that water is war zone water. There are no ships going in there.

Cochran: No ships there, no.

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Foley: And you don't have to add that to the war zone.

Cochran: Anyway, I told the Secretary this.

Foley: I think we ought to wait.

Bell: I assumed from Hull's telephone conversation yesterday, to stop this rumor about freezing Greece, that he wasn't in favor of putting on control.

Pehle: I think there is a lot to be said for what he did say. Why give Greece the vote of no confidence at this time? My God, if they need it, all right, but until they get into the financial --

Foley: That is throwing in the towel.

Schwarz: I don't think there is any danger from the rumors, though, because anybody who wanted to make withdrawals would know from the very fact of invasion of the possibility.

Bell: What are you doing, protecting the newspapers now?

Schwarz: Right.

Pehle: I think that is right, the situation exists.

Thompson: From what I read in the paper this morning, I thought we had already frozen it.

Pehle: We had a case once before when we had an announcement before we got the papers over there, remember?

Schwarz: Early wanted to protect the President from being away from Washington at a time when he might be expected to act, so he said they were ready and that was the basis of that story.

Bell: Everybody was calling about it.

Merle, have you got anything?

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Cochran: No, just so Chick will protect us versus the press on this, because --

Bell: Harry?

White: Did you hear anything on Hungary?

Bell: No.

Pehle: We got an adverse letter.

White: I didn't know that.

Pehle: The State Department said they didn't think this was the time.

Cochran: Inadvisable in the present circumstances.

Bell: I thought you were talking about the loan down here.

Cochran: That we ought to get settled, too.

Bell: Well, we told the Secretary we were ready to discuss it and that is about all we can do unless we prepare a draft of a letter turning it down. We might do that, and when we go in, maybe he will sign it. What would you think of that, before we discuss it?

Cochran: All right.

White: Then he could either okay it or turn it down.

Cochran: Well, it is a letter to the State Department, then.

Bell: In reply to that letter that they sent us.

White: Dan, you spoke about the monetary investigation. Now, there is one section here that I definitely think that George Haas' boys ought to be working on, if they haven't already, and that is the fiscal policy section.

Bell: You are working on that, aren't you?

Haas: Yes, we are working on that.

October 29, 1940
10:10 a.m.

RE BRITISH PURCHASING PROGRAM

Present: Mr. Purvis
Mr. Young

H.M.Jr: I am at your service.

Purvis: To start from the beginning, from our view there are two things we want to achieve. One is to give the statement which was mentioned in the message from the Prime Minister yesterday, showing in summary formally what we would like to place immediate orders for, both in the aircraft, army, and navy end. That is here. I give it to you now; but if we have ample time, I may ask the privilege of retyping it. (See attachment A)

H.M.Jr: This is what you want?

Purvis: This is what we want, and I put this on top myself, because I felt that Self's memorandum on aircraft is rather long and I - Self insisted that he should put before you what is on the second page, because he feels it is clearer, but I thought it would be clearer when you were talking about it.

H.M.Jr: This has just to do with aircraft?

Purvis: The top two sheets are aircraft and the next is army and the next is navy.

H.M.Jr: Well now, this doesn't check with what you gave me here, Phil, does it?

Young: I wouldn't know.

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Purvis: I don't think he has seen it. I think it should.

H.M.Jr: Do you want to study it with Phil while I do this? I don't want to give the President two things which aren't right.

Young: They ought to be reasonably close.

Purvis: That is the 10 divisions, that second page, and therefore has been divided because --

H.M.Jr: This?

Purvis: Yes. That would be the requirement, American types, which I think is most valuable from Mr. Stimson's view.

H.M.Jr: I promised to get this into the hands of these people before they came to the meeting this afternoon. Let's just skip this for a minute.

Purvis: Yes.

H.M.Jr: What I meant, can't I be getting this copy photostated?

Purvis: Yes, certainly. That is the same thing, a copy of the same thing.

H.M.Jr: Now, is that the same?

Purvis: Yes.

H.M.Jr: As between what I call the blue book and this?

Purvis: With the exception of --

Young: Orders placed, actually placed.

H.M.Jr: Which one should we work from this afternoon?

Purvis: That one, because that results - this 700, which is the only division with regard to orders that have been placed, making it 11,700 instead of 11,000 --

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H.M.Jr: I can't keep track. You know, I flew down, went back up to New York to hear the President, and back in the morning.

Purvis: It was very good.

H.M.Jr: I don't think it quite reached the heights of the Philadelphia speech, but it was good.

Let's just lay this aside for a moment. What have we got now?

Purvis: The next question is the question of publication. I filed yesterday my thoughts, as you know. Now then, come to the question of what could be put in in regard to the material itself, I have read the statement which you have just shown me.

H.M.Jr: The so-called Young statement, the Young plan. (b')

Purvis: Yes. We have three worries. One, in regard to - in regard to publication. One, some of the figures, wants, are derisory, as they stand today, such that so far we have been making certain class of material most in the hope. Take tanks, for instance. All that could be said in regard to future orders of tanks is so small that it is - 2,000 tanks is neither here nor there.

H.M.Jr: Could we go at it this way. Let's use this for a basis. What in here do you object to? (See attachment B)

Purvis: So far as the money is concerned, I think it is perfectly all right. Now, the placing of the orders for these, the only danger is that it gives the Germans the exact knowledge of what has been placed. The assumption is that their secret service has given it to them but it is one thing for the President of the United States to give it to them and another thing for us to have passed out.

H.M.Jr: Is it good?

Purvis: Not enough.

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H.M.Jr: To me it sounds like a lot because if you got these - if they don't know whether you are going to get them in the next three months or three years. If they knew how long it would take, it wouldn't be so hot.

Purvis: No. That is the only danger.

Young: What you could say on that line, you could say the British Government as of October 1 has placed orders for more than 12,000 airplanes, part of which have already been delivered.

H.M.Jr: No.

Purvis: By the way, as an approach, could you cast your eye on that? It may not be enough, but that is what we would like to say, if it were possible to do it that way. This admittedly is only written on the basis of future orders. I didn't know to what extent you were going into it, but it would give the lead as to what we would like if it were possible. If it isn't possible, we must do what we can. (See attachment C)

H.M.Jr: That is a complicated statement.

Purvis: It seemed to me that if we could work that at least into this section here, the same purpose would be served and nobody would expect the President to go into details, the number of rounds of small arms ammunition, which happens to be an extremely dangerous point for you and for us. I mean, a million rounds isn't enough to be saying that we have placed it. It is very dangerous. And then again, another thing, in saying what surplus material has been given, they have put in a hundred and 45 million rounds of ammunition for 85,000 machine guns and 890,000 rifles. It isn't enough to shoot them twice and I think if we could miss out the ammunition, in any case if that surplus material is given out for Dunkirk and I can rather understand that that is an impressive total, I do suggest that we cut out the rounds of small arms ammunition.

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H.M.Jr: I think it is all right.

Purvis: If you felt that that was all right, we might sort of rewrite this into that.

H.M.Jr: I tell you what I am going to do.

Purvis: Of course, it would strengthen the present statement a great deal if it could be said - if we could know when he is making the speech, that we are able to go ahead and place the orders.

H.M.Jr: That is the purpose of this meeting, to get clearance of the whole thing.

Purvis: Yes.

H.M.Jr: (To Miss Chauncy) This goes to the Secretary of War and Navy and, Jones, Knudsen, Stettinius, and Nelson. I think I would just list them in order so you could simply say, "Gentlemen" and make it in that order, you see. I guess you had better have a confirming letter with each one.

(Dictating) "My dear Mr. Stimson. I am sending you herewith two important secret memoranda. The first one is the complete program that Mr. Purvis informs me that the British Government would like to place on order in this country immediately.

"The second statement is a draft of a proposed statement for the President of the United States to make public at an early date."

Purvis: That is it.

H.M.Jr: "It goes without saying that if the group at 3:30 this afternoon approves of this draft of a statement for the President, that we agree in principle that the English can place this order."

Purvis: That is right.

H.M.Jr: Now repeat it. (Miss Chauncy reads back letter.)

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Purvis: I think that is very good.

H.M.Jr: "Place this order at an early date --"

Young: Does that make sense, "By approving this draft"? They don't have to approve the draft. They approve the principle anyway.

H.M.Jr: "In approving the draft." Repeat it again.

Young: Why hang the principle on the technical draft?
(Miss Chauncey read back the letter.)

H.M.Jr: That is fine.

Young: All right with you?

Purvis: It is all right with me.

H.M.Jr: It is a trick. Go ahead, say it again.

(Miss Chauncey reads back letter as follows:)

"My dear Mr. Stimson:

"I am sending you herewith two important secret memoranda.

"The first one is the complete program that Mr. Purvis informs me the British Government would like to place on order in this country immediately. The second is a draft of a proposed statement for the President of the United States to make public at an early date. It goes without saying that if the group at 3:30 this afternoon approves of this draft of a statement for the President that we agree in principle that the English can place this order.

Yours sincerely,"

H.M.Jr: In other words, what I am saying is this. Before we let the President do this, you have got to do it, but I don't want to put it that way. I don't want to put it that way.

- 7 -

Now, I think that you (Chauncey) had better list on the bottom just who the copies go to and I would include Patterson, General Marshall, Forrestal, and Stark. Then they don't come over here cold.

Purvis: Very good idea.

H.M.Jr: See. Now, this is - may I have a copy of your draft?

Purvis: Of this one?

H.M.Jr: I think you would save time, wouldn't you, by having it photostated?

Chauncey: All right, sir.

H.M.Jr: Get all the help you need and get it out because they all go to the draft pulling at twelve.

Purvis: I had forgotten that. That has both disadvantages and possible advantages.

H.M.Jr: That is right, and I am trying to make hay - make use of the advantages.

I think, Phil, that this thing that Purvis has done is better. Don't you think so?

Young: Oh yes.

H.M.Jr: What?

Young: Surely.

Purvis: We could - if you wanted the money angle or anything of that kind --

H.M.Jr: I don't think so.

Purvis: There may be advantages in not raising the money angle from that point of view.

H.M.Jr: For a smart fellow, I can't understand why you have overlooked the bet of not having rubbed

- 8 -

our noses into what the English Government has given us every time you asked for something.

Purvis: Yes. You know why, because it is kept meticulously secret. The Scientific Advisory Commission, whose chairman admitted it was so ridiculous a situation, was not in a position to tell us what he had told you.

H.M.Jr: Yes, but this Commander Baker is under you.

Purvis: Yes. He comes in the air end, that is right.

H.M.Jr: And some of this is Baker.

Purvis: Yes. There is a tremendous amount that has been given and what is more, I have sat next to both army and navy United States officers who have told me that they were amazed at what came out of the Mission as compared with what they expected.

H.M.Jr: But the point I am getting, for instance, they are arguing about the bomb sight and so forth. It ought to go just as a matter of course, certainly the Sperry one. The other one has a certain emotional value which has been built up, "The Great Sacred Cow", but this thing, what you have done is - I mean 10 times anything we have done in the way of secret stuff --

Purvis: It might be nice to get a copy of stuff like that.

H.M.Jr: It is the 28th. Do you want to know how Young got it?

Purvis: I would like to know.

H.M.Jr: How did you get it?

Young: I smoked it out last night. It makes awfully good reading. You ought to look at it. (Laughter)

Purvis: He is rubbing it in now. I would really like to read it.

Young: I wasn't going to ask you for a copy.

- 9 -

Purvis: Well, you see, there is an achievement though. With your help, when he went, the British Technical Mission was in our office, which it wouldn't have been six weeks ago, which was something. Therefore, that information was available. If it hadn't been for your consistent and the President's consistent pushing along one line, it wouldn't have been.

H.M.Jr: Would you like to have that photostated for you? (Laughter)

Purvis: Of course, I think it would be great.

H.M.Jr: What?

Purvis: Oh, if I had a photostat copy and took it over and said, "Now, I have learned lots --"

H.M.Jr: Who is Woodward McNutt?

Purvis: He is the secretary we have got left in the commission of the remnants of Tizard.

H.M.Jr: Up in Canada?

Purvis: In --

H.M.Jr: He is talking about somebody up in Canada.

Purvis: That would be Professor Cockroft.

H.M.Jr: Yes. It is the most amazing thing. It is right up to date, up as late as the 28th of October.

Well now, what are we waiting for?

Purvis: The only question now to my mind is whether you have enough from your view for the document.

H.M.Jr: I haven't studied this thing very closely, but this will go over.

Purvis: And as a matter of fact there is this to be said for it. The actual studying won't be

- 10 -

quite as - you won't have to worry quite so much because there have been meetings, apparently, over at the War Department so that Stimson's crowd should know those figures. Those figures were given to me by Layton as what he is discussing over there.

H.M.Jr: Now this thing here, do I have to study this?

Purvis: I don't think you do, because as I say, the Army should know. The only one that might come up is the Navy, the last sheet, which is a very poor fish that made the Navy program, but it is very easy to get. You see, those are engines for the torpedo boats because we can't put in motor torpedo boats. Twelve pounder guns, two pounder pom poms, American guns, and then merchant ships, for which we have a merchant ship committee.

H.M.Jr: I think I have everything now.

Purvis: I think you have.

H.M.Jr: I think so.

Young: You don't want the blue book?

H.M.Jr: There is no use taking that. I don't want to give them the two. I think that is confusing.

Purvis: That is October 1 and the information you are using is October 28.

H.M.Jr: I had better work from the English thing.

A

SUMMARY
Statement of British Aircraft Requirements

On Order

14,375

To Be Ordered

2,700 (Continuation Orders)

9,000 (Expansion
programme)

October 29, 1940
Washington

MOST SECRET

MOST SECRET

STATEMENT OF BRITISH AIRCRAFT REQUIREMENTS

1. The present programme authorized by the National Advisory Defence Council for aircraft production on behalf of the U. K. represents a total of 14,375 units (including spares) for completion by March 31, 1942. Orders are already placed or in negotiation to cover this total.

2. The U. K. Government seek extension of this authority to cover corresponding production during April to June, 1942 inclusive. This represents a further 2700 aircraft units.

3. Mr. Knudsen prepared proposals in July last for a new scheme destined ultimately to yield 3000 additional units per month and advised its initiation by a first instalment capable of execution during 1941 and yielding 1375 additional units per month.

4. The U. K. Government desire authority to proceed with Mr. Knudsen's plan and initiate the first instalment forthwith.

5. They also request authority for intensified working of existing capacity allocated for U. K. production.

6. If paragraphs (4) and (5) are approved, the U. K. Government seek authority to place additional orders totalling 9,000 aircraft units for delivery by such arrangements by June 30, 1942.

7. The additional orders proposed under paragraphs (2) and (6) total 11,700 units. Including the total of 14,375 units under paragraph (1) the total orders placed or proposed for immediate allocation on U. K. account would total 26,075 units, all for delivery by June 30, 1942.

8. The rough allocation of this total would be as follows:

- | | | |
|-----|---------------------------------------|----------|
| (a) | 7,200 bombers | |
| (b) | 5,600 dive bombers and reconnaissance | |
| (c) | 9,200 fighters | aircraft |
| (d) | 600 flying boats | |
| (e) | 3,400 advanced trainers | |

26,000 total

9. For the above aircraft provision is required for approximately 200,000 machine guns of .50 and .30 calibre and for 20 mm guns to an extent not yet determined.

October 28, 1940.

Regraded Unclassified

MOST SECRETSTATEMENT OF BRITISH ARMY REQUIREMENTS

The two lists which follow include quantities of major items only of weapons needed -

A. For the completion and insurance of the equipment for the British units now in formation, and

B. For additional British units to be equipped with weapons of American type.

<u>A.</u>		
<u>Article</u>	<u>Type</u>	<u>Quantity</u>
1. Rifles	.303 Enfield	1,000,000
2. Tank Guns and Anti-Tank Equipts.		
a. Light Anti-Tank Equipments (guns and carriages)	Partly U.S. Type	2,000
b. Heavier Anti-Tank Equipments (guns and carriages)	6-pounder	1,000
c. Tank Guns for British made Tanks	2-pounder	2,250
d. Tank Guns for American made M 3 Tanks	(75 m.m. (U.S. Type) (57 m.m. (U.S. Type)	1,500 1,500
3. Anti-Aircraft Guns		
a. Heavy	90 m.m. (U.S. Type)	1,000 plus
b. Light	37 m.m. (U.S. Type)	1,000 plus
4. Medium Guns	4.5" Gun & 5.5" Howitzer	500
5. Field Guns	25-pounders (from Canada, see note)	1,000

NOTE - The main source of supply of the 25 pdr. field gun will be Canada, but to meet the above requirement the capacity which is at present coming into production will need to be expanded. This may require sub-contracting or other assistance from the United States, the nature and extent of which will be communicated as quickly as possible.

These quantities are needed by the end of 1941 in part to complete the British Army's equipment and in part to provide an insurance against a reduction of British output as a result of enemy action. To the extent that it may prove impossible to supply these quantities in the calendar year 1941, it is important that as far as is humanly possible items 1, 2, 4 and 5 should be supplied by the Spring of 1942.

Inspection requirements in connection with the above equipments will be notified as soon as a final allocation has been made to Canada. The artillery ammunition requirement will not be large.

- 2 -

B. (All U.S. Type)

<u>Article</u>	<u>Initial Equipment Quantity</u>	<u>Monthly Maintenance</u>
1. Rifles	300,000	10,000
2. Anti-Tank Equipments	1,000	75
3. Anti-Aircraft Guns		
Light	500	10
Heavy	250	5
4. Medium Guns	250	5
5. Field Guns	1,000	30
6. Infantry Mortars		
Light	1,200	60
Medium	450	15
7. Machine Guns		
Light (including Anti-Aircraft)	10,000	350
Medium	1,200	30
8. Ammunition for the above		

The above figures are approximate and refer to major items only. A full statement of the precise quantities required by divisions drawing their main supplies from North America is being prepared in England. The bulk of the initial equipment of these divisions should be available by December 1941, and the maintenance rate should be available as from March 1st, 1942.

The quantities include requirements of ancillary Corps and Army Troops and local war reserves, on the basis of scales existing in the British Army, for a force of 10 Divisions.

STATEMENT OF NAVAL REQUIREMENTS

The following are the principal items required by the Royal Navy and the Ministry of Shipping.

<u>Article</u>	<u>Type</u>	<u>Quantity</u>
1. Anti-submarine and Anti-aircraft guns.		
	a) 12-pounder	2,000
	b) 2-pounder pom-pom	2,950
	c) 20 m.m. Oerlikon	2,000
2. Small boats (motor boats, trawlers, etc.)		60
3. Marine engines for British built boats		1,000
4. Merchant Ships to be built in U.S.		60

Gun mountings and ammunition will be required for the guns in Item 1.

B.P.C. - WH
October 28, 1940

Mr. Young's draft

B

Up to October 1st of this year, the total orders placed in the United States for the account of the British Government amounted to \$1,600,000,000 and additional orders ready to be placed approximate another \$3,239,000,000. Of the \$1,600,000,000 of orders already placed, \$237,000,000 represents capital commitments for the purposes of plant expansion, personnel training, and the like. A capital commitment of \$100,000,000 has been allocated to the aircraft industry alone, while the remainder of \$137,000,000 has been committed for expanding the facilities of powder, munitions, and other industrial enterprises engaged upon the production of war material.

The British Government as of October 1st has placed orders for more than 11,000 airplanes and 27,000 engines. Additional orders to be placed by the British Government for aircraft and engines equal those already outstanding.

With respect to other war material the British have already placed orders for 68,489 tons of explosives and propellants; 1,105,000,000 rounds of small arms ammunition; and 254,117 small arms of various types, as well as for other items including tanks, tank engines, small boats, marine engines, and raw materials, especially iron and steel. In addition to the foregoing, the British Government is in the process of placing orders for 1,175,000,000 rounds of small arms ammunition; 1,350 field guns; 22,600 medium guns; 54,275 small arms; 2,000 tanks; and other miscellaneous items.

- 2 -

Between June and October of this year certain surplus materiel was sold or exchanged by the United States Army and Navy for more modern equipment. All of this surplus materiel was eventually purchased for the account of the British and Canadian Governments from domestic corporations.

In summary, this surplus materiel included 890,000 rifles, 20,500 revolvers, and 86,583 machine guns, with 144,790,000 rounds of ammunition for the same; 895 field guns with ammunition; 316 three-inch mortars with ammunition; 8,500 tons of T.N.T.; 4,860 tons of powder; and 6,600 aircraft bombs. In addition to these items there were included large quantities of accessory equipment, such as ammunition chests, magazines, spare barrels, caissons, etc. All of this materiel so purchased for the account of the British and Canadian Governments was delivered just after the evacuation at Dunkirk.

In addition to the expansion in our own production capacity, resulting from British orders, we have also obtained plans and specifications of British war materiel, such as the Rolls Royce Merlin engine, the power-driven aircraft turret, and detailed technical information concerning anti-aircraft measures, anti-submarine measures, etc. Further, the use by the British of American-made planes and guns has given us valuable information as to the effectiveness of these weapons under actual combat conditions.

Building on the foundation provided by a very large aeroplane programme placed last winter and in the spring of this year, the British are now receiving a steady stream of aeroplane deliveries amounting to several hundreds per month. This is growing rapidly and will in the ~~near~~ early future attain very important proportions. At the same time the British supplies from this country are again to be increased by heavy orders amounting to some 12,000 planes which will serve still further to expand our aeroplane industry to a capacity which will be of the greatest value to Britain, and also - since this capacity is laid down in this country - to United States defence.

In guns, our industries will provide the British with many thousands of field guns and other artillery of the latest models; with tens, even hundreds, of thousands of machine guns; with rifles running into the millions; with thousands of tanks, along with the appropriate complementary equipment and ammunition. And don't forget once again the capacity which is being built up to meet these United Kingdom orders remains in this country available at a moment's notice to serve the essential needs of the United States.

31

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October 29, 1940

My dear Mr. Secretary:

I am inclosing herewith a photostatic copy of a very secret memorandum handed to me yesterday by Mr. Arthur Purvis. This was given to me in connection with a request for purchase of additional munitions in this country.

I would appreciate it if you would not show this to anybody other than Mr. Sumner Welles.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable

The Secretary of State.

Inc.

By Messenger 11 45

October 29, 1940

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Inc.

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By Messenger

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The Honorable
the Secretary of the Navy.

Enc.

By Messenger 11 45

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The Honorable
the Secretary of the Navy.

By Messenger

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Yours sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable
the Secretary of the Navy.

By Messenger

MOST SECRET

London,
October 27, 1940.

To: Purvis

From: Salter

Please request Mr. Morgenthau to convey the following message to the President from former naval person:

"We have not yet heard what Vichy has agreed to.

If, however, they have betrayed warships and African and other Colonial harbours to Hitler, our already heavy task will be grievously aggravated. If Oran and Bizerta become German-Italian submarine bases, our hopes of stopping or impeding the reinforcement of the hostile army now attacking Egypt will be destroyed, and the heaviest form of German-organized Italian attack must be expected. The situation in the Western Mediterranean will also be gravely worsened. If Dakar is betrayed, very great dangers will arise in the Atlantic unless we are able to rectify the position, which will not be easy.

On the other hand, the announcement of Vichy's terms may lead to much desired revolt in the French Empire, which we should have to aid and foster with further drains upon our slowly expanding resources.

Either way, therefore, immense exertions will be required from us in the Mediterranean during the next year.

We are endeavouring to assemble a very large army in the Middle East, and the movement of troops thither from all parts of the Empire, especially from the Mother country, has for some months past been unceasing. The campaign which will develop there certainly in the new year, and which may involve Turkey and Greece, makes demands upon our shipping and munitions output and resources which are enormous and beyond our power without your help to supply to a degree which would ensure victory.

All the time we have to provide for the defence of the island against invasion which is fully mounted and for which sixty of the best German divisions and superior Air Forces stand ready.

Lastly the U-boat and air attacks upon our only remaining life line, the northwestern approach, will be repelled only by the strongest concentration of our flotillas.

Regraded Unclassified

You will see, therefore, Mr. President, how very great are our problems and dangers. We feel, however, confident of our ability, if we are given the necessary supplies, to carry on the war to a successful conclusion, and anyhow we are going to try our best.

You will, however, allow me to impress upon you the extreme urgency of accelerating delivery of the programme of aircraft and other munitions which has already been laid before you by Layton and Purvis. So far as aircraft is concerned, would it be possible to speed up deliveries of existing orders so that the numbers coming to our support next year will be considerably increased? Furthermore can new orders for expanded programme also be placed so promptly that deliveries may come out in the middle of 1941?

The equipment of our armies, both for home defence and overseas, is progressing, but we depend upon American deliveries to complete our existing programme which will certainly be delayed and impeded by the bombing of factories and disturbances of work.

A memorandum on the technical details is being furnished you through the proper channels, and having placed all the facts before you I feel confident that everything humanly possible will be done. The world cause is in your hands."

October 29, 1940

My dear Mr. Secretary:

I am sending you herewith two important secret memoranda.

The first one is the complete program that Mr. Purvis informs me the British Government would like to place on order in this country immediately. The second is a draft of a proposed statement for the President of the United States to make public at an early date. It goes without saying that if the group at 3:30 this afternoon approves of this draft of a statement for the President that we agree in principle that the English can place this order.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable,

The Secretary of War.

Sent to: Secretary of War
Secretary of Navy
Mr. Jones
Mr. Knudsen
Mr. Stettinius
Mr. Nelson
Mr. Patterson
General Marshall
Mr. Forrestal
Admiral Stark

By Messenger

October 29, 1940

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Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Robert P. Patterson,
Assistant Secretary of War,
War Department,
Washington, D. C.

Copies to:

Secretary of War
Secretary of Navy
Mr. Jesse Jones
Mr. Knudsen
Mr. Stettinius
Mr. Nelson
Mr. Patterson
General Marshall
Mr. Forrestal
Admiral Stark

By Messenger //

October 29, 1940

My dear General Marshall:

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Yours sincerely,

(Signed) H. Morganthau, Jr.

General George G. Marshall,
Chief of Staff,
War Department,
Washington, D. C.

Copies to:
Secretary of War
Secretary of Navy
Mr. Jesse Jones
Mr. Knudsen
Mr. Stettinius
Mr. Nelson
Mr. Patterson
General Marshall
Mr. Forrestal
Admiral Stark

By Messenger // 45

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Yours sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Frank Knox,
Secretary of the Navy,
Navy Department,
Washington, D.C.

Sent to: Secretary of Navy
Secretary of War
Mr. Jones
Mr. Knudsen
Mr. Stettinius
Mr. Nelson
Mr. Patterson
General Marshall
Mr. Forrestal
Admiral Stark

By Messenger

October 29, 1940

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Yours sincerely,

(Signed) H. Morganthau, Jr.

Mr. James V. Forrestal,
Under-Secretary of the Navy,
Navy Department,
Washington, D.C.

Copies to:

Secretary of War
Secretary of Navy
Mr. Jesse Jones
Mr. Knudsen
Mr. Stettinius
Mr. Nelson
Mr. Patterson
General Marshall
Mr. Forrestal
Admiral Stark

By Messenger

October 29, 1940

My dear Admiral Stark:

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Yours sincerely,

(Signed) H. Morgenthau, Jr.

Admiral Harold R. Stark,
Chief of Naval Operations,
Navy Department,
Washington, D. C.

Copies to:

Secretary of War
Secretary of Navy
Mr. Jesse Jones
Mr. Knudsen
Mr. Stettinius
Mr. Nelson
Mr. Patterson
General Marshall
Mr. Forrestal
Admiral Stark

By Messenger // 45

October 29, 1940

My dear Mr. Knudsen:

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Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. William S. Knudsen,
Advisory Commission to the Council
for National Defense,
Federal Reserve Building,
Washington, D.C.

Sent to: Secretary of Navy
Secretary of War
Mr. Jones
Mr. Knudsen
Mr. Stettinius
Mr. Nelson
Mr. Patterson
General Marshall
Mr. Forrestal
Admiral Stark

By Messenger 11 50

October 29, 1940

My dear Mr. Stettinius:

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Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Edward R. Stettinius,
Commissioner of Industrial Materials,
Advisory Commission to the
Council of National Defense.

Copies to:
Secretary of War
Secretary of Navy
Mr. Jesse Jones
Mr. Knudsen
Mr. Stettinius
Mr. Nelson
Mr. Patterson
General Marshall
Mr. Forrestal
Admiral Stark

By Messenger // 50

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My dear Mr. Nelson:

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Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Donald M. Nelson,
Coordinator of National Defense Purchases,
Advisory Commission to the Council
for National Defense,
Federal Reserve Building,
Washington, D.C.

Sent to: Secretary of Navy
Secretary of War
Mr. Jones
Mr. Knudsen
Mr. Stettinius
Mr. Nelson
Mr. Patterson
General Marshall
Mr. Forrestal
Admiral Stark

By Messenger // 50

October 29, 1940

My dear Mr. Jones:

I am sending you herewith two important secret memoranda.

The first one is the complete program that Mr. Purvis informs me the British Government would like to place on order in this country immediately. The second is a draft of a proposed statement for the President of the United States to make public at an early date. It goes without saying that if the group at 3:30 this afternoon approves of this draft of a statement for the President that we agree in principle that the English can place this order.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Jesse Jones,
Federal Loan Agency,
Washington, D.C.

Sent to: Secretary of Navy
Secretary of War
Mr. Jones
Mr. Knudsen
Mr. Stettinius
Mr. Nelson
Mr. Patterson
General Marshall
Mr. Forrestal
Admiral Stark

By Messenger

MOST SECRET

SUMMARY

Summary Statement of British Aircraft Requirements

On Order

14,375

To Be Ordered

2,700 (Continuation Orders)

9,000 (Expansion
programme)

October 29, 1940
Washington

STATEMENT OF
BRITISH AIRCRAFT REQUIREMENTS

1. The present programme authorized by the National Advisory Defence Council for aircraft production on behalf of the U. K. represents a total of 14,375 units (including spares) for completion by March 31, 1942. Orders are already placed or in negotiation to cover this total.

2. The U. K. Government seek extension of this authority to cover corresponding production during April to June, 1942 inclusive. This represents a further 2700 aircraft units.

3. Mr. Knudsen prepared proposals in July last for a new scheme destined ultimately to yield 3000 additional units per month and advised its initiation by a first instalment capable of execution during 1941 and yielding 1375 additional units per month.

4. The U. K. Government desire authority to proceed with Mr. Knudsen's plan and initiate the first instalment forthwith.

5. They also request authority for intensified working of existing capacity allocated for U. K. production.

6. If paragraphs (4) and (5) are approved, the U. K. Government seek authority to place additional orders totalling 9,000 aircraft units for delivery by such arrangements by June 30, 1942.

7. The additional orders proposed under paragraphs (2) and (6) total 11,700 units. Including the total of 14,375 units under paragraph (1) the total orders placed or proposed for immediate allocation on U. K. account would total 26,075 units, all for delivery by June 30, 1942.

8. The rough allocation of this total would be as follows:

- (a) 7,200 bombers
- (b) 5,600 dive bombers and reconnaissance aircraft
- (c) 9,200 fighters
- (d) 600 flying boats
- (e) 3,400 advanced trainers

26,000 total

9. For the above aircraft provision is required for approximately 200,000 machine guns of .50 and .30 calibre and for 20 mm guns to an extent not yet determined.

STATEMENT OF BRITISH ARMY REQUIREMENTS

The two lists which follow include quantities of major items only of weapons needed -

A. For the completion and insurance of the equipment for the British units now in formation, and

B. For additional British units to be equipped with weapons of American type.

A.

<u>Article</u>	<u>Type</u>	<u>Quantity</u>
1. Rifles	.303 Enfield	1,000,000
2. Tank Guns and Anti-Tank Equipts.		
a. Light Anti-Tank Equipments (guns and carriages)	Partly U.S. Type	2,000
b. Heavier Anti-Tank Equipments (guns and carriages)	8-pounder	1,000
c. Tank Guns for British made Tanks	2-pounder	2,250
d. Tank Guns for American made M 3 Tanks	(75 m.m. (U.S. Type) (37 m.m. (U.S. Type)	1,500 1,500
3. Anti-Aircraft Guns		
a. Heavy	90 m.m. (U.S. Type)	1,600 plus
b. Light	37mm	1,800 plus
4. Medium Guns	4.5" Gun & 5.5" Howitzer	300
5. Field Guns	25-pounders (from Canada, see note)	1,800

NOTE - The main source of supply of the 25 pdr. field gun will be Canada, but to meet the above requirement the capacity which is at present coming into production will need to be expanded. This may require sub-contracting or other assistance from the United States, the nature and extent of which will be communicated as quickly as possible.

These quantities are needed by the end of 1941 in part to complete the British Army's equipment and in part to provide an insurance against a reduction of British output as a result of enemy action. To the extent that it may prove impossible to supply these quantities in the calendar year 1941, it is important that as far as is humanly possible items 1, 2, 4 and 5 should be supplied by the Spring of 1942.

Ammunition requirements in connection with the above equipments will be notified as soon as a final allocation has been made to Canada. The artillery ammunition requirement will not be large.

B. (All U.S. Type)

<u>Article</u>	<u>Initial Equipment Quantity</u>	<u>Monthly Maintenance</u>
1. Rifles	300,000	10,000
2. Anti-Tank Equipments	1,000	75
3. Anti-Aircraft Guns		
Light	500	10
Heavy	250	5
4. Medium Guns	250	5
5. Field Guns	1,000	30
6. Infantry Mortars		
Light	1,200	60
Medium	450	15
7. Machine Guns		
Light (including Anti-Aircraft)	10,000	350
Medium	1,200	30
8. Ammunition for the above		

The above figures are approximate and refer to major items only. A full statement of the precise quantities required by divisions drawing their main supplies from North America is being prepared in England. The bulk of the initial equipment of these divisions should be available by December 1941, and the maintenance rate should be available as from March 1st, 1942.

The quantities include requirements of ancillary Corps and Army Troops and local war reserves, on the basis of scales existing in the British Army, for a force of 10 Divisions.

STATEMENT OF NAVAL REQUIREMENTS

The following are the principal items required by the Royal Navy and the Ministry of Shipping.

<u>Article</u>	<u>Type</u>	<u>Quantity</u>
1. Anti-submarine and Anti-aircraft guns.		
	a) 12-pounder	2,000
	b) 2-pounder pompom	2,950
	c) 20 m.m. Oerlikon	2,000
2. Small boats (motor boats, trawlers, etc.)		60
3. Marine engines for British built boats		1,000
4. Merchant Ships to be built in U.S.		60

Gun mountings and ammunition will be required for the guns in Item 1.

B.P.C. - WH
October 28, 1940

Building on the foundation provided by a very large aeroplane programme placed last winter and in the spring of this year, the British are now receiving a steady stream of aeroplane deliveries amounting to several hundreds per month. This is growing rapidly and will in the relatively early future attain very important proportions. At the same time the British supplies from this country are again to be increased by heavy orders amounting to some 12,000 planes which will serve still further to expand our aeroplane industry to a capacity which will be of the greatest value to Britain, and also - since this capacity is laid down in this country - to United States defence.

In guns, our industries will provide the British with many thousands of field guns and other artillery of the latest models; with tens, even hundreds, of thousands of machine guns; with rifles running into the millions; with thousands of tanks, along with the appropriate complementary equipment and ammunition. And don't forget once again the capacity which is being built up to meet these United Kingdom orders remains in this country available at a moment's notice to serve the essential needs of the United States.

October 29, 1940
3:30 p.m.

RE BRITISH PURCHASING PROGRAM

Present: Mr. Dunn
Mr. Knudsen
Mr. Nelson
Mr. Stettinius
Mr. Knox
Mr. Forrestal
Mr. Young
Mr. Stimson
General Marshall
Major Lyon
Mr. Palmer
Mr. Buckley
Mr. Jones
Mrs. Klotz
General Moore

H.M.Jr: Did you all get a copy of that proposed statement? (Attachment A) This is the thing the President is thinking of possibly saying in Boston.

Knudsen: Does he have to give the number?

H.M.Jr: He doesn't have to do anything if we don't want him to. He knows about the meeting. I saw him just before lunch. He is waiting to hear from this meeting. He is waiting to hear from us.

Knudsen: A large order sounds better than 12,000.

H.M.Jr: But he isn't going to say anything until he hears from this group. He wants this group's advice.

Knox: I would just like to say in this crowd before the English get here, I can't escape saying,

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the English are not going to win this war without our help, I mean our military help.

H.M.Jr: Oh.

Knox: I am satisfied with that.

Forrestal: There is no question of it.

Stettinius: Did you say military help?

Knox: Military help.

Stettinius: What do you mean, Frank?

Knox: I mean they can't win alone. You might as well face that. Just as sure as I sit in this chair, I am satisfied of that. That is what we have got to keep in our minds. We needn't talk it outdoors, but I think it is true. Don't you think so, Bill?

Knudsen: Yes.

Nelson: That is the General's position.

Knox: He doesn't want us to help them?

Nelson: No.

Knox: Think of the alternative.

Nelson: He doesn't object to helping them to anything they can pay for. He doesn't want to give them any of our stuff.

(Mr. Jones entered the conference.)

H.M.Jr: Hello, Jesse.

Jones: Pardon me for being late.

H.M.Jr: You are ahead of the War Department.

Jones: You say I am ahead of the War Department?

H.M.Jr: Yes.

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Knox: But not the Navy.

Knudsen: You are astern of the Navy. (Laughter)

Knox: I would like to have that big boy at my back, no matter where I went.

Forrestal: Pulling or pushing?

Knox: Pushing.

Jones: I am glad you said at your back instead of the words he used.

Stettinius: What number did you pull?

Jones: 6865, and I have talked long-distance three times since, and every time they said, "Well, we heard you call that number." It shows the tremendous interest.

H.M.Jr: I don't know whether this interests you, Frank. Stimson is bringing - maybe you want to send for some brass hats.

Knox: No, I don't.

H.M.Jr: Wait a minute, he is bringing Marshall, Wesson, Arnold, and he mentioned three or four others that I don't know.

Knox: What are we going to talk about, production?

H.M.Jr: Well, what we are going to talk about is this.

Knox: This statement?

H.M.Jr: Can the President make a statement similar to this, feeling that what the English want - as I say, in principle - can he feel that this group says that this stuff which they have asked for, which I think they gave you a copy of, Jesse, that there is room for them to place the orders in the United States. Now, whether we want 500 of this thing or 5000 of that thing, as far as he is concerned, he doesn't care, but is there room for the English to place what they

say they need in the United States and get it within a reasonable time. Is that putting it all right, Frank?

Knox: Yes.

H.M.Jr: That is all they want to know.

Stettinius: Which is the schedule contained herein.

H.M.Jr: Yes. Now, whether it is - I don't know - from Bill Knudsen's standpoint, whether it is 7,000 bombers or 5,000 bombers, or approximately - is there room for this, what they are asking for, you see?

Knudsen: Approximately?

H.M.Jr: Well, I mean - you may say to them, "Now, you can have this, but you can't have that. You can't have so many --"

Knudsen: You know what they brought.

H.M.Jr: What?

Knudsen: This is what they brought, this big schedule. That shows 1385 a month, with 7650 ordered. That would run you 5½ months worth of orders.

H.M.Jr: Isn't this six months' orders here for planes? Supposedly, it is.

Knudsen: 1385, 7650, so I made a deal with them that they could place 3050 right away and it wouldn't require any plant expansion.

H.M.Jr: Do you (Young) want Buckley here?

Young: I would like to have him here.

H.M.Jr: Well now, Bill, is that this? (Attachment B) Is that this that you have agreed on?

Knudsen: That is right. I told them we could release that. If it would be all right with the Army

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and Navy, we would release that.

Stettinius: Now many?

H.M.Jr: The total is 4250. Isn't that right?

Knudsen: Well, he put the four-engine bombers in there. You take that off and you have got 3050, and that is what I agreed to give him. That is a record.

H.M.Jr: This is what you agreed to?

Knudsen: Yes, sir.

H.M.Jr: As of yesterday?

Knudsen: As of yesterday.

H.M.Jr: But I mean, nobody can decide whether they can have that or if they say this thing here - but the thing that - you (Klotz) make a note that Mr. Knudsen just handed me that. (Attachment C)

Who was it - one of you gentlemen said the other day at lunch the United States doesn't know what they can do until we are pushed to it.

Stettinius: Right. That is still true.

H.M.Jr: Like this aluminum thing. Until you get a - I had no idea there was that much room.

(Mr. Buckley entered the conference.)

Jones: Do these fellows over here want to tell us whether they can do it or not?

H.M.Jr: Yes.

Jones: Is it his (Knudsen's) job to say?

H.M.Jr: Pardon me, Jesse.

Jones: I am wondering, going over your questions, one, two, three, four, five, six, seven, about these

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12,000 planes, I am asking you if it isn't Knudsen's job to answer that question for us.

H.M.Jr: It is, and what he answered them was that they could have a part of it right away, 3050, with the present facilities. Is that right, Bill?

Knudsen: Correct.

H.M.Jr: But beyond that you don't want to go?

Knudsen: At the moment, no, because we are trying to set up some capacity for the United States and we have got to get that lined up before we start considering any more capacity.

Stettinius: When would you commit yourself to those 3000?

Knudsen: Somewhere between April 1, '42 and June, '42, but if some of them come in ahead of time, where you now have a gap, like in Lockheed, we would give it to them right away.

Knox: I would like to put this thought before the group. We can do what Bill says, the 3050, with the present capacity. Let's project the future into this thought and there is certainly a possibility, and I think a probability, that we ourselves will be in this thing and if we will have started 4 or 5 plants in the Central West to make planes now without taking away from the productive capacity of the plants now existing, we will have been that much farther along the path of readiness ourselves when we once get in, and that is something to think pretty soberly about, because as far as human intelligence can go, it doesn't look as if England could win and we can't afford to let her go down unless we want to fight the rest of the world all alone, and we are weighing this question of whether we can give the British more deliveries now. So let's be thinking somewhat about where we will be at a year from now, because I think this decision of whether we shall get in or stay out will be made in the next six months, perhaps a shorter time.

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Forrestal: There is no question about that.

Knudsen: We will be about 2000 planes a year from now.

Knox: That won't be enough.

Knudsen: All right. You know I went to you and Secretary Stimson with a plan for 12,000 bombers to be put in two plants to be built by the United States.

Knox: Yes.

Knudsen: Now, that is as far as we have gone. Now, I wanted to coordinate this business here, because going out and building plants isn't going to get you any airplanes.

Knox: It will get you this far, Bill, you will have the plant.

Knudsen: Yes, but nothing in it.

Knox: Well, at least you will have something to put the machinery in when we get it. It will be that much preliminary work out of the way.

H.M.Jr: May I supplement what you are saying in that connection? Use the English orders to fill this thing.

Knox: Why, certainly.

(Mr. Stimson, Mr. Palmer, Major Lyon, General Marshall, and General Moore entered conference.)

H.M.Jr: Mr. Stimson, as I wrote in my letter which I got ready just as quickly as I could, there are two things here which more or less dovetail together. The President would like to say something tomorrow night in Boston about aid to the English, and I sent a draft which I was able to put in his own hand at 20 minutes of one today. I also was able to give him a very confidential message which I sent you and Mr. Knox a copy of at that time and he liked this draft, but he said he would do nothing

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about it until he was advised by this group. He would do nothing. He said he liked it but he would do nothing. I also gave him a copy - it is here. It is just the summary of the money and the various things which the English have placed with us prior to October 1st and since (Attachment D), but he said he would do nothing until we met here and he heard from us, so if either you or Mr. Knox would start, I would appreciate it.

Stimson: I will start it.

H.M.Jr: Please.

Stimson: Mr. Secretary, you know I have been giving this primary attention of my whole affairs for the last ten days.

H.M.Jr: May I just interrupt you once more, and then I will be good. Down the hall, waiting on call, are Purvis, Layton, Self and Fairey. They are all down there waiting in another room.

Stimson: Well, I am going to take up, if I may, my statement in reverse order because that is the way - the part that I am clear about and that I know about first hand. That is the ordnance items in A and B. For the first time when I picked up this book of yours, I found that what I had lived with for a week to develop and a substitute for the first paper that was produced is now an addition to it. That makes a rather hard initial thing to gulp down in the first step.

When Sir Walter brought his first proposition in regard to ordnance, it was in substance like A. I spent two days with him first on that. Then he came back and announced two days afterward that he had been thinking it over and he came back with B as a substitute for A, the six divisions equipped with American equipment and we spent another day on that and were agreed that we could clear that with the statements - and with the very slight changes that we had and we thought it was the one -

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the proposal in substance to equip ten divisions with American equipment. That revolutionized the situation.

But when he comes and proposes A plus B instead of B instead of A, why - and it comes to me at 2:15 and you meet at 3:30, why it puts us in a position where I can't answer offhand.

H.M.Jr:

You decided the camel was in the tent then?

Stimson:

With the best of intentions in the world, we can't tell you now. I have been sitting with the Chief of Staff and the Chief of Ordnance, with the Chief of the Air Corps and also with General Moore, who has charge of that. We have been sitting hard on this ever since we got it and we can not without further study of the details tell you how much - if he is going to insist on A, which he had given up the other day, we have got to make a new study of it. It will take some short time, but it is a very dangerous thing, if I may say so, to have the President go off the springboard on a statement of facts which has not been cleared by his department officers.

Now then, as to the airplanes, I speak there with much more reluctance myself because that has been handled by others. Didn't Judge Patterson come over?

Well, Mr. Knudsen and Judge Patterson have also been into this thoroughly, but the conference in which they were there, I dictated this statement which I have written here in pencil, that the - to finish this program which is on the page entitled "Statement of British Aircraft Requirements."

"To finish that program by June 30, '42, would strip both the American Army and the American Navy of our planes, in substance." Now, do we want to take that chance? In other words, the putting of that forward by those dates - where is my map? Well, here is a tentative chart which we have drawn which shows what I mean. To move

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that forward to '41, June 30, would cut off the production of our own before they were in full production and would cut off also - it would have to be delivered before the British had anywhere reached the peak of their present orders, their present other than the superimposed ones, I mean, and we see no way by which that could be carried out without - by adding it after the peak of production is reached, which is somewhere about February or March, 1942.

Knudsen: After April, '42.

Stimson: Well, I am even more optimistic than you are, then. I said March was when they reached the peak.

Knudsen: Oh.

Stimson: By adding it after that time. Now, of course, I defer very greatly to Mr. Knudsen on any statements of that sort, but I am informed that he has confirmed these statements which I have been told since lunch time.

H.M.Jr: Well, may I attempt to answer you?

Stimson: Certainly.

H.M.Jr: No one would --

Stimson: And as I say now --

H.M.Jr: No one would expect you from lunch time until now to give an answer that would be worth anything to a memorandum like this. As I said before you came in here, all I could hope for is a modification of the statement for two reasons. One, inasmuch as Mr. -- I can say this much in this room-- Churchill has sent this very, very serious memorandum in connection with this, which needs an answer some time, at this juncture - you will agree to that.

Stimson: I do, and I have mine interlined.

H.M.Jr: Good. And let's forget the domestic situation.

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I would like to see the President do it, but that is unimportant. He doesn't have to, but I think Mr. Churchill needs an answer, and then frankly I would like to see the - I try to also be 100% frank - that we make a commitment to the English without getting down to types or anything that within reason there is room for their program in this country. Now, I don't mean how many planes or how many guns or whether it is so many bombers or so many this or so many machine guns, but that a reasonable request for them can be found.

Stimson: I feel so strongly with you. Last Saturday when I finished with Sir Walter Layton and went home to my modest domicile, I felt lighter hearted than I had for a long time, because I felt that we had cleared a proposition which was in my special charge as to the ordnance of the Army and now I come back here to find that it has been superimposed on another one. Now, you see the two - in your own letter, Mr. Secretary, you make it necessary for me to be very careful because you say in the last sentence of the letter to each one of us, "It goes without saying that if this group at 3:30 this afternoon approves of this draft of this statement for the President, that we agree in principle that the English can place this order."

H.M.Jr: In principle.

Stimson: I feel the responsibility of that very heavily.

H.M.Jr: Well, I wrote it carefully and in the most serious frame of mind.

Stimson: I mean, this is a more serious proposition --

H.M.Jr: I didn't write that lightly.

Stimson: I know, I know you didn't. I know you feel just as I do about it, but we are going - the whole thing is, particularly in view of the situation which is described in the other paper which you sent to me, I feel the most solemn responsibility about it. It would be in such a situation to

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make false hopes - that would be adding anguish to sorrow.

H.M.Jr: We can't be too careful.

Knox: Mr. Secretary, if we should ask the British in the spirit in which you talked with them last Friday - evidently, they want more than they thought they wanted then - to take this Schedule A and as far as possible transform it into Schedule B with larger quantities of American equipment, then would that settle the situation?

Knudsen: That is right.

Knox: Whether they like it or not we could say, "This is all we can give you. Now, make the most of this."

Stimson: Oh no. The trouble is, you are taking it backward, Mr. Secretary. Schedule A has never been accepted.

Knox: No, I am talking about Schedule B. Supposing we doubled Schedule B to take care of the equipment provided for in Schedule A and American equipment instead of British equipment.

Stimson: They wouldn't say that would satisfy them.

Knox: The hell with them, they would take what they could get. They are fighting for their lives.

Stimson: I know, but I am trying to help them get what they need.

H.M.Jr: I agree with Frank Knox and I have said this: As far as I am concerned, I have reached this point, that I wouldn't urge Army or Navy or the national defense people at this stage to put themselves out except for American equipment, American type planes, American type guns.

Knudsen: You can't take the - the first item on Schedule A

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is 303's, and that is not an American item.

Knox: We can give them a billion Springfields in the next year.

Stimson: If you will wait, I will give you the British side for a moment, but you are forcing a mixed dozen down their throats, two kinds of rifles which take different kinds of ammunition, and which they think they can handle together. It was for that reason that they came over to this other plan, but for a separate force.

Knox: What I am proposing isn't that we force two kinds of rifles on them; it is the proposal that they take only one kind of rifle and that our kind and this we supply the ammunition for.

Stimson: The trouble is that all their men are equipped with the other kind.

Marshall: I think what you are confusing there, Mr. Secretary, is this. They are speaking of another force in another place.

Knox: All right, now listen, General, if you had to fight a battle and you couldn't get 303's and you could get 30's, you would take the 30's, wouldn't you? You would take them, because that is all you could get. You are giving them a damn sight better rifle besides.

Stimson: If you took the 30's and found that the only ammunition that your munition manufacturers could send you was 303's, you had better have clubs.

Knox: Wait a minute, I said supply the ammunition for them. It is much easier to do that than make 303 guns.

Knudsen: They argue pretty heavily against that.

Knox: They have got it in their minds, but they have got to take what they can get.

Knudsen: The only way you can use your scheme is to give

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them the 30 divisions with American stocks.

Knox: Why not? They will fight just as well with Springfields as Enfields, or better.

Marshall: They have already got the divisions organized and equipped and they are trying to get maintenance.

Knox: Can't they supply the replacements, the outfits they have now got with 303's?

Marshall: No.

Knox: Then they had better throw the 303's away.

Marshall: Then they wouldn't have anything for two years, if they did that.

Nelson: What is the difficulty of making the 303's?

Stimson: It isn't adding new boring machines, is it, Bill?

Knudsen: No, it is --

Stimson: It isn't the mere boring of the barrels. We went through that carefully during this last week's conference.

Knox: They asked for 300 Springfields and a million of the others.

Stimson: You have got to completely change the breech mechanism, which means throwing away the rifle.

Knudsen: Otherwise, if we had sent them the American rifles and we could pour it out at 3,000 - you have got to change the whole setup.

Nelson: They probably use an entirely different type of barrel.

Knudsen: You see, we have a set of tools for the rifles over in Rock Island.

Marshall: They can turn out a thousand a day when they get going.

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H.M.Jr: General Marshall, isn't there - I mean, if the situation is as serious as Colonel Knox says it is, and we increase this capacity, this production of this country, of the 303 and the other things they want, that is no use to you?

Marshall: None whatever.

H.M.Jr: I wouldn't do it.

Marshall: The main thing, it is 2½ years at the earliest date before you get anything.

Knox: On what?

Marshall: 303's.

Knox: Let's talk about 30's.

Marshall: In about ten months you would be at a thousand a day.

Knox: There is the answer. We will say, "We can't give you the 303's; we can give you the 30's."

Stimson: We said that all last week.

Marshall: We are all saying the same thing, but there is confusion as to what we are leading up to.

H.M.Jr: What are we leading up to, General?

Marshall: To whether you add a number of divisions to this and ignore the other part of their request.

H.M.Jr: The point I am not convinced of is the ten divisions. I am not convinced that they are going to have ten divisions up here in Canada somewhere.

Stimson: They are not putting the divisions in Canada. That is merely the base from where they receive their munitions. They are trying to - of course, they need troops all over the world, as we need them all over the hemisphere, and then we are

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trying to arrange so that they could have this separate stuff to use in a different part of the world from the others.

Knox: Henry, if you say to them, "We cannot possibly undertake the manufacture of a million 303's but we might give you a million 30's--"

Stimson: We have said that.

Knox: All right, but this time we will say this is final and this is what we can do. What are they going to do?

Stimson: Last Friday they were going to accept B. When I get here after lunch I get A and B.

Knox: There will be no question of what they will do if we stiffen out and it isn't because we don't want to, it is because we can't. We aren't being tight with them or squeezing or anything, we will just tell them we can't do what they ask, but here is what we can do on the other side.

Stimson: Speaking not for myself but the gentlemen who are the chiefs of the different departments in the War Department that I have labored with, I have never seen a more earnest and determined attempt to fulfill the means of this desperate situation in the British than I saw last week.

Knox: Well, I am just impressed with the idea that this situation over there is getting more and more critical every 24 hours.

Stimson: So am I.

Knox: And as I said to this group before you came in, Henry, I think the British are going to get licked unless we help them and I don't mean just help them by sending them munitions, and if that is what we face, then the expansion of our productivity of these various types of munitions that we use in our own Army will be helpful to us.

Stettinius: Right.

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Knudsen: Right.

Knox: So my thought is to say to the British, "We would like to help you all we can but we can't make these English types. We can make American types, and that is all we can give you. You have got to make the best of it."

Stimson: Is this group willing to remit this to me with power to act on it?

H.M.Jr: I am.

Knox: I am, if you feel agreeable to that point of view.

Stimson: Is that all right with the Defense Commission?

Knudsen: Sure.

Stimson: I mean, sit down - I am talking about the ordnance. On the airplanes, I don't feel qualified. If we can do that, I think we can handle it.

Knox: How do you feel about it, Henry?

Stimson: Well, I haven't had a chance to talk to --

Knox: How do you feel about the general proposition of saying to them, "We can't make the 303 but we will try to make a lot more Springfields."

Stimson: He accepted it gladly last week, but he hadn't yet communicated with his own home government.

Knox: I am perfectly agreeable to leave it to you.

Stettinius: With the understanding it is American design.

Stimson: Will you accept that as a responsibility for me?

Marshall: Yes, sir.

Stimson: All right.

H.M.Jr: But I am more than glad to - you think that is

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all right, Jesse, don't you?

Jones: I don't think I have quite got it.

H.M.Jr: Well, the point is that Stimson says, is this group willing to leave it to him to negotiate with the English as far as the ordnance is concerned, I take it, he feeling that the opinion of this group is leaning toward that we could increase our production for American type munitions and that they will have to take it or not take it, but he wants the authority so that he can talk on ordnance, having the feeling that this group is with him on that phase.

Jones: I think he should have it.

H.M.Jr: That is what he asked for.

Stimson: Well, I am very glad and I have stated that if we can do more, we will be the first ones to do it in giving something to them from A, but I can't tell now, in the time that I have had to discuss it how much that would be. I think we could give some from A, but it would be pretty small.

H.M.Jr: But let's come back to this statement the President wants to make tomorrow night.

Stimson: All right, sir. Now, do you want - do you want me to continue on that?

H.M.Jr: If you wish.

Stimson: This has been a very hasty preparation. The first one is verbal, but it is a very important one. It was suggested to my simple mind by a more subtle mind. Throughout this paper you have spelled airplane as it is spelled in Great Britain, but not as it is spelled in America.

H.M.Jr: All right.

Knox: What is the American way, "a-i-r"?

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H.M.Jr: It doesn't take J. Edgar Hoover to find out what kind of a stenographer wrote it. I am caught. (Laughter)

All right, you have got me, as usual.

Stimson: The second sentence --

H.M.Jr: "Building on the foundation provided --"

Stimson: I have no other suggestions on the first sentence.

H.M.Jr: All right.

Jones: This is for inclusion in a speech?

H.M.Jr: This is for inclusion in a speech the President is proposing to make tomorrow night and he has got this statement and he wants the advice of this group, (1) should he do it, and (2) if he should do it, any suggestions in the statement.

Jones: Whose pride will be hurt if we change it, if we suggest changes?

H.M.Jr: Nobody's.

Stimson: My suggestions are not verbiage but suggestions as to amounts --

Jones: Pardon?

Stimson: My suggestions are as to amounts, not verbiage. I think, as you have phrased sentence No. 2, the words, "very important"- I would modify that. You could say, "very substantial," or you could say, "much larger" --

Forrestal: Or you could just say "substantial proportions."

Stimson: Substantial proportions is all right.

Stettinius: Right.

H.M.Jr: Well, General Marshall wants to leave that

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sentence out entirely.

Stimson: Well, of course, we thought that when we had so modified it, it wasn't strong enough to be --

Knox: How would it be, Henry, to say this. I am just thinking out loud. The strength of the RAF after three months of blitzkrieg - the air strength is greater now than when the blitzkrieg began, and this preponderance in strength is due to the contribution made by American airplane factories. That is a very impressive statement and it happens to be a true statement.

Stimson: I don't think that is true, Frank.

Knox: It is true. Am I right, Henry? Isn't that true?

H.M.Jr: Yes, it is true.

Stettinius: It is true?

H.M.Jr: Yes.

Jones: You mean they have got more now than they had?

H.M.Jr: Yes.

Knox: I saw some intimation that you knew it, because you had the same information I did.

H.M.Jr: The one you had is two pieces of paper. One was a pink piece.

Knox: That is right.

Stimson: If that was in there, I preserved it so carefully that I haven't read it since. (Laughter) If you say that it contains such a statement, I will --

Forrestal: Our own fellow says that same thing, too.

Knox: This is right out of the feed box. Why not capitalize on that truth if it can be done without injury to the British interests?

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Stimson: I can hardly believe that statement as you stated it.

Knox: I think I stated it correctly. They have more planes and more pilots than when the blitzkrieg began.

Stimson: But that is due to us.

Knox: Oh yes, we made it possible. We have contributed more planes than what they lost.

Knudsen: Due to the Germans not shooting down many.

Jones: How many have we shipped over there?

Stettinius: Mr. Young would know.

H.M.Jr: That statement that Frank Knox is making is perfectly correct. Whether you want the President to make that is something else again.

Knox: That is the question I raised. Do we want to have the President say that? I don't know any reason why not, but I am not very subtle about these things.

Jones: I am wondering, if we get credit for having made that possible, how many have we sent them?

Knox: Well, let's find out. Phil Young will tell us.

Young: Approximately 2,000.

Knox: Yes. Well, it is easily two.

Stettinius: In what time, Phil?

Young: Since the beginning.

Marshall: Combat or training?

Stimson: How many of those are training?

Young: A little less than 800.

Knox: It is still true.

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Stettinius: This is the beginning of the war or the beginning of the --

Young: Since the beginning of the war. The British gave this as - these are just British Government orders. These excluded the planes that were shipped to France.

Stimson: About 100, then.

Knox: As a trained newspaper man, the statement I suggested would have a hell of a greater influence on an audience than the one that is here, because it will measure the significance of our contribution to the present air defense of England.

H.M.Jr: Well, to get right down to brass tacks, this audience is one that he wants to convince --

Knox: Here is a perfectly good statement. The size of the contribution we have made to the British defense.

H.M.Jr: What we could do is, if enough of the people agreed with you, we could just take this sentence and paste it over this and say, "This is a possible substitute," and then let him decide.

Stettinius: I would agree with that.

Knox: He has the same information you and I have.

H.M.Jr: As just - this would be as a substitute.

Knudsen: It seems to me we ought to let the British tell their story and we will tell ours.

H.M.Jr: Well, the purpose of this statement is to show how much we have done to help them.

Knox: Yes. Now, when you compare that positive factual statement with the statement that they will in the early future attain very important proportions, it just means little or nothing. It is just a generality.

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H.M.Jr: Mr. Knudsen, before you came in, he questioned putting in the words, "12,000 planes."

Stimson: Well, I think it is a little bit expanded.

H.M.Jr: Do you (Knox) mind repeating to Mrs. McHugh what you said?

(The reporter read back the following statement by Mr. Knox:)

"The strength of the RAF after three months of blitzkrieg - the air strength is greater now than when the blitzkrieg began, and this preponderance in strength is due to the contribution made by American airplane factories."
(See attachments E and F)

Doesn't that mean we have got to build some new factories?

Knudsen: No. We have got the present factories to build 2,500 planes a month and I told you two gentlemen that I was after 12,000 bombers, which would give us 300 more a month.

Knox: Yes.

Knudsen: That I depended on the expansion to bring it to the 300, to make it 3,000 a month. If you are talking about 3,000 a month, then you want to put 1,400 more, which is their latest proposal. Then you would have to build.

Knox: It would be 4,400 a month?

Knudsen: 4,400 a month. That is twice as many as anybody is making in the world.

Knox: Supposing we do contemplate that for a minute. It may be possible we will have to do it, nobody knows. Wouldn't that involve the building of some additional plants?

Knudsen: Sure.

Knox: Well now, don't the English offer to pay for

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this investment of these additional plants?

Knudsen: What is that?

Knox: Don't the English offer to pay for that?

Knudsen: They won't pay a nickel. All they do, they pay for the plane as the plane goes out and if they don't take the plane, we don't get the money.

Knox: Well, you would have to protect yourself there, because as I understand their proposal - maybe I am wrong about this - they propose to pay for the additional investment in additional factories to build up this average in the price they pay for the plant and they would have to give us, before we put a lot of dough in these factories, some guarantee that if they cut their orders off they would take care of the initial cost. That would be good business, wouldn't it?

Knudsen: It would be 1,700 planes.

Knox: Well, you can't stop and think of all the orders they are going to give us.

Knudsen: No, but I am just thinking out the practical side of it, see. As far as I am concerned, you can tell me about the 4,400 planes and I will build the factories for them.

H.M.Jr: 4,400 a month?

Knudsen: Yes, but you are not going to get that right away. You are spread so thin now you would --

Knox: Let's put it this way. Supposing we knew that by a certain date we were going to be interested. Wouldn't we be starting some new plane factories?

Knudsen: Right.

Knox: Then why don't we do it anyway, because the chances are damned good we will be in the war. If they are willing to pay for it and Jesse Jones

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can finance it and they will promise to make good if they quit before the war is over, why isn't that a good thing from our point of view? Why not do it anyway and then the statements will be true.

Knudsen: Supposing we didn't have the British orders, we have got the adequate capacity now.

Knox: You have got the adequate capacity now?

Knudsen: I think 3,000 planes a month is all we would need on a war basis. I don't know whether you (Marshall) think we ought to go further than that, and, of course, when you go talking about 3,000 planes a month, you are talking about a trainer and a bomber in the same breath. All you want now - you don't want trainers, you want a lot of bombers.

Knox: Of course, that would be true for a long time, but would it be true in a war in which we are participating, when we want all we can get?

Stettinius: Sure.

Knox: I say if we were in the war, we would want all the production we could possibly get, 4,400 to 6,400. The more, the better.

Knudsen: But I think we would have to try to use the present facilities and not make too many new ones.

Knox: I know, but --

Knudsen: You heard me last week telling these fellows up in Detroit. That was with the very idea of trying to use as many existing facilities as we could rather than to go out and put up more buildings.

Knox: Well, supposing we quit making automobiles and make airplanes.

H.M.Jr: How does that look?

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Knox: It is simple, straightforward, true.

H.M.Jr: This is the way it reads, and I will just put it as a possible substitute for that other sentence.

"The strength of the RAF after three months of blitzkrieg of the air is greater now than it was before the blitzkrieg began, and this preponderance of strength is due to the contribution of the American airplane factories."

Jones: Where does that go, Henry?

H.M.Jr: That would be a substitute for that sentence- "This is growing rapidly." We will let the President decide.

Jones: I see. I think it is much better than this.

Marshall: Well, I think there is another consideration. The sentence as it is, I don't think it should be used. It has got to be modified.

H.M.Jr: All right. Now, where were we?

Knox: Still talking about whether we were going to have any additional plants.

H.M.Jr: Oh.

Knox: If you were talking about a normal time, Mr. Knudsen, you're entirely right. I wouldn't challenge it for a second, but we are talking about the abnormal conditions that will be if we are at war. That is something else again. Now, so far as building the plants are

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concerned, I don't care whether it is made in old plants or new plants. If we could get the automobile people in Detroit to go half their space which is already under a roof to build new planes, it is just the same as building a new plant. We have got to some day reach the point where we realize that airplanes are more important to our defense than automobiles.

Knudsen: I have no quarrel with that. You tell me how many airplanes you want and I will make them, but I will tell you that when you say planes at the end of '42, you certainly aren't going to get 4,400 airplanes a month at the end of '42, I don't care who does it.

Marshall: There are a lot of co-related items that go with it, because there is nothing more useless in the world than a plane without all the other things.

Stettinius: Of course, we have to go back to the root of many of these things. Mr. Secretary, the three definite shortages that we would run into in materials are aluminum, alloyed steels, and Neoprene, a synthetic rubber tubing made by the DuPont Company. They are having to double their capacity and there is a shortage on that now.

Knox: How long will it take them to double their capacity.

Stettinius: They are pretty well along now.

Knox: Three or four months more?

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Stettinius: Yes. Now, the aluminum thing, No. 1 is the power shortage. With Bonneville and T.V.A., right now we are having to allocate power. Now, if we are to increase our aluminum facilities, we can do it with plenty of notice, but we must have time, Frank, to build some power stations on a program of this kind. Now, what you say is absolutely right. If we are going to do these things, we must know now. Now, the aluminum for this program we are discussing, you must all realize it will have to come out of civilian needs. It is not possible to make available the aluminum for this defense program in the time required and take it away from your present production down in here without going into civilian needs.

Knox: How about civilian equipment they have got now?

Stettinius: Well, you would be interested to know, because I think this is going to be a constant thing with us, the shortages of aluminum in this program ahead, that of the aluminum industry now, 29% goes to transportation, land, air and water, 15% to machinery and electrical appliances, 14% to cooking utensils, 10% to electrical conductors, taking the place of copper wire. Now, not that we could pick up 25% of this aluminum industry - it is consumed by cooking utensils and electric wire for transmission purposes. Now, those two could immediately be --

Knox: Would that give you enough to make this program?

Stettinius: Yes, it would. Eight percent for building construction, six percent for food and beverage containers, five percent for chemicals, five

percent for iron and steel industry, and so forth. Now, what we are saying is that by exercising priorities over civilian needs, such as the two items of cooking utensils and electric conductors, we can furnish all the aluminum that we require for this program if we have time.

H.M.Jr: I just - were you through?

Stettinius: Yes, I was finished.

H.M.Jr: Jones gave me this as a possible suggestion to follow right along after Colonel Knox's statement. I will read it. He puts it this way. I will just read it this way. (Attachment G)

"The British Purchasing Commission has asked the Priorities Board, consisting of William S. Knudsen, Edward R. Stettinius, Jr., and Leon Henderson--" Well, it is our friend here also, Nelson. "....for permission to negotiate with American manufacturers for the purchase of 12,000 additional airplanes for war purposes to be delivered by June 30, 1942. This will bring Britain's total orders for military planes from the United States to more than 26,000, all to be delivered within the next twenty months. If these additional orders are approved, some additional plant facilities will be required in order that the present program of building planes for military purposes both for the United States and Great Britain will not be interrupted. Also large additional orders are being negotiated for field guns and other artillery, machine guns, rifles, tanks and complementary equipment and ammunition. Under the Priorities Commission recently set up by the President, all additional purchases of this character must be approved by the Priorities Board. The plant capacity necessary to produce all of these military facilities will be available to serve the needs of the United States in any emergency."

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Knox: That is to take the place of all the rest of the statement?

Jones: All the rest of it. Now, that is not making any unnecessary promises or promises we can't fulfill. I think it will serve the President's purpose better, it seems to me, and it doesn't put anybody in the attitude of misleading the British nor misleading our own people.

Stimson: That was the fear I had as to the present one.

Mr. Secretary, did the paper which you just read promise 12,000 planes by '42?

H.M.Jr: I wouldn't give it a '42 date. I think it is too discouraging. I wouldn't give any date.

Knox: Leave out the words "to be delivered by June 30, 1942."

Stimson: We don't think it could be done.

Stettinius: Let's just say "as soon as possible."

H.M.Jr: "As soon as feasible."

Knox: I would simply say, "The purchase of 12,000 additional planes," and let it go at that. "This will bring Britain's total orders --"

Stettinius: Would you like to have this read aloud again?

Stimson: Yes.

Knox: "The British Purchasing Commission has asked the Priorities Board, consisting of Nelson --"

Stettinius: No, Don isn't on the Board. He is our Administrator --

H.M.Jr: Frank, if you don't mind, talking for the President, put it, "I have directed the request from the purchasing board to the Priorities Commission."

Knudsen: Without any names.

H.M.Jr: Talking for the President, "I have directed the request from the British Purchasing Commission to the Priorities Board of the National Defense Council."

Knudsen: That is right.

Knox: "I have directed the request from the British Purchasing Commission to the Priorities Board of the National Defense Council." All right?

Knudsen: Leaving the names out.

H.M.Jr: Yes.

Jones: I would think he would like to use the names when he was making his speech, because he would like to give these young men a little advertising. They are all young men and they have got to make their ways in the world.

H.M.Jr: Sooner or later.

Knox: I will read it.

"I have directed the request from the British Purchasing Commission to the Priorities Board of the National Defense Commission --" That doesn't read smoothly. It will have to be re-written. "...for permission to negotiate with American manufacturers for the purchase of 12,000 additional airplanes. This will bring Britain's total orders for military airplanes from the United States to more than 26,000. If these additional orders are approved, some extra plant facilities will be required in order that the present program of building planes for military purposes both for the United States and Great Britain will not be interrupted. Also large additional orders are being considered for field guns and other artillery, machine guns, rifles, tanks and complementary equipment and ammunition. Under the Priorities Commission which I recently appointed all

additional purchases of this character must be approved by the Priorities Board. The plant capacity necessary to produce all of these military facilities will be available to serve the needs of the United States in any emergency."

I think that can be smoothed up and will cover this thing better.

H.M.Jr: It is a little bit - I would like to have it much more - instead of saying --

Knox: Yes. It can be written over.

Jones: A little smoother?

H.M.Jr: No, that isn't it. If we are going to use it, I would like to say - instead of saying, "If these additional orders are approved," I would much rather say, "When these additional orders are approved."

Jones: I had in mind --

H.M.Jr: Give it to them in the affirmative.

Jones: Maybe you are right. Here is the thought in my mind.

H.M.Jr: Because then the people will say, "Well, when?"

Jones: The thought that is in my mind was that the American people, a lot of them, are thinking that we mustn't give away all of our ammunition. We have got to keep a little bit at home. I think that he would in his own language, though, put this thing out --

H.M.Jr: Yes, but the point that I am asking in his behalf is, I don't want to have him come over and say to me, "Well, when - did this group say they can or can't? What is the answer? Can they or can they not take care of it?" And that is what Mr. Churchill wants.

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He doesn't want an if, he wants a yes or no.

Jones: Those men over there have got to answer that.

Knudsen: Well, if you are not giving us any time --

H.M.Jr: I am not putting any time limit on it, but both Mr. Churchill and the President, I think, are entitled to a yes or no.

Stettinius: It can be done, if there isn't a time limit.

H.M.Jr: Let's take the time limit out.

Jones: I think that is necessary. It could be done. I think it is all right and desirable to take the order, but they have got to understand that it is going to take more time. We can't afford to mislead them because we would be guilty --

Stimson: I don't think we could afford to mislead them even by a silence altogether.

H.M.Jr: Can I just read this, which I take it is the War Department's correction, before we take Mr. Jones' one? Can I just go through it the way I have it here from General Marshall? (Pencilled notations on Attachment A)

Marshall: I think that is like the Secretary's.

H.M.Jr: Could I read General Marshall's? Is that all right?

Stimson: Certainly.

H.M.Jr: Let me read his --

Stimson: I think it is the same thing, exactly, as I have here.

H.M.Jr: Would you read it?

Stimson: Oh no, you read it.

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H.M.Jr: I will just read it for a minute. Following that blitzkrieg statement of Knox's --

Stettinius: Campaign of 1936. (Laughter)

H.M.Jr: That is good.

Knox: I learned something. I had a very valuable experience. (Laughter)

H.M.Jr: Well anyway, Stettinius could get away with that, and I couldn't.

Knox: The hell you couldn't!

H.M.Jr: I am a timid soul, Frank.

"At the same time the British supplies from this country are again to be increased by heavy orders amounting to some 12,000 --"

Stimson: That is what is left out.

Marshall: Did you leave out the 12,000?

Stimson: Yes, I left out the 12,000.

H.M.Jr: "At the same time the British supplies from this country are again to be increased by heavy orders amounting --"

Stimson: "...which will serve still further to speed up our aeroplane industry and be of the greatest service to Britain."

H.M.Jr: Do you mind if I correct your copy, General?

Marshall: No, I thought I had it the way the Secretary did.

H.M.Jr: "At the same time the British supplies from this country are again to be increased by heavy orders --"

Stimson: Strike it out down to "which".

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H.M.Jr: And cross out "amounting." "....which should serve still further to speed up our aeroplane industry and which will be of the greatest value to Britain, and also - since this capacity is built up in this country - to United States defense." Are we together?

Stimson: Yes.

H.M.Jr: "In guns, our industries will provide the British with thousands of pieces of artillery --"

Stimson: We don't think - there is only one thousand.

H.M.Jr: Oh, then "many" is out. "....with thousands of pieces of artillery of the latest models."

Stimson: Yes.

H.M.Jr: "....with many thousands of machine guns --"

Stimson: Not "many", just "thousands of pieces of artillery of the latest models."

H.M.Jr: And then with thousands --

Stimson: "....with many thousands of machine guns," is the next. Strike out "tens and hundreds."

H.M.Jr: But leave in the word "many"?

Stimson: Yes, many thousands of machine guns.

H.M.Jr: "....with many thousands of machine guns."

Stimson: "....with hundreds of thousands of rifles --"

H.M.Jr: "....with hundreds of thousands of rifles --"

Stimson: Strike out "running into the millions."

H.M.Jr: "....and with several thousand tanks, along with equipment and ammunition. And don't forget that the capacity which is being built up to meet these orders will remain in this country available at a moment's notice to serve the essential needs of the United States."

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Stimson: We wouldn't object to your putting in the words "British orders," but we don't think we had better use the words "United Kingdom orders."

Knox: I think Jesse's statement is better.

H.M.Jr: I think Jesse's statement is better.

Knox: I do, for public consumption.

H.M.Jr: How about you?

Stettinius: I agree. I think some clever draftsman could take both and take something out of the last two paragraphs here that would strengthen Mr. Jones' statement.

H.M.Jr: Well, there is only one editor in the room.

Knox: Don't look at me. I am just the Secretary of the Navy now.

Jones: What did you mean by that remark?

H.M.Jr: Editor. I didn't say publisher. I said editor. I was very careful.

Jones: I thought I had edited that paper of yours.

H.M.Jr: Well, then there are two.

Knox: Had you forgotten Jesse is a publisher?

H.M.Jr: Do you mind if I, for the moment, turn to Chicago?

Jones: I will be delighted.

H.M.Jr: These Houston fellows, golly, they are just as jealous. (Laughter)

Knox: What do you want me to do?

H.M.Jr: Sit at the table a minute and put these two together.

Knox: I am going out of the room if I am going to do that.

H.M.Jr: Go into Mrs. Klotz's room.

(Mr. Knox left the conference)

Knudsen: Well, we started to tell you a little bit about these planes. Do I understand that you were talking about 4400 planes per month and that will take 8,000 motors a month?

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

Knudsen: I am getting a little dizzy here, especially if these motors are all 2800. They get bigger all the time.

Jones: I think it is highly desirable for the President to get something over about this Priorities Board. We had better let the people get used to it. Some of these days it is going to begin to pinch on the shoes.

Stettinius: We are awfully close to it. Mr. Knudsen and Mr. Nelson and I were talking in the car coming over about the make up of a Priorities Board for the steel industry. Right now it is on us.

Nelson: We have already announced the first one of commercial aircraft.

Forrestal: Do you have Douglas down?

Nelson: Well, they are working on it.

(Mr. Knox reentered the conference.)

H.M.Jr: Would publisher Jones come to attention (facetiously)? Can he (Jones) have this exclusively for his paper?

Knox: Yes.

Jones: I will criticize the editor.

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Knox: I think you will like it, because it is mostly your language.

"Building on the foundation provided by orders placed last winter and in the spring, the British are now receiving a steady stream of airplane deliveries amounting to several hundred a month. The strength of the Royal Air Force, after three months of blitzkrieg of the air is actually greater now than when the blitzkrieg began, and this preponderance in air strength despite battle losses is entirely due to the contribution made by American airplane factories. The British have now asked for permission to negotiate with American manufacturers for 12,000 additional planes. I have directed the request to the Priorities Board of the National Defense Commission. If these additional orders are approved, it will bring Britain's total orders for military planes from the U. S. to more than 26,000 and require extra plant facilities so that the present program of building planes for military purposes both for the U.S. and Great Britain will not be interrupted. Also large additional orders are being considered for artillery, machine guns, rifles, and tanks with equipment and ammunition.

"The plant capacity necessary to produce all of this military equipment will be available to serve the needs of the U. S. in any emergency." (Attachment H)

That is a little shorter and I think says all it said in the other statement.

Stimson: Strike out "entirely" and put in "in large measure."

Knox: Wait a minute. Where?

Jones: I concur.

Knox: Where is that?

Marshall: "....entirely due."

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Knox: Well now, you just take the punch out of it if you do that. You are telling the simple truth and the simple truth is ten times as strong if you say it without qualification.

Jones: Then cut out "entirely."

Knox: It is entirely due. The increase over what they had on hand when the thing began - it is entirely within - way inside it. This is read to an American audience and it is designed --

Jones: Read it now just a minute and leave out that word "entirely."

Knox: "Building on the foundation provided by orders placed last winter and in the spring, the British are now receiving a steady stream of airplane deliveries amounting to several hundred a month. The strength of the Royal Air Force after three months of blitzkrieg of the air is actually greater now than when the blitzkrieg began, and this increase in strength despite battle losses is entirely due to the contribution made by American airplane factories."

Now, do you want to say it is due, and leave out the word "entirely"?

Jones: That is what I suggested.

Knox: All right, but I wouldn't qualify it.

Jones: Well --

Knox: "...is due to the contribution made by American airplane factories. The British have now asked for permission to negotiate with American manufacturers for 12,000 additional planes. I have directed the request to the Priorities Board of the National Defense Commission. If these additional orders are approved, it will bring Britain's total orders for military

- 40 -

planes from the United States to more than 26,000 and require extra plant facilities so that the present program of building planes for military purposes, both for the United States and Great Britain, will not be interrupted. Also large additional orders are being considered for artillery, machine guns, rifles, and tanks with equipment and ammunition.

"The plant capacity necessary to produce all of this military equipment will be available to serve the needs of the United States in any emergency."

Stimson: The reason given by Mr. Stettinius - I still adhere - I think as you put it it is a rap at the British which will do more harm than good, and you emphasized that.

Knox: Well, my judgment doesn't concur with that at all.

H.M.Jr: Before I give this to the President, I would let the British see it.

Knox: All right. Yes, I would, because of the source of that information.

H.M.Jr: Let them see it.

Knudsen: I still adhere to the fact that you are telling their story and not ours.

Stimson: We are telling it as if it were our war altogether.

H.M.Jr: You don't like it?

Stimson: I don't like that point of it.

Stettinius: Which one, Mr. Secretary?

Stimson: The emphasis - I don't know whether it can be helped, because it is to an American

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audience, but I think it is so accentuating our work at the expense of the British that it - it will be inferred so, anyhow - that it will not help them a bit.

Jones: Suppose you said "due in part"?

Knox: That is what I said, "in large measure."

Jones: "In part" is still - it is a stronger statement.

H.M.Jr: Mr. Dunn had a suggestion right along that line. What did you say?

Dunn: Well, I would say - you might say "due in large part," because just before that you said that the deliveries, amounting to several hundreds a month - it sounds as if they didn't have very many when it began and they are not producing very many. I think it shows that there is a great weakness on the part of the British air strength and production.

Knox: Well, I yield to superior numbers. I am still thinking of the effect on an American audience.

Stimson: You are hoping for conviction, but you would like to see the fellow who could convince you.

Dunn: If you said their increase is due in large part to our contribution, I think you would be all right.

Jones: I would leave out the "large" and I think you strengthen it when you do. I would say "in part", because you have got two kinds of people in this country that he is going to be talking to. One is the fellow that thinks, "Well, you are going to give everything away. Why don't we keep some for ourselves?" You do just as much good, Colonel, if you say "in part" as you will if you say "in large part."

Knox: Well, you are just not saying anything at all if you say "in part", because everybody knows without your telling them that part of the reason for the British air strength is because we sold them some planes, but the striking thing, the dramatic thing, is that all of this increase, and more, is due to the planes they got from this country. That is the dramatic thing. You are leaving it out. Now, if you want to leave it out, out of concern for the British, okay, but don't make any mistake about it, you are weakening your statement when you take it out.

Jones: Frankly, I have wondered why you said to put in that paragraph about the airplanes - I mean, about the fact that they have got more now than they had when they started.

Knox: Don't you think that is a very dramatic fact?

Jones: I wondered about the advisability of the President making that statement.

Knox: Well, I think I would put it up to the British, as Henry suggested, and if they don't object, I think I would do it.

Forrestal: A lot of people believe that they are way below, they have lost a lot of planes and that they are on their last legs on plane supply. I think in making the --

Jones: All right. Now, you tell them in one sentence there that we have given them a few hundred a month.

Knox: Yes.

Jones: And then you tell them that that is the - accounts for all of their increase.

Knox: All of their increase?

Jones: I say all of the increase.

Knox: In other words, we take care of all of their battle losses --

Jones: And they think they have been losing a lot of planes, and you minimize the amount they have still got when you say this accounts for the entire increase.

H.M.Jr: Could I interrupt you a minute, Jesse? How would this hit you, Frank? The British are now receiving a steady stream of airplanes, leaving out deliveries amounting to several hundreds a month.

Knox: All right.

Jones: All right.

H.M.Jr: Just leave that out. That weakens it.

Knox: I think that is better.

H.M.Jr: The British are now receiving a steady stream of airplanes. Leave out deliveries amounting to several hundred a month. That strengthens it.

Knox: I think it does.

H.M.Jr: But you (Stimson) didn't like it somewhere else.

Stimson: No.

H.M.Jr: Which part didn't you like?

Stimson: The only suggestions I made were in regard to Frank's "entirely."

H.M.Jr: Is that out?

Stimson: I thought it was a little bit too --

H.M.Jr: "And the increase in strength despite battle losses is due to the contribution made by the American airplane factories." That is the way it reads now. The "entirely" is out.

Stimson: Yes.

Stettinius: I think "industries" is a better word than "factories" there. The airplane industry.

Knox: It makes no difference to me. If I can think of a one-syllable word, I will use that.

Jones: That is better. It takes in more people.

Stettinius: You have got your accessory plants rather than just your airplane factories. It is an industry.

H.M.Jr: Where is Mr. Jones' memorandum?

Knox: It is right there on your desk, the original.

H.M.Jr: Oh.

Knox: Haven't you got it?

Klotz: Maybe he left it in the other room.

H.M.Jr: No, I think it is over here on the other side.

Knox: Yes, there it is.

H.M.Jr: Now, just a minute, gentlemen. Having agreed on the statement, I am going to show it to the English, and I take it if anything is objectionable to them, we will leave it out.

Knox: Right.

H.M.Jr: I won't have the opportunity to come back to you people again. Is that all right?

Stettinius: Correct.

Knox: Correct.

H.M.Jr: But do we also understand that this is a commitment that we are making, that we will find room for their program?

Stettinius: Without any time limit?

(Mr. Knudsen nodded assent).

Jones: They ought to be made to understand, though, that we are not going to increase the per month, because he (Knudsen) keeps saying he can't do it.

H.M.Jr: I think if you people could spare the few minutes, I would like to have them come in, and I think if Mr. Stimson could make a little statement - what?

Stimson: I think I have stated pretty nearly enough for one day.

H.M.Jr: Well then, I will make the statement if you want me to, but - General Marshall, are you perfectly happy with the way this thing is going now?

Marshall: If I understand correctly about this time limit, because that is the vital part to this thing.

Stettinius: That is yet to be determined.

Stimson: The schedules are left out, as far as any statement by the President is concerned.

Marshall: It is a clear implication of what the time limit means.

Knudsen: Already for these 3,000 planes I have given the details of that to Secretary Morgenthau. We are binding ourselves to find room for 9,000 more to be built, but we are not binding ourselves on the time in which they are to be produced.

Jones: You mean you are going to build new plants to build this 9,000?

Knudsen: We are building some new American plants.

Jones: But will you increase your output per month?

Knudsen: Later. Not within the program we have got now, to any great extent.

Jones: That is what you want to be sure of, not to mislead the British.

Marshall: What I am concerned about is that they won't turn right from this like this adding of the old program to the top of the new and the ordnance accepting this implication and then ignoring the time factor, which we have stated is not to be insisted upon.

Stimson: If we are here when they come in, and a short statement is made to them such as you contemplate now, we have got to make very sure they are not misled into thinking that that - our silence on what I said earlier in the day is an acceptance of it, because it isn't. So far as the ordnance of the Army is concerned, that is left for future negotiation.

H.M.Jr: I understand, and the same is true with the airplanes. I will refer them --

Knudsen: I said that in a statement I handed to you. If you will read the opening paragraph of it.

H.M.Jr: I have it here. (Attachment C).

Knudsen: Yes.

H.M.Jr: "Regarding the proposed list of aircraft orders handed by the British Government to the Defense Commission under date of October 23, it is proposed that the requirements of 1395 planes per month be further studied in order to coordinate these proposed requirements with the U. S. expanded program now under consideration."

That is our 12,000 bomber program.

"However, for the moment it is proposed that the British Government be given clearance for an additional 3050 orders for planes to be placed with existing sources, and without involving plant expansion. These 3050 planes to be distributed as follows:"

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H.M.Jr: Again, coming on this thing, the way we have left the ordnance to Mr. Stimson, is it the pleasure of this group that negotiation of this aviation program in its initial stages will be left to Mr. Knudsen?

Stimson: Yes.

Stettinius: Correct.

Knox: Correct.

H.M.Jr: Well, I will repeat it to them verbatim, and I will read the thing when it is typed and whenever - as it goes to the President, whatever the corrections are, I will send you copies.

Knox: Right.

H.M.Jr: But I think the Priorities Board have got something out out for them.

Nelson: I'll say.

H.M.Jr: Mr. Dunn --

Knox: I would like to say a few choice words before we break up. In the weighing of the possibility of doing these things they are asking for, I hope we will weigh also the high likelihood that the things they are asking for we are going to find extremely vital to our own use before many months have gone by.

Knudsen: In other words, you are satisfied we are going to need them?

Knox: I am satisfied the British cannot win without us. That is the only thing I am satisfied about. I don't know what we are going to do, but I am satisfied they can't win without us.

Stimson: I feel very strongly in that direction.

H.M.Jr: I might as well make the statement on the record also then, from my standpoint, carrying this very heavy responsibility as to their finances, I think that it is most important that from now on any additional orders that they place are those which the Army and Navy can certify to as being of use to them in case of emergency.

Knox: Use to us in case of emergency?

H.M.Jr: Use to us.

Knox: You said to them. You meant to us.

H.M.Jr: I said the Army and Navy can certify to --

Knudsen: The planes?

H.M.Jr: Also the planes from now on, that the Army and Navy will say that if this additional production - the Army and Navy will say, "Well, anything from now on is something that we could use in case we had to."

Knox: Yes, that is very important.

Knudsen: Well, of course I have got to make this clear that these planes here that we have allowed them to place orders for are not American planes. They are English planes.

Knox: You mean up to the present time? No, we are not talking about up to the present time. We are talking about the future.

H.M.Jr: I am talking from now on. From now on if there is anything from my standpoint - you gentlemen have been very kind and given me a great responsibility which I am trying to carry, but from now on anything that they place, if I have got to underwrite it, I want to have it so that the Chief of Staff and the Chief of Naval Operations will say that is something they can use for ourselves if we want to.

Knox: If we need it.
H.M.Jr: Right.
Knox: Anything else, Henry?
H.M.Jr: No.

Building on the foundation provided by a very large aeroplane programme placed last winter and in the spring of this year, the British are now receiving a steady stream of aeroplane deliveries amounting to several hundreds per month. ~~This is growing rapidly and will in the relatively early future attain very important proportions.~~ At the same time the British supplies from this country are again to be increased by heavy orders ~~amounting to some 12,000 planes which will serve still~~ ^{should} further to ~~expand~~ ^{speed up} our aeroplane industry ~~to a~~ and capacity which will be of the greatest value to Britain, and also - since this capacity is ~~lost~~ ^{built up} ~~down~~ in this country - to United States defence.

In guns, our industries will provide the British with ~~many~~ thousands of ~~field guns and~~ ^{Receptor artillery} other artillery of the latest models; with ~~ten~~ ^{hundreds of} even ~~hundreds of~~ ^{many many} thousands of machine guns; with rifles ~~running into the millions;~~ ^{and several} with thousands of tanks, along with the ~~appropriate complementary~~ equipment and ammunition. And don't forget ~~that~~ ^{that} again the capacity which is being built up to meet these ~~United Kingdom~~ ^{British} orders ~~remains~~ ^{will} in this country available at a moment's notice to serve the essential needs of the United States.

Copy

B

STATEMENT OF
BRITISH AIRCRAFT REQUIREMENTS

1. The present programme authorized by the National Advisory Defence Council for aircraft production on behalf of the U. K. represents a total of 14,375 units (including spares) for completion by March 31, 1942. Orders are already placed or in negotiation to cover this total.

2. The U.K. Government seek extension of this authority to cover corresponding production during April to June, 1942 inclusive. This represents a further 2,700 aircraft units.

3. Mr. Knudsen prepared proposals in July last for a new scheme destined ultimately to yield 3,000 additional units per month and advised its initiation by a first instalment capable of execution during 1941 and yielding 1,375 additional units per month.

4. The U. K. Government desire authority to proceed with Mr. Knudsen's plan and initiate the first instalment forthwith.

5. They also request authority for intensified working of existing capacity allocated for U. K. production.

6. If paragraphs (4) and (5) are approved, the U. K. Government seek authority to place additional orders totalling 9,000 aircraft units for delivery by such arrangements by June 30, 1940.

7. The additional orders proposed under paragraphs (2) and (6) total 11,700 units. Including the total of 14,375 units under paragraph (1) the total orders placed or proposed for immediate allocation on U. K. account would total 26,075 units, all for delivery by June 30, 1942.

8. The rough allocation of this total would be as follows:

- (a) 7,200 bombers
- (b) 5,600 dive bombers and reconnaissance aircraft
- (c) 9,200 fighters
- (d) 600 flying boats
- (e) 3,400 advanced trainers

26,000 total

9. For the above aircraft provision is required for approximately 200,000 machine guns of .50 and .30 calibre and for 20 mm guns to an extent not yet determined.

October 28, 1940.

Kindson give this to
the Oct 29/40 at
meeting.

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C

Regarding the proposed list of aircraft orders handed by the British Government to the Defense Commission under date of October 23, it is proposed that the requirements of 1395 planes per month be further studied in order to coordinate these proposed requirements with the U. S. expanded program now under consideration.

However, for the moment it is proposed that the British Government be given clearance for an additional 3050 orders for planes to be placed with existing sources, and without involving plant expansion. These 3050 planes to be distributed as follows:

600 Harvard Trainers	with	North American Aviation Corp.
600 87 Hawk	"	Curtiss-Wright Aeroplane Div.
300 Dive Bombers	"	Brewster Aviation Corp.
300 A20 Bombers	"	Douglas Aircraft Co.
750 37 Bombers	"	Lockheed Aircraft Corp.
300 B26 Bombers	"	Glenn L. Martin Company
150 PB4C Boats	"	Glenn L. Martin Company
50 PB2 Boats	"	Consolidated Aircraft Corp.

Engines to be supplied from existing sources. Guns to be furnished by British sources in U. S.

October 28, 1940

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Up to October 1st of this year, the total orders placed in the United States for the account of the British Government amounted to \$1,600,000,000 and additional orders ready to be placed approximate another \$3,239,000,000. Of the \$1,600,000,000 of orders already placed, \$237,000,000 represents capital commitments for the purposes of plant expansion, personnel training, and the like. A capital commitment of \$100,000,000 has been allocated to the aircraft industry alone, while the remainder of \$137,000,000 has been committed for expanding the facilities of powder, munitions, and other industrial enterprises engaged upon the production of war material.

The British Government as of October 1st has placed orders for more than 11,000 airplanes and 27,000 engines. Additional orders to be placed by the British Government for aircraft and engines equal those already outstanding.

With respect to other war materiel the British have already placed orders for 68,489 tons of explosives and propellants; 1,105,000,000 rounds of small arms ammunition; and 254,117 small arms of various types, as well as for other items including tanks, tank engines, small boats, marine engines, and raw materials, especially iron and steel. In addition to the foregoing, the British Government is in the process of placing

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orders for 1,175,000,000 rounds of small arms ammunition; 1,850 field guns; 22,600 medium guns; 54,275 small arms; 2,000 tanks; and other miscellaneous items.

Between June and October of this year certain surplus materiel was sold or exchanged by the United States Army and Navy for more modern equipment. All of this surplus materiel was eventually purchased for the account of the British and Canadian Governments from domestic corporations.

In summary, this surplus materiel included 890,000 rifles, 20,500 revolvers, and 86,588 machine guns, with 144,790,000 rounds of ammunition for the same; 895 field guns with ammunition; 316 three-inch mortars with ammunition; 8,500 tons of T.N.T.; 4,860 tons of powder; and 6,600 aircraft bombs. In addition to these items there were included large quantities of accessory equipment, such as ammunition chests, magazines, spare barrels, caissons, etc. All of this materiel so purchased for the account of the British and Canadian Governments was delivered just after the evacuation at Dunkirk.

In addition to the expansion in our own production capacity resulting from British orders, we have also obtained plans and specifications of British war materiel, such as the Rolls Royce Merlin engine, the power-driven aircraft turret, and

detailed technical information concerning anti-aircraft measures, anti-submarine measures, etc. Further, the use by the British of American-made planes and guns has given us valuable information as to the effectiveness of these weapons under actual combat conditions.

Building on the foundation provided by a very large aeroplane programme placed last winter and in the spring of this year, the British are now receiving a steady stream of aeroplane deliveries amounting to several hundreds per month. ^{Substitute} (This is growing rapidly and will in the relatively early future attain very important proportions.) At the same time the British supplies from this country are again to be increased by heavy orders amounting to some 12,000 planes which will serve still further to expand our aeroplane industry to a capacity which will be of the greatest value to Britain, and also - since this capacity is laid down in this country - to United States defence.

In guns, our industries will provide the British with many thousands of field guns and other artillery of the latest models; with tens, even hundreds, of thousands of machine guns; with rifles running into the millions; with thousands of tanks, along with the appropriate complementary equipment and ammunition. And don't forget once again the capacity which is being built up to meet these United Kingdom orders remains in this country available at a moment's notice to serve the essential needs of the United States.

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F

Knot' suggestion

The strength of the R. A. F. after three months of Blitzkrieg of the air is greater now than it was when the Blitzkrieg began, and this preponderance in strength is due to the contribution by American airplane factories.

I have directed the request from

The British Purchasing Commission has ~~asked~~ ^{been} the Priorities Board, consisting of William S. Knudsen, Edward R. Stettinius, Jr., and Leon Henderson, for permission to negotiate with American manufacturers for the purchase of 12,000 additional airplanes for war purposes to be delivered by June 30, 1942. This will bring Britain's total orders for military planes from the United States to more than 26,000, all to be delivered within the next twenty months. If these additional orders are approved, some ^{extra} additional plant facilities will be required in order that the present program of building planes for military purposes both for the United States and Great Britain will not be interrupted. Also large additional orders are being ^{considered} ~~negotiated~~ for field guns and other artillery, machine guns, rifles, tanks and complementary equipment and ammunition. Under the Priorities Commission ^{which I recently appointed} ~~recently set up by the President~~, all additional purchases of this character must be approved by the Priorities Board. The plant capacity necessary to produce all of these military facilities will be available to serve the needs of the United States in any emergency.

*To be dressed up
him in her own
style of delirium
should not mistake
the British - or our
own people -
will be*

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6 Knot's

Written by Sec. Knopf. Oct 29/40

Building on the foundation H 118
provided by orders placed
last winter and in the spring,
the British are now receiving
a steady stream of airplanes,
~~delivered~~ amounting to several
~~hundreds a month~~. The strength
of the Royal Air Force, after three
months of Blizkrieg of the air
is actually greater now than
when the Blizkrieg began. And
this ^{increase} ~~increase~~ in ~~the~~ strength
despite battle losses is ~~entirely~~
due to the contribution made
by American airplane ^{industries} factories.
The British have now asked
for permission to negotiate with
American manufacturers for
12,000 additional planes. I
have accepted the request to

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the priorities Board ^{of the} ~~the~~ ^{United} ~~National~~
~~Defense Commission~~ * If these
additional orders are approved
it will bring Britain's total
orders for military planes from
the U.S. to more than 26,000
and require extra plant facilities
so that the present program
of building planes for military
purposes both for the A.S. and
U.B. will not be interrupted.
Also large additional orders
are being considered for military
machine guns, rifles, and tanks
with equipment and ammunition.
The plant capacity necessary
to produce all of this military
equipment will be available
to serve the needs of the U.S.
in any emergency.

Final Draft

(Copy)

Building on the foundation provided by orders placed last winter and in the spring, the British are now receiving a steady stream of airplanes. The strength of the Royal Air Force, after three months of Blitzkrieg of the air, is actually greater now than when the Blitzkrieg began. And this increase in strength despite battle losses is due in part to the contribution made by American airplane industries, and the American contribution will be of ever increasing importance.

The British have now asked for permission to negotiate again with American manufacturers for another 12,000 additional planes. I have directed the request be given most sympathetic consideration by the Priorities Board consisting of William S. Knudsen, Edward R. Stettinius, Jr., and Leon Henderson. When these additional orders are approved, it will bring Britain's present orders for military planes from the United States to more than 26,000 and require extra plant facilities so that the present program of building planes for military purposes both for the United States and Great Britain will not be interrupted. Also large additional orders are being negotiated for artillery, machine guns, rifles, and tanks with equipment and ammunition. The plant capacity necessary to produce all of this military equipment will be available to serve the needs of the United States in any emergency.

10/29/40

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This was given to HM,Jr at the 3:30 meeting today by Secretary Stimson and Stimson said that HM,Jr could keep it as he had another copy.

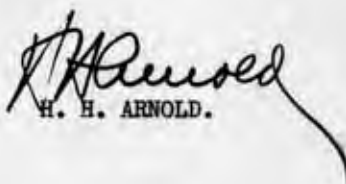
WAR DEPARTMENT
WASHINGTON

October 28, 1940.

MEMORANDUM FOR THE SECRETARY OF WAR:

In accordance with instructions from you the undersigned had conferences this morning with Mr. Knudsen. Mr. Knudsen stated positively that there was no chance of increasing the present production of aircraft beyond 3,000 a month within a period of two years, and further that the two Government plants would be required in order to bring it up to the 3,000 a month, further that Mr. Knudsen this date had taken up with the British mission this whole question and ~~it~~ was recommended to them that the additional airplanes, totalling 3,000, be added to the end of existing orders which would make their deliveries come some time in 1942. He further stated that the British were not willing to spend any money for additional facilities and that there were no facilities available to them at this time, and that any additional deliveries over and above those already scheduled could only come from additional facilities.

It is accordingly recommended that no further action be taken in this matter until it has been referred to the Joint Allocation Committee and their recommendations received.



H. H. ARNOLD.

RE BRITISH PURCHASING PROGRAM

October 29, 1940
4:20 p.m.

Present: Mr. Dunn
Mr. Buckley
Mr. Young
Mr. Purvis
Mr. Fairey
Mr. Self
Mr. Layton
Mrs Klotz

H.M.Jr: I am sorry I kept you waiting, but I think it will be worth while. This is the way the situation ended. I mean, Mr. Knox and General Marshall and Stimson and a lot of them - there were 15 or 20 of them came over.

The feeling is, as to our program, that Mr. Stimson was delegated to continue the negotiations as far as ordnance is concerned.

Purvis: Yes.

H.M.Jr: With the feeling that it is possible, provided there are no dates, and that they will be types of equipment which can be used by the U. S. Army.

On the plane program, the negotiations will be continued by Mr. Knudsen. The same prerequisite will hold true. They will have to be types of munitions and planes which the Chief of Staff or the Chief of Naval Operations can certify to as being of use to us in case our own national needs --

Purvis: Right.

Layton: That would not affect the approval of the types which may one day be used? For instance, the War Department agreed about the medium artillery.

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- H.M.Jr: Well, that doesn't mean that if you could persuade the Army that they should take a type of tank or guns and decide to concentrate on a particular tank or a particular gun which is both useful to your government and to ours, that is all right, but I think you will find that from now on we will have to take the position that any additional orders placed here will be those which the Chief of Staff or Chief of Naval Operations will certify to as being of use to us in case of our own national needs.
- Layton: Yes, but it may be quite a while, for instance, in one or two of those cases before the War Department decides. We would like to sort of --
- H.M.Jr: Well, I am just trying to give you the broad principles which we agreed to here.
- Purvis: May I ask about the meaning of the "no dates" which you mentioned?
- H.M.Jr: Well, in the statement which I gave them, the thing that seemed to bother them so much was that certain planes or guns - well, there is something here - the 5½ months for some - what was it, Phil, the 5½ months? Was it planes or guns that they asked for?
- Young: Planes.
- H.M.Jr: And the other thing which seemed to disturb them, calling a spade a spade, was that as of Friday, as between Sir Walter Layton and Mr. Stimson, they had agreed to a certain program. Was it the "B" or the "A"?
- Layton: "B".
- H.M.Jr: And now you come back with "A" on top of "B".

- 3 -

- Layton: Oh, no. "A" had been agreed two or three days previously. "B" was a supplementary program.
- H.M.Jr: He didn't seem to have that impression, did he?
- Young: No. What evidently disturbed the Secretary was the fact that both of them were now together instead of either one or the other.
- Layton: Well, it has never been suggested that there should be one or the other.
- H.M.Jr: Well, you will have your day in court with him.
- Layton: Yes, yes.
- H.M.Jr: I will come back, if I may, if you want to ask any questions, but I am pressing to get this over to the President.

This is a revised statement. (Attachment A) We have spent most of our time on this statement, because this is in a sense of commitment, but before doing it, we wanted to find out if this was agreeable and then any suggestions that you had, I wanted to make sure that the State Department's viewpoint was agreeable. I will read it out loud, if I may. Supposing I read it through once, and then we go back over it, you see.

"Building on the foundation provided by orders placed last winter and in the spring, the British are now receiving a steady stream of airplanes. The strength of the Royal Air Force, after three months of blitzkrieg of the air, is actually greater now than when the blitzkrieg began. And this increase in

- 4 -

strength despite battle losses is due to the contribution made by American airplane industries.

"The British have now asked for permission to negotiate with American manufacturers for 12,000 additional planes. I have directed the request to the Priorities Board consisting of William S. Knudsen, Edward R. Stettinius, Jr., and Leon Henderson. If these additional orders are approved, it will bring Britain's total orders for military planes from the United States to more than 26,000 and require extra plant facilities so that the present program of building planes for military purposes both for the United States and Great Britain will not be interrupted. Also large additional orders are being considered for artillery, machine guns, rifles, and tanks with equipment and ammunition. The plant capacity necessary to produce all of this military equipment will be available to serve the needs of the United States in any emergency."

Now, naturally, the President doesn't want to make any statement that isn't entirely agreeable to you people, so I will be very glad to have any suggestions that you care to make. .

Now, we are using certain confidential information in here.

Purvis: The 26,000 figure has been added since this morning.

H.M.Jr: No, the one we are using is the fact that your strength is greater than it was.

Purvis: Yes.

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Layton: I think that has been made public.

Purvis: I think it has been stated publicly.

H.M.Jr: Take your time, gentlemen. We took two hours to write it.

Purvis: It is a work of art.

Self: "....this increase in strength despite battle losses is due to the contribution made by American airplane industries." My thought on that, in point of fact, the types, British types - the effect of British types in service - that statement is equally true of them.

Purvis: You would like to put "to an important degree - is due to an important degree"? You mean that it isn't due alone to American manufacturers.

Self: It is true, if I may express myself that way.

H.M.Jr: Do it quite freely.

Self: As to the British Royal Air Force as equipped with British types, it is stronger after the blitzkrieg than before.

H.M.Jr: You mean that is true?

Purvis: Even without American planes.

H.M.Jr: Well, that is all right with me.

Purvis: Do you think "to an important degree" would be acceptable?

Self: Yes, I think so.

Purvis: Sometimes it is easier to find a way out by taking the actual words. It seems to

- 6 -

me that could be added without --

H.M.Jr: "....is due in part"? "....due in part to the contribution made by American airplane industries."

Purvis: Yes, that is easier still.

Self: Yes.

H.M.Jr: "....due in part to the contribution made by American airplane industries." Would that be true? That is all right, Mr. Dunn?

Dunn: Yes.

Fairey: Is it the wrong time to mention that in the future it will be even more important, the contribution by Americans? After all, the American deliveries are only just beginning in terms of --

Dunn: Don't you think you get a better impression from the way the statement is written? Doesn't that statement attempt to give that impression?

Fairey: If what Sir Henry says is correct, but my point is that in the future that is going to play a much more important part.

H.M.Jr: Would you want to add the sentence, "In the future this contribution will become increasingly more important"?

Fairey: Yes, that is my suggestion.

H.M.Jr: Well, I don't know.

Purvis: I think that fits in with what we had this morning.

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H.M.Jr: And the American contribution --

Purvis: Yes, it will be an increasing one in this regard.

H.M.Jr: It will be of ever increasing importance. Should it be "airplane contribution" or "American contribution"?

Purvis: "Contribution", because it is all airplanes in that first paragraph.

H.M.Jr: How did you put it?

Purvis: "...will be of ever increasing importance."

H.M.Jr: I think that is good. It is true, anyway.

Fairey: It makes a better picture of the situation.

H.M.Jr: Yes, it does.

Now, what about the next?

Purvis: The additional orders are not approved as yet.

Self: I don't know whether you would prefer this, sir. It just doesn't seem to bring out the thing in full. "And this increase in strength despite battle losses has not merely been assisted by the contribution already made by the American industries, but will be still further accentuated."

H.M.Jr: No. If you don't mind, Sir Henry, I think that is a little bit --

Purvis: Too respectable?

H.M.Jr: Well, this is Editor Frank Knox who wrote this and he --

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- Purvis: We mustn't interfere with the Press, whatever we do.
- H.M.Jr: Well, it is all right, but I just - I think that is a snappy sentence. "And this increase in strength despite battle losses is due in part to the contribution made by American airplane industries." There are two things - you have got the American audience, where they want to show how much we have helped you and take some credit, and at the same time we are making a commitment, and most important of all, whatever we say here must be helpful to your morale, or the statement oughtn't to be made.
- Purvis: That is right.
- Could we, on the next paragraph on the third line - is it a fair interpretation of this, and if so, could it be put in that way? "I have directed the request to the sympathetic consideration of the Priorities Board." Is that true?
- H.M.Jr: Oh, yes, definitely.
- Purvis: Would it be possible to give that amount of encouragement?
- H.M.Jr: Yes. Wouldn't you say that after this meeting, definitely?
- Dunn: Oh, yes.
- Purvis: The more we can feel that it is really moving, because the President's words will be repeated in England, and if they have doubt about our ability to place orders, it is going to discourage them.
- H.M.Jr: "I have directed that the request be given

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most sympathetic consideration by the Priorities Board." And may I ask a question at that point as to whether the 4,250 that were --

Purvis: Just for our own information, does the 4,250 which Mr. Knudsen temporarily cleared, is that actually cleared yet or is that --

H.M.Jr: What Mr. Knudsen gave me, if you would stop at this point, is this.

"Regarding the proposed list of aircraft orders handed by the British Government to the Defense Commission under date of October we, it is proposed that the requirements of 1395 planes per month be further studied in order to coordinate these proposed requirements with the United States expanded program now under consideration.

"However, for the moment it is proposed that the British Government be given clearance for an additional 3050 orders for planes to be placed with existing sources, and without involving plant expansion. These 3050 planes to be distributed as follows:"

Now, that is firm but that doesn't preclude in this big 12,000 bomber program which is in the process that you people won't sit in on that if you could let them know that you will take our bomber instead of something else.

Fairey: We said that yesterday, Mr. Morgenthau. We told that to Mr. Knudsen.

H.M.Jr: You didn't make a home run, as we say, on it.

Fairey: We were quite definite on it.

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Self: In the afternoon we said, "We will take every Consolidated B-24 that you will give us."

H.M.Jr: Well, I am afraid you will have to say it twice more.

Fairey: You remember I went with the intention of saying that.

Purvis: That is not the last time.

H.M.Jr: Well, you will have to say it over again, but it is more and more evident to me that they are going to be glad to take it, because they haven't got enough orders of our own with money existing to fill these plants, and I said to Mr. Knudsen just the last thing before he left, "My brand new suggestion is, why don't you let the English place the orders," and his answer was, "Because they won't take our types." That is the last thing he said before he left the room.

Fairey: Mr. Morgenthau, I was fully primed - when we went there, he said, "You can't have your Sterlings," so we said, "Let us have some Consolidateds." So he explained the scheme and we said we would take them.

H.M.Jr: The last thing he said - I thought I was giving him a wonderful new idea.

Fairey: I pressed him, Mr. Morgenthau, to let us place the order at once for our share and he said, "You can't place it yet because there is no one to place it with," but we have stuck to that point.

H.M.Jr: I think there is a good chance, but as to your immediate answer, that is the firm answer and I think you have a very good chance of getting 1200 bombers or more.

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Purvis: And with that we can press on straightaway with Mr. Knudsen?

H.M.Jr: Tomorrow morning the Air Section starts with Mr. Knudsen and the Ordnance Section starts with Mr. Stimson.

Purvis: May I ask one other point on this, which is quite important, if it could be done.

H.M.Jr: Please.

Purvis: Could we remove the word "if" and say "as and when the orders are approved." It throws such a doubt on the possibility of their being, and "as and when" doesn't really --

H.M.Jr: What would you like to say?

Purvis: "As and when".

H.M.Jr: From the meeting, what would you gentlemen say? Do you think it is all right?

Dunn: Yes, I think so.

Young: Just "when".

H.M.Jr: I mean, is that in the spirit of what was going on here?

Dunn: I would think so?

H.M.Jr: Would you?

Dunn: Yes.

H.M.Jr: Then say "when"?

Purvis: Otherwise, the doubt there might be quite --

H.M.Jr: Mrs. Klotz reminded me. I tried to get it in earlier. All right?

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- Purvis: Yes.
- H.M.Jr: "When these additional orders are approved." What else?
- Fairey: My point, Mr. Morgenthau, is it necessary at this stage to mention that there will be extra plants required? It rather impresses you that it will take a long time.
- H.M.Jr: Where is that?
- Fairey: Immediately after the 26,000. He says it will require extra plant facilities. We know they do, but in a statement of this kind it will suggest that it will take longer.
- H.M.Jr: I am afraid they want that in there, because that is good for our home consumption. We are going to have to build extra plants, which is good for our own national defense, you see.
- Fairey: I see.
- H.M.Jr: Also tying it up with this military equipment available to serve the needs of the United States in any emergency. It is good for home consumption, if you don't feel it is too harmful for you.
- Fairey: Oh, no.
- Buckley: Could you temper it a little bit by saying "may need" because we don't know it yet.
- H.M.Jr: Personally, I would like to see in this thing - and we are talking here among friends - they are still questioning the 50,000 planes, where are we going to get them. Well, we are going to get them from additional plants

- 13 -

and that is the only place we can get them. We have got to build more plants if we are going to have 50,000 planes, and I think when you stop to consider, this is a notice to the world that we are not through yet.

Purvis: That you are going in for a big effort, yes.

H.M.Jr: What do you think?

Fairey: Could it be said, then, that this in addition to the American program will require extra plants?

H.M.Jr: No, because that ties us. It says we are through.

Fairey: I see. Yes, you are quite right.

Purvis: I think we had better let that one go by.

Now, Sir Henry, have you got any other reservations?

Self: This 26,000. It is a very nice balance for consideration. It is impressive and yet it is giving a direct lead to the enemy as to the extent of our activity.

Layton: It is a belief that is spreading throughout the Continent that Hitler conveyed to Mr. Laval a figure of Germany's airplanes that was intended to frighten the French into thinking the British couldn't possibly last out. There is no doubt that that was one of the things used in the discussion with Laval. I don't know whether the figure of 26,000 will look large or very small. I am just wondering whether there might not be a danger --

Purvis: We can't very well --

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Fairey: It forms a portion of the total program to which our own output is added, to which the American output, not stated, is also there.

Purvis: That is, I think, the present intention in the figure.

Fairey: I doubt whether Hitler in his wildest moments would have suggested a figure to beat those three. Your point is not giving a figure at all, but to phrase?

Purvis: I don't want to be over-pressing and ask for too much. It is a good figure.

Self: Perhaps we could say negotiate for 12,000 additional planes as a first step.

Purvis: Yes, it is a first step.

Self: At the end of the second line, "for permission to negotiate for 12,000 additional planes as the first step."

Purvis: Because it is only 6,000 output of the plants, that is what you mean.

Young: You can call them preliminary orders instead of total orders.

Layton: I suggest that if you put in the words "as the first step" after the words "12,000 additional planes," that you should just strike out the word "total."

Buckley: Or can't you capitalize on the idea of not revealing the figure at all.

Purvis: The room is bristling with ideas.

Buckley: The total, which we are not at liberty to divulge.

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Self: Take out the word "total" in line 6 and put in "immediate."

Purvis: Yes, "....bring Britain's immediate orders for military planes to more than 26,000."

Young: Then you are giving more information when you do that. Nobody knows what the total orders are. They don't know what deliveries have been made or over what period it has been given.

H.M.Jr: Would this help again? "The British have now asked for permission to negotiate again with American manufacturers for another 12,000 planes."

Purvis: That would be splendid.

H.M.Jr: Would that help any?

Purvis: Yes. "....to negotiate for another 12,000." I think that would be excellent.

H.M.Jr: Would that help?

Purvis: Because that is really - it fits in with the facts.

H.M.Jr: "....for permission to negotiate again with American manufacturers for another 12,000 planes." Would that help any?

Fairey: It helps if you don't use the word "total" later on.

H.M.Jr: Where is the word "total"?

Purvis: Sixth line.

H.M.Jr: Yes, "....it will brings its orders --" leave out the word "total."

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Purvis: Yes.

H.M.Jr: Right. Now, it reads this way. "The British have now asked --" Just to stop one moment. Mr. Stimson said, "I have to say one thing. We don't spell airplane the way it is spelled in this memorandum," so I said, "Well, that sort of tips my hand off as to who wrote it," and somebody else said, "For God's sake, take out 'United Kingdom' and say 'British.'"

Layton: Very good.

H.M.Jr: "The British have now asked for permission to negotiate again with American manufacturers for another 12,000 additional planes. I have directed that the request be given most sympathetic consideration by the Priorities Board consisting of --" et cetera. "When these additional orders are approved, it will bring Britain's orders for military planes from the United States to more than --"

Self: Present orders.

H.M.Jr: Just the word I was groping for.

Self: Would you mind - "...and partly require extra plants," in the next line, the point being some of these 12,000 are going to come out of the existing capacity, but if you say the whole 12,000 involve extra plants, anybody knows what date you are going to get them.

Fairey: But the purpose of this memorandum --

H.M.Jr: I wouldn't water that down too much unless you feel very strongly on it. You see, our opposition, it is very easy for them to take out a pencil and say, "How is Mr. Roosevelt going to get 50,000 planes"? They know out of

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existing plants it just can't be done.

Purvis: Sir Henry's point, "....its complete fulfillment will require extra plant facilities." Is that right, Sir Henry?

Self: Yes.

Purvis: Which wouldn't water it down, from his view.

H.M.Jr: Unless you feel strongly about it - what about it, Sir Walter? Do you feel strongly about it?

Layton: I had rather not put in the --

H.M.Jr: Well, I am just hanging back a little on so many qualifications, but if you people feel about it strongly --

Layton: Without the word "complete" I would be quite happy. "....and its fulfillment will require --" because it suggests that it leaves --

H.M.Jr: It will bring - will require extra plants for the present program --

Layton: "....to more than 26,000 and their fulfillment will require --"

H.M.Jr: "....and their fulfillment --"

Layton: "....fulfillment of the orders --"

Purvis: That wouldn't change the sense.

Young: It seems to me - you say the extra plant facilities are required for both British and United States programs. You don't say it is just required for British, if you read the whole sentence. That doesn't mean that the British

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will need extra facilities besides those already existing.

H.M.Jr: Did somebody say this before - "require extra facilities in part"?

Self: My words were, "and in part require."

H.M.Jr: Mr. Dunn, you draft cables every day.

Purvis: "And in part require" wouldn't make any difference.

H.M.Jr: They want me to put in here, "and in part require extra plant facilities."

Dunn: I would prefer to see it stay just the way it is, Mr. Secretary.

H.M.Jr: Then let's just leave it that way.

Dunn: There is a popular impression that we throw up plants over night and I don't think that really is --

Self: Unfortunately, the Germans realize how long it does take.

H.M.Jr: Fortunately or unfortunately?

Self: Unfortunately.

H.M.Jr: Is there anything else in this?

Layton: The word "considered," of course, gives a rather distant flavor.

H.M.Jr: Where is that?

Layton: "Also large additional orders are being considered."

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H.M.Jr: Are being "studied"?

Layton: Could we say "negotiated"?

H.M.Jr: You can, definitely. "Negotiated" is all right. "Also large additional orders are being negotiated." Definitely. Wouldn't you gentlemen say so, after today's meeting?

Young: And how!

H.M.Jr: Something happened here.

Dunn: They will be tomorrow morning.

H.M.Jr: "....are being negotiated for artillery --"
"....are being negotiated," right?

Layton: That last one is perfect. I entirely agree with it.

H.M.Jr: Is it all right now?

Purvis: Yes, fine. Thank you very much. I think on the whole that is a very good program. I think we are much indebted to your effort on it.

H.M.Jr: Well, it is the accommodation of everybody in the Administration. Everybody wants to help. After all, under a democracy, your country and ours, we can't just give orders. It is all negotiations.

Purvis: Quite.

Layton: It is a difficult thing, because if you give a figure which gives a little impression and put them too high, you create expectations which may disappoint our own people.

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H.M.Jr: Well frankly, 26,000 planes looks big to me.

Layton: It is good, yes.

H.M.Jr: Because they know how many planes you can put into the air and how many you have in reserve.

Purvis: That is right.

H.M.Jr: They know that. Is it 10%?

Layton: Yes, the danger in the case of planes being that our people may be unduly exalted by a statement like this, and disappointed when they don't come within the next two or three months.

H.M.Jr: You people have to say yes or no, that you would like the President to make it. I don't know whether he is going to make it, because after he reads the thing, he may say he doesn't want it, but the statement I gave him this morning at a quarter of one, he liked it very much and said two or three times, "I like it very much."

Purvis: Quite. Well, I think you have had a fair day. If I may suggest --

H.M.Jr: Are you entirely satisfied, Mr. Dunn?

Dunn: Yes.

H.M.Jr: I will get a copy of this over to you tomorrow morning the first thing and you can give it to Mr. Hull.

Dunn: Yes.

H.M.Jr: But you can't see from an international thing --

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Dunn: Oh, no. I would certainly approve it.

H.M.Jr: Thank you so much.

Building on the foundation provided by orders placed last winter and in the spring, the British are now receiving a steady stream of airplanes. The strength of the Royal Air Force, after three months of Blitzkreig of the air, is actually greater now than when the Blitzkreig began.

And this increase in strength despite battle losses is due *in part* to the contribution made by American airplane industries.

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rifles, and tanks with equipment and ammunition. The plant

capacity necessary to produce all of this military equipment

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any emergency.

2 in part

October 29, 1940

HM, Jr took the attached draft to the President at 6:15 p. m.

When HM, Jr returned to his office he said, "I just got there the right second. He was just being finished on the message table and had only a minute to go. If I had been a minute later I would have missed him. He read the statement and said 'This is fine.' He said, 'Are they willing I should say 26,000 planes?', and I said yes. He said, 'I can't say I directed. I am going to say I requested.' He said, 'This is fine and I will use it.' He seemed very much pleased."

The Secretary said that today's meeting was an historical one.

Building on the foundation provided by orders placed last winter and in the spring, the British are now receiving a steady stream of airplanes. The strength of the Royal Air Force, after three months of Blitzkrieg of the air, is actually greater now than when the Blitzkrieg began. And this increase in strength despite battle losses is due in part to the contribution made by American airplane industries and the American contribution will be of ever increasing importance.

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President's Changes

Final Draft

October 29, 1940

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OCT 29 1940

My dear Mr. President:

In accordance with instructions in your letter of October 25, 1940, staff members and other officers of this Department concerned will refrain from taking any action pursuant to the liquidated damage clause of any contract over which they have supervision whenever they find that delay in delivery by the contractor became necessary in order to meet delivery dates in Army and Navy contracts bearing preference ratings.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

The President,

The White House.

WHT:ams

By Messenger 2³⁵

THE WHITE HOUSE
WASHINGTON

October 25, 1940.

My dear Mr. Secretary:

At the suggestion of the Advisory Commission to the Council of National Defense and of the War and Navy Departments, a voluntary system has recently been instituted for the assignment of preference ratings to contracts placed by the War and Navy Departments for items listed as critical in the defense program. The preference rating requests that the contractor give to the contract, insofar as necessary to assure delivery on the dates specified, the indicated degree of preference over other contracts which have an inferior or no preference rating and over contracts for private account or for export.

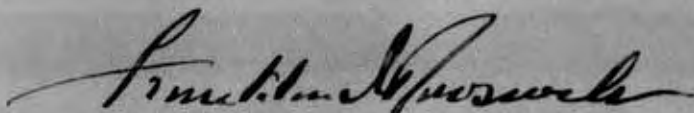
Instances have arisen where potential contractors have been hesitant to accept Army and Navy preference rated contracts because such contractors are already working on other Government contracts which contain liquidated damage clauses. Unless industry is assured that delays caused by the acceptance of and compliance with preference rated contracts will not result in attempts by the Government to collect penalties, the procurement of materials necessary to the defense program may be unduly retarded.

Accordingly, you are requested to instruct the appropriate members of your staff, including any contracting officers subject to your jurisdiction, to cooperate fully with the War and Navy Departments with reference to the operation of the preference system. They should be specifically instructed to refrain from taking any action pursuant to the liquidated damage clause of any contract over which they have supervision whenever they find that delay in delivery by the contractor became necessary in order to meet delivery dates in Army and Navy contracts bearing preference ratings. Likewise, the Secretaries of War and Navy are requested to inform their respective staffs that they are to be guided by this general principle with respect to delays which result from the operation of the preference system.

- 2 -

Identical letters are being transmitted to the heads of the appropriate executive departments, independent establishments, and other agencies and instrumentalities of the United States. I am also requesting the Attorney General and the Comptroller General to take appropriate steps to comply with this policy.

Very sincerely yours,



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

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WASHINGTON

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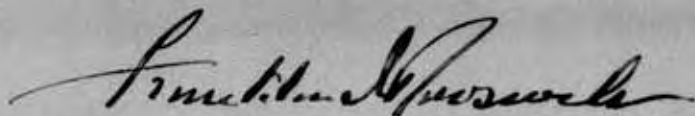
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Very sincerely yours,



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

PRESENT STATUS OF BURMA ROAD

From: John J. Macdonald
Second Secretary of Embassy

Date of Completion: October 29, 1940.

Date of Mailing: November 2, 1940

Approved: Nelson Trusler Johnson

815.4 Burma JJM:MCL

Present Status of Burma Road

China's vital supply line at present is the Burma Road which provides a means of importing supplies from Rangoon to Chungking from where they can be despatched to other parts of free China.

Summary:

The total distance from Rangoon to Chungking is 1,968 miles of which 561 miles is over the Burma Railway. Facilities for handling cargo for China, both incoming and outgoing, are ample in Rangoon and there is no danger of congestion. The entire stretch of road from Lashio to Chungking is now in good condition although rough in some places which causes minor damages and delays to trucks. Maintenance work on the road has increased considerably. The average length of time required for goods to be shipped from Rangoon to Chungking is three weeks but may be longer if the Japanese are successful in bombing the larger bridges. It is too soon to try to estimate what damage might be done by bombing. There are no definite figures regarding the freight capacity of the Burma Road and various reports from supposedly reliable sources conflict. The present capacity is believed to be about 5,000 tons per month but could be increased without much effort to 6,000 tons. There are several well organized transportation companies operating over the road. Problem of importing gasoline which is so badly needed presents a difficulty because a truck carrying a full pay load of gasoline from Lashio to Chungking consumes 70 percent of it in making the round trip. The Burma Road is the principal highway over which China can now import war materials which are desperately needed. The Northwest route from Russia has not been supplying over 2,000 tons per month and it is not expected that supplies entering China over that route are likely to increase. Therefore it is felt that the Burma Road is of vital importance and any prolonged interruption or reduction of traffic would have serious effects on the country's resistance.

Length

Regaded Unclassified

Length and Sections of Burma-Chungking Route

The total distance between Rangoon and Chungking is 1,968 miles and may be divided into four sections. The first part of the trip is made over the Burma railway from Rangoon to Lashio a distance of 561 miles. The second section consists of the part of the highway in Burma which runs from Lashio to the Chinese border at Wangting a distance of 109 miles. The remainder of the road is divided into the Wangting-Kunming section of 603 miles and the Kunming-Chungking section over the 695 miles of the Yunnan-Szechuan motor road.

Freight Facilities at Rangoon and up to the Road Head

The port of Rangoon has adequate shipping, wharfage and storage facilities to handle all China's incoming and outgoing freight that can pass over the Burma Road. Transshipments are handled efficiently in Rangoon and there is no danger of congestion.

Cooperation between China and Burma has been efficient and since the reopening of the highway an even greater degree of cooperation is anticipated. The Chinese Government has established agencies at Rangoon which will facilitate the movement of cargo and in addition Chinese banking and commercial firms are enlarging their staffs there to handle larger imports expected. The present facilities and organization at Rangoon to look after shipments destined for China will obviate the loss suffered by the Chinese Government at Haiphong, French Indo China, where there was considerable congestion.

First Two Sections of the Route

The Burma railway is in good condition and has sufficient rolling stock to transport any amount of Chinese imports and exports that the Burma Road can handle. The time required for the 561 miles rail journey between Rangoon and Lashio varies from two to three days.

To supplement the railway it was suggested by the Chinese Government that some freight be shipped up the Irrawaddy river to Bhamo and that the Burmese Government improve the road between Bhamo and Lashio. This suggestion was prompted by the lower freight rates charged by the Irrawaddy Flotilla Company's steamers as compared with the railway. However, the road was not improved between Bhamo and Lashio due principally to the objections raised by the Burma railways and consequently the Irrawaddy is not used as a means of transporting goods up to the Burma Road.

The Mandalay-Lashio section of the railway had never operated at a profit before the opening of the Burma Road and although the railway was anxious to realize profits, its administration reduced freight rates to the same level as the Irrawaddy Flotilla Company to

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meet the Chinese request for lower rates.

The section of the road between Lashio and Wangting on the Chinese border offered the greatest drawback to the entire route at first due to the bad state of that 109 miles. Recently the Burmese section of the road has been repaired and now offers no difficulties to motor transportation.

Before the Lashio-Wangting road was repaired the suggestion was made by the Chinese Government that the Burma railway be extended to Wangting so it would later connect with the projected Yunnan-Burma railway. Various complications prevented any concrete results from materializing from this suggestion but later it was decided to construct this 109 miles extension to Wangting. Construction has not been started and it is not likely that anything will be done before it is assured that the projected Yunnan-Burma railway will become a reality.

The Burma-Kunming and Kunming-Chungking Sections

Contrary to various predictions that the Burma Road would be impassable during the rainy season it remained open throughout this year's rains except for four days due to a landslide. Considerable work has been done on the road in recent months and it is now an all-weather highway. Improvements have also been made on the 492 bridges of which only seven, however, are large. About 60 repair stations have been established along the highway and over 2,000 men are constantly engaged in maintenance work. During the three months that the road was closed to transportation of military supplies over 20,000 men were engaged in improvement work.

From Kunming to Chungking the road is in good condition and offers no transportation problem. It must be remembered, however, that the road is built through mountainous country and while the road bed is good the surface in many places is very rough. The rough surface and numerous grades have a detrimental effect on trucks and tends to retard their speed considerably.

Time Required for the Rangoon-Chungking Journey

The time required for supplies to be transported from Rangoon to Chungking depends on several factors and while it is commonly stated that the trip can be made in two weeks to sixteen days it will be found that the average time is longer.

The usual time from Rangoon to Lashio is three days. Transferring cargo from the railway to the trucks requires another day or two.

The trip from Lashio to Wangting takes one day and the best part of another day is lost in clearing the goods through the Chinese customs.

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Under ideal conditions a truck can make the trip from Wangting to Kunming in seven days. This does not allow for any delays on the road such as minor wash-outs, delays at interior custom stations and minor breakdowns. The road is not in such good condition that many trucks can make the entire trip without breaking a spring or having tire trouble. A more conservative estimate of the time required on this run is from nine to eleven days.

The Kunming-Chungking part of the journey requires about one week. Therefore the average trip from Rangoon to Chungking requires three weeks or more.

The above estimate does not take into account delays that are likely to be caused by Japanese bombings of the road. So far no authentic information is available regarding the damage done by bombers. The Japanese claim to have destroyed the bridge over the Mekong river and if true considerable difficulty is going to be experienced in transferring shipments across the river before the bridge can be repaired or an efficient ferry service can be organized. The destruction of any of the other large bridges would cause an equally serious hindrance to traffic. Mere bombing of the road itself or some of the smaller bridges should cause only a few hours delay in most cases. Nevertheless it is too soon to predict what results intensive bombing will have on this line of communication. There are many conflicting opinions but it seems safe to assume that traffic on the Burma Road can be reduced considerably by bombing and in all probability will be within a short time. On the other hand the Chinese Government has been making preparations to cope with the efforts of the Japanese to paralyze traffic coming from Burma. In vulnerable places materials and extra gangs of workmen are held in readiness to start repairs. A system of air raid alarms have been extended to some of the more dangerous parts of the highway and camouflaged shelters have been provided for the trucks where considered necessary. Anti-air craft batteries have been established to protect the important bridges and according to local reports smoke screens are also used for protection.

Freight Capacity of the Highway.

The freight capacity of the Burma Road has been estimated only and the estimates received from different sources vary considerably. More attention is paid to the potential capacity of the road than to what the capacity is likely to be during the next few months when the amount of supplies imported is of such importance. Regarding the capacity of the road a well informed source recently stated that within a short time 23,000 tons per month can be transported each way and may even reach 30,000 tons if the road is used at night. Figures reaching such proportions may be disregarded entirely under present conditions.

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The number of trucks available at present according to the most reliable sources is about 1,500. Out of this number only a little over 1,100 are in service at one time as approximately 25 percent of the 1,500 are idle due to repair work. The capacity of the trucks average three tons each. Therefore if the average trip from Lashio to Chungking takes three weeks the monthly capacity of the road is about 5,000 tons each way. This is a conservative estimate but believed to be far more accurate than 7,000 tons which was the most recent figure announced. The Central Publicity Board gave the normal freight capacity of the road at 300 tons per day or 9,000 tons per month. This figure does not make allowance for any trucks being idle for repairs.

Under present conditions it seems feasible that the monthly capacity can be increased without any considerable effect in the near future to 6,000 tons per month or slightly more unless traffic is seriously disrupted by bombings. A fair number of trucks can be diverted to the Burma Road now due to complete disruption of traffic from French Indo China. Any other important increase in traffic will depend upon the importation of new vehicles from abroad.

During this year traffic over the Burma Road has fluctuated considerably. Prior to the closing of the road to transportation of military supplies it has been claimed that the traffic each way approached 5,000 tons per month. Incoming traffic was restricted to essential materials while wood-oil and tin ranked among first among exports.

In comparison with the highway from the Soviet Union via Alma-Ata and Lanchow to Chungking, a distance of 2,500 miles, the Burma Road has been far more important in China's foreign trade. Traffic over the Northwest route from Russia has never amounted to more than 2,000 tons per month each way although the road is capable of a larger capacity.

Transportation Organization

The principal transportation company operating over the Burma Road is the Southwest Transportation Company which was organized by Mr. T. L. Soong and is a semi-governmental institution. Over 800 trucks operating on the highway are controlled by this company. Other trucks are run by the Yunnan-Burma Highway Administration and the China Transportation Company both of which are under the direct supervision of the Ministry of Communications. Steel Brothers, a British firm organized in Burma, also operates 150 new trucks from Lashio to Kunming. This company did a profitable business during the three months that Burma was prohibited from exporting not only war materials but also gasoline to China. Trucks registered in Burma were allowed to carry goods not banned

and

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and in addition enough gasoline to make the round trip back to Burma with Chinese Exports.

In addition to Steel Brothers there are some small Burmese firms participating in this traffic.

Shortage of Gasoline Supply

During the three months that the Burma Road was closed China's gasoline supply became seriously depleted. Gasoline is now one of the essential supplies required by the country and a large percentage imported by truck is consumed by the importing vehicle. It is estimated that a truck carrying a full pay load of gasoline uses 35 percent of it to reach Chungking. The return trip to Lashio requires the same amount which leaves only 30 percent of the original load for domestic consumption purposes. A three ton truck usually carries 18 drums or 954 standard gallons.

Importance of the Burma Road

At this point in China's struggle the maintenance of traffic over the Burma Road is of vital importance. The country is desperately in need of military supplies that can be obtained only from abroad and the Burma Road offers the most important of the only two means by which they can enter the country. There is little likelihood that supplies imported through the Northwest route from Russia will increase and the 2,000 tons per month that are said to be entering China that way are not sufficient to permit the country to continue its resistance for any considerable length of time. It is therefore of utmost importance that the Burma Road be kept open and any damage done to it resulting in a prolonged closure will have serious effects on the country's future.

Sources of Information

Official and semi-official publications.
Interviews with the Secretary of the Ministry of Communications.
Interviews with local press correspondents.
Interviews with manager of Steel Brothers at Kunming.
Personal observation.

Original (by air mail) and
two copies to the Department
Copy to Embassy, Peiping

October 29, 1940

The Secretary asked Mr. Bell and Mr. Cochran to look into this and report back to him.

CONFIDENTIAL

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JM/RSB

October 24, 1940.

MEMORANDUM FOR THE CHIEF OF STAFF (No. 30):

Subject: Freezing of Japanese Funds in America.

1. This Division has information from a highly reliable source to the effect that on October 11, 1940 the German Charge d'Affaires warned the Japanese Councillor of Embassy in Washington that U. S. Government authorities are considering "freezing" all Swiss and Japanese bank deposits in the United States.

2. The German Charge gave an unnamed Wall Street broker and the National City Bank of New York as the source of his information.

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

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Copies to: Military Aide to the President
Secretary of War
Secretary of State
ONI

*meeting my office Oct 8th Berle
and Grady present.*

CONFIDENTIAL

CONFIDENTIAL

G-2
JM/TJB

October 28, 1940.

MEMORANDUM FOR THE CHIEF OF STAFF (No. 31):

Subject: Freezing of Japanese Funds.

1. The following has been learned from a very reliable source. The Japanese mission in the Dutch East Indies has been using dollar exchange based on gold deposited in New York to purchase Dutch East Indian products. It is now apprehensive that these gold balances may be frozen unexpectedly by the United States Government and also fears that the imposition of an American embargo against Japan might dry up dollar exchange and practically prevent Japanese purchases in the Dutch East Indies. In anticipation of the foregoing, and as a temporary measure, the mission has been seeking to convert yen directly into guilders at Batavia and to borrow guilders there on yen security. The mission urges that the Japanese Government arrange for direct settlements of yen against guilders and the elimination of dollar exchange.

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

td

Copies to: Military Aide to the President
Secretary of War
Secretary of State
Secretary of Treasury
ONI

CONFIDENTIAL

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Berlin, Germany

DATE: October 29, 1940, 2 p.m.

NO.: 4501

Reference is made to telegram of October 17, 1 p.m., No. 4349 from the Embassy.

The following is for the Treasury from Heath and for the information of the Department:

Puhl, Reichsbank Vice President, asked me to come to visit him. He remarked that in Berlin and other capitals there continued to be rumors circulating that plans were being made by the United States to freeze balances belonging to Germany and to ^{certain} other countries of Europe which are in the United States. Puhl asked me to inquire of the Treasury Department whether these rumors have any basis. When I raised objections to transmitting this request from him, he repeated that any information as to the origin of these rumors would be greatly appreciated by him. Therefore I am making this report to you for your information, and as evidence of the concern of the Reichsbank lest eventually such an order should be given.

Reference, telegram No. 2864 of October 28, 7 p.m. from the Department: In connection with obtaining the information requested therein, any general comment that might possibly be given on the matter discussed above would probably be helpful.

MORRIS.

EA:LWW

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE October 29, 1940

TO Secretary Morgenthau
FROM Mr. Haas
Subject: Current Developments in the High-grade Security Markets

SUMMARY

- (1) United States Government securities showed a rising tendency for the two weeks ended Saturday, but suffered minor setbacks yesterday. Long-term Treasury bonds are close to their all-time high of June 5, 1939 (Chart I).

The new USHA 1-year 1/4 of 1 percent note was quoted at 100-4/32 bid at the close of the first day of trading last week.

- (2) Federal Reserve Bank holdings of Government securities have decreased by \$133 millions since their most recent high on June 12. Such holdings are now at the lowest level since October 1933 (Chart II).

- (3) High-grade corporate bonds have moved within a narrow range in the past two weeks (Chart I). Municipals have continued the upward movement of the past two months. The volume of new financing in October will be the largest for any month in 1940.

- (4) The Canadian war effort as measured by industrial production was somewhat slow in getting under way, but is now about 30 percent above June 1939 (Chart III). Wholesale prices have risen in Canada (Chart IV), but a large part of the rise may have been due to the decline of the Canadian dollar on the foreign exchange market. There does not appear to be any inflation of bank deposits in Canada as a result of the war (Chart V).

- (5) British Government internal securities have moved within a narrow range in the past two weeks. Italian dollar bonds have been strong lately and suffered only minor price declines yesterday.

Prepared by: Mr. Turner
Mr. Purvis
Mr. Haas

Secretary Morgenthau - 2

I. United States Government Direct
and Guaranteed Securities

The market for United States Government securities has exhibited a rising tendency during the past two weeks. The outbreak of hostilities between Italy and Greece resulted in slight setbacks yesterday for all maturity classes; but Treasury bonds and Treasury notes of 3 to 5 years maturity retained net gains for the two-week period since the close on October 14. Price changes are shown by maturity classes in the following table:

	Average price change	
	October	October
	15 - 26	28
(In thirty-seconds)		

Notes

1 to 3 years	+ 1	- 1
3 to 5 years	+ 7	- 1

Bonds

5 to 15 years to call	+ 9	- 3
15 years and over to call	+11	- 4

The average yield of long-term Treasury bonds, which moves inversely to prices, has decreased during the past two weeks by only two basis points, to 2.08 percent at yesterday's close (Chart I). At this level, however, it is within one basis point of the all-time low established June 5, 1939.

The new USHA 1/4 of 1 percent notes maturing November 1, 1941, which were offered for subscription last Thursday, were quoted on a when-issued basis at 100-4/32 bid at the close of the first day of trading. This price is equivalent to a yield of .12 percent, and compares with a yield of .08 percent on the 7/8 of 1 percent RFC notes which mature on the same

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date. It should be noted, however, that the market assumes that there will be an exchange offer for the RFC issue, and, therefore, its price probably includes some rights value which would tend to depress its yield.

II. Federal Reserve Bank Holdings of Government Securities

United States Government security holdings in the Federal Reserve Open Market Account have declined about \$133 millions from their most recent high on June 12 (Chart II). More than half of this decrease has occurred within the past month. Open market holdings are now at the lowest level since October 1933.

It is interesting to note that, despite the decrease in total holdings of Governments, the Treasury bond holdings of the Federal Reserve System are now larger than they were in June. This is the result of the exchange on October 7 of the System's holdings of December notes into the new Treasury bonds of 1953-55.

III. Other Domestic High-grade Securities

High-grade corporate bonds have moved within a narrow range in the past two weeks. Our average yield of such bonds was 2.70 percent at yesterday's close, a decrease of 1 basis point net since October 14 (Chart I). Municipal bonds have continued the upward movement which commenced in the latter part of August. The Dow-Jones average yield of twenty 20-year bonds, moving inversely to prices, decreased 8 basis points to 2.29 percent in the two-week period ended Saturday, October 26.

New bond offerings to the public in the New York market during the past two weeks amounted to \$119 millions. This sum, together with the amount offered in the first half of October and the \$45 millions offering of 3-1/4 percent refunding bonds of the Youngstown Sheet and Tube Company, scheduled for today, will bring the month's total close to \$400 millions. October will thus be the high month to date in 1940 in volume of new bond offerings to the public, surpassing February, the previous high, by about \$50 millions.

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The largest offering in the two weeks ended last Saturday consisted of \$20.6 millions of 2-1/2 percent and 2-3/4 percent serial bonds and \$22.0 millions of 3 percent, 36-year term bonds of the Los Angeles, California, Department of Water and Power. The serial bonds, maturing from 1941 to 1976, were offered at prices to yield from 0.25 percent to 2.85 percent. The term bonds were priced to yield 2.88 percent to maturity. The entire offering is reported to have been sold by noon on the offering day, and all maturities were quoted one point or more above their offering prices at the close that day.

According to press reports, the syndicate books have now been closed on the \$108 millions Southern California Edison issue which was offered earlier this month and which had moved slowly.

In addition to the public offerings, two sizeable private placements are of interest. One issue, consisting of \$10.5 millions of one- to seven-year serial debentures of the Youngstown Sheet and Tube Company, sold to commercial banks, supplements the \$45.0 millions bond offering being made today. The proceeds of the two issues will be used to refund the company's outstanding 4 percent bonds of 1961.

Last week \$16.5 millions of 3-1/2 percent 30-year bonds of the San Antonio Public Service Company, originally scheduled for public offering, was placed privately at a price to yield about 3.11 percent to maturity. According to press reports, the reason for the abandonment of plans for a public offering was the receipt at the last minute of a competitive bid which forced a material reduction of the underwriting spread.

IV. The Canadian War Effort

In a recent memorandum, it was reported that expenditures of the Dominion of Canada during the current fiscal year are expected to amount to about \$1,348 millions, of which \$900 millions, or about two-thirds, represents war expenditures. This war effort, when measured in terms of industrial production, appears to have been somewhat slow in reaching sustained output at a high level. Although industrial production, which should reflect Canada's main contribution of furnishing equipment and supplies to the British

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cause, had increased about 17 percent by January 1940, it lagged behind production in the United States (Chart III). The rise during the early months of the war was almost wholly cancelled, moreover, by a sharp drop in February and March 1940. Since March, however, industrial production in Canada has risen again to a level about 30 percent higher in August 1940 than in June 1939. This compares with an increase of about 19 percent from June 1939 through August 1940 in the United States.

The effect of the war effort on other sections of the Canadian economy has been less than might have been expected. Despite the rather substantial rise in wholesale prices shown in Chart IV, there probably has been no price inflation. Canada, with a small population, imports many commodities from the United States. The prices of these commodities undoubtedly constitute a considerable part of the Canadian index of wholesale prices. Under the circumstances, fluctuations in the exchange rate of Canadian dollars become significant, for if the Canadian dollar declines with relation to our dollar, the Canadian prices of commodities imported from the United States will tend to increase proportionately, even though there has been no advance in prices measured by our dollar. That appears to be what has happened. During August 1940, wholesale prices in Canada were about 14 percent above August 1939. At the same time the Canadian dollar was worth about 87 cents in United States currency, or about 13 percent less than it was worth a year earlier. This just about accounts for the apparent price increase.

Foreign exchange rates have less influence upon cost of living figures which include items, such as rent, that are not affected by the external value of a country's money. Nevertheless, the observation that living costs in Canada have risen (Chart IV) should be tempered by the realization that, to some extent at least, the movement may be more apparent than real. In any event, the index of the cost of living in Canada has risen very slightly, and in August was only about 5 percent higher than in the three months preceding the outbreak of war. This, however, is a greater increase than has occurred in the United States during the same period.

There is no evidence of monetary inflation in Canada. In fact, after an initial rise of about 12 percent, total commercial bank deposits have declined since October 1939 and are

Secretary Morgenthau - 6

now less than 6 percent above their June 1939 level (Chart V). Member bank deposits in the United States, on the other hand, have risen steadily, and in August 1940 were almost 16 percent greater than in June 1939.

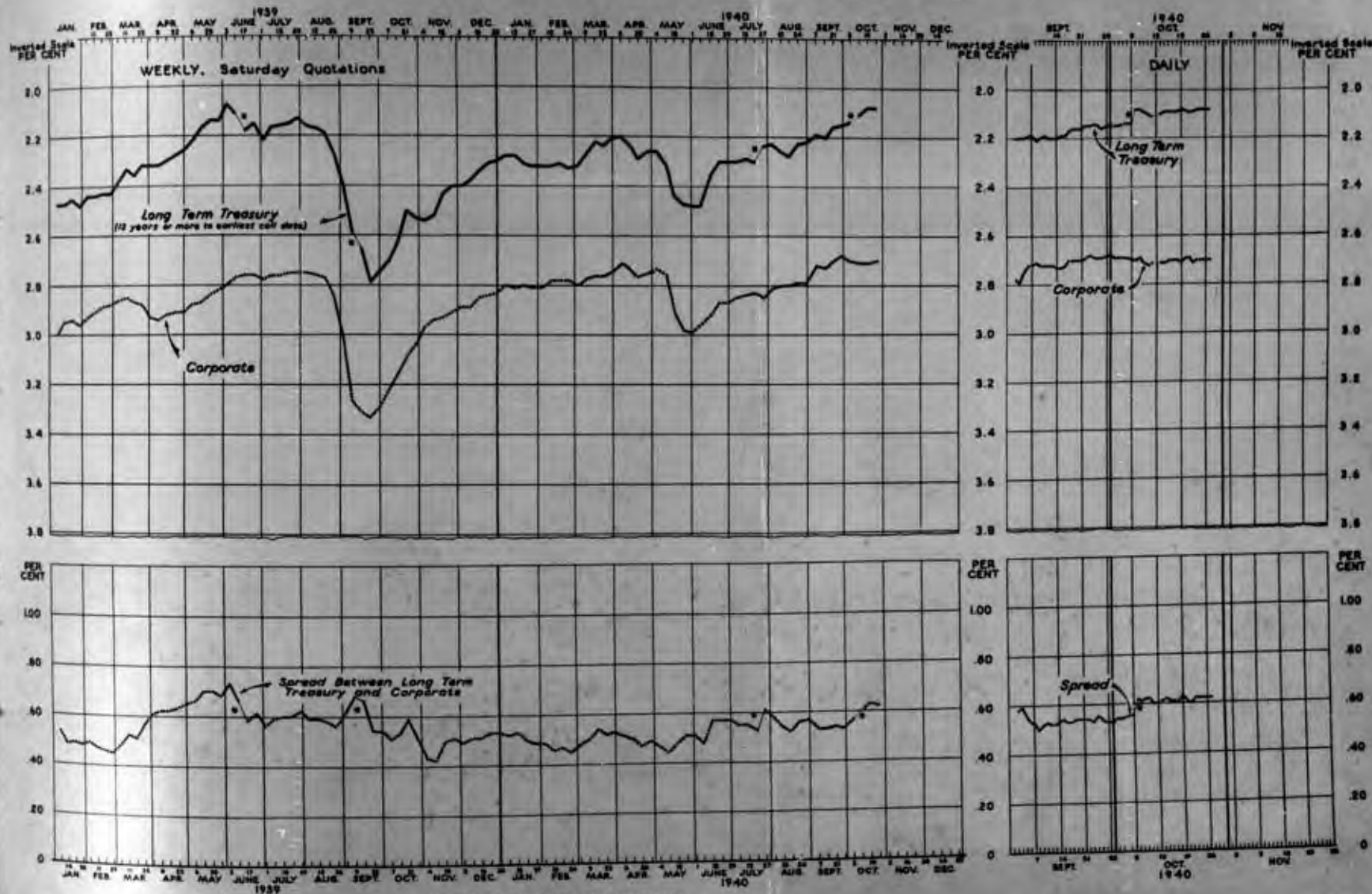
V. Foreign Government Securities

British Government securities have moved within a narrow range in the past two weeks. Consols closed yesterday at $74\frac{7}{8}$, to yield 3.36 percent, as compared with $74\frac{5}{8}$ on October 14.

Italian dollar bonds, which have gained markedly in the past two weeks, suffered only minor price declines on yesterday's news of war between Italy and Greece. The Italian 7's of 1951 lost only $\frac{3}{4}$ of a point yesterday, as compared with a gain of more than 10 points from October 14 through Saturday, October 26.

Attachments

COMPARATIVE YIELDS OF AVERAGE OF ALL LONG TERM U.S. TREASURY AND AVERAGE OF HIGH GRADE CORPORATE BONDS



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

*Change in composition of Long Term Treasury average.

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FEDERAL RESERVE BANK HOLDINGS OF U.S. SECURITIES

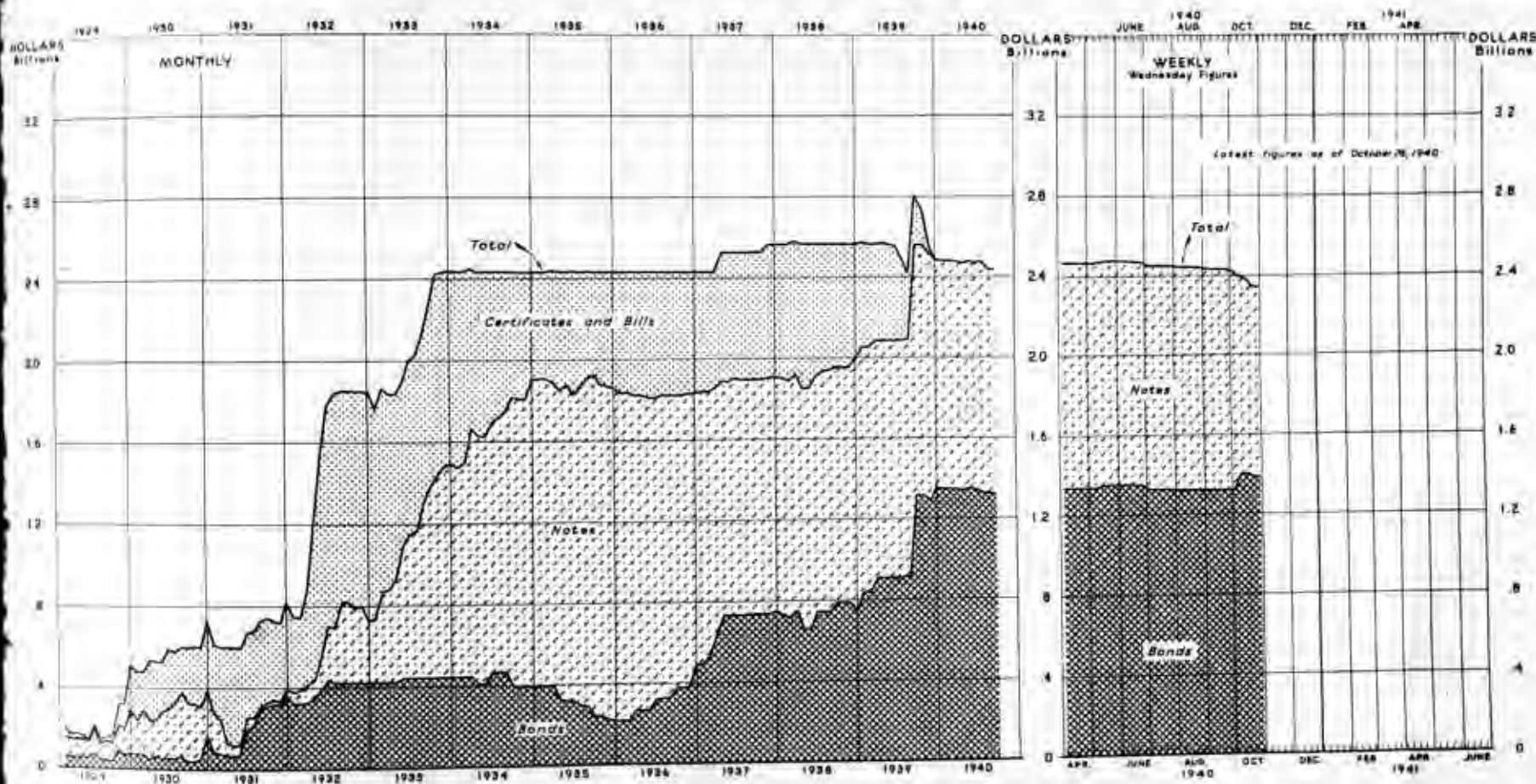


Chart III

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INDUSTRIAL PRODUCTION IN CANADA AND THE UNITED STATES

JUNE 1939 = 100

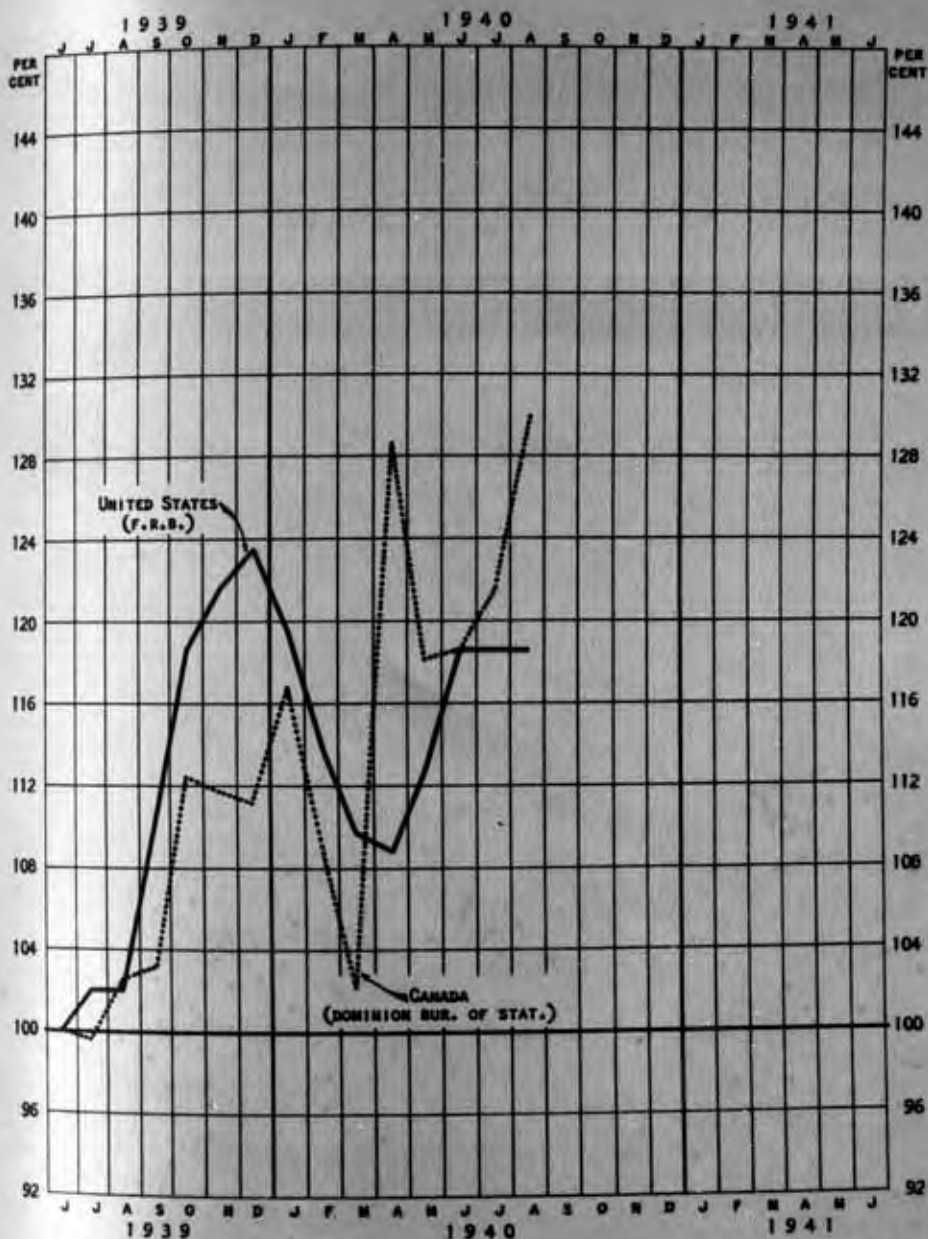


Chart IV

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WHOLESALE PRICES AND COST OF LIVING IN CANADA
AND THE UNITED STATES

JUNE 1939 = 100

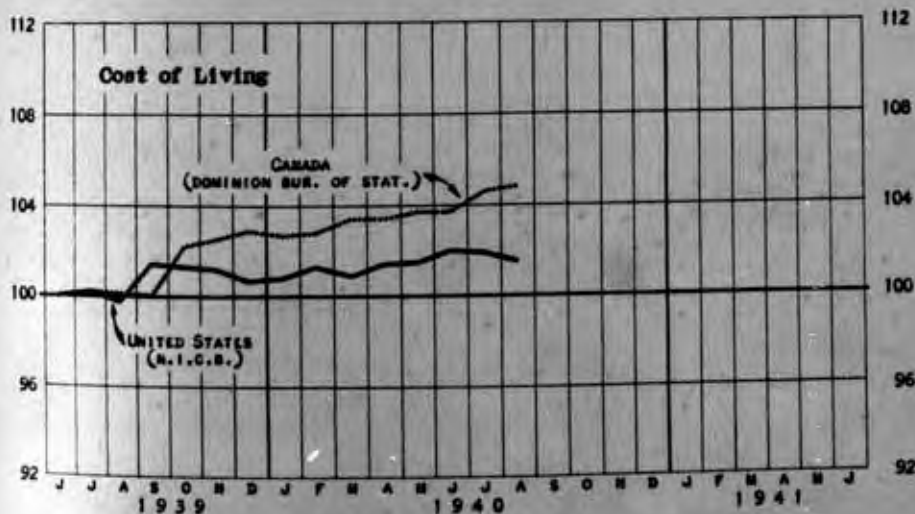
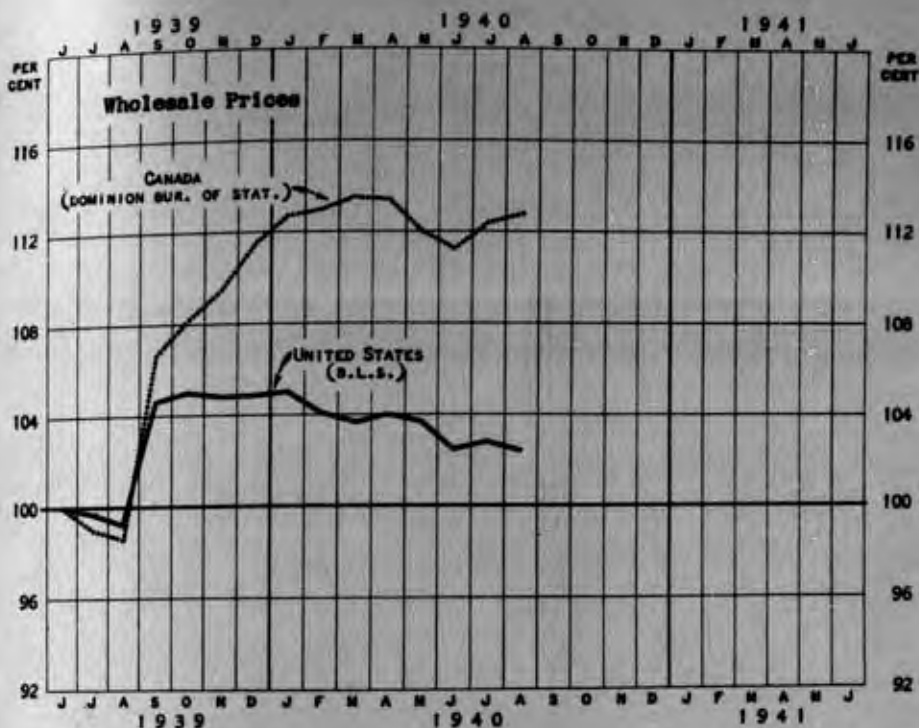
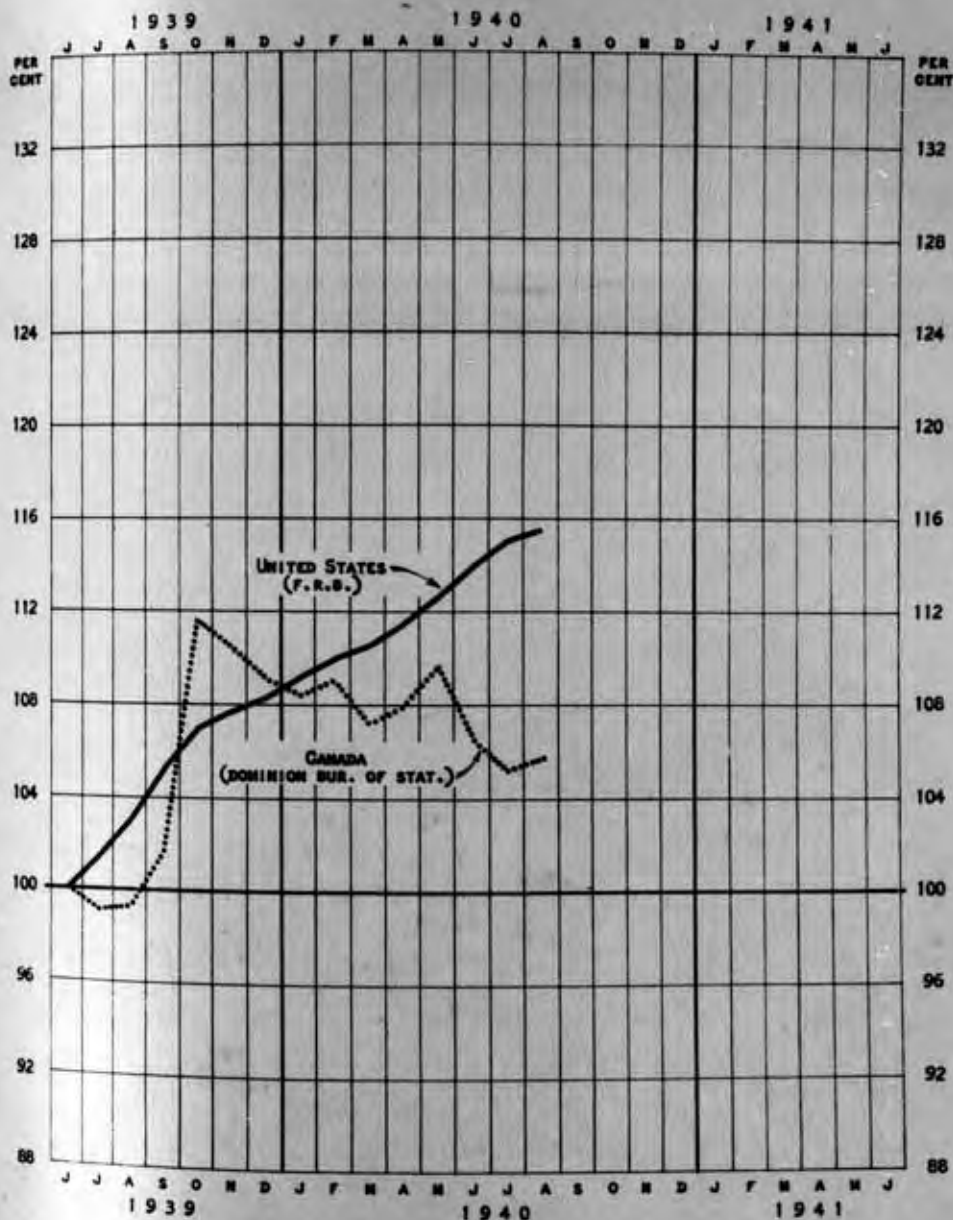


Chart V

TOTAL DEPOSITS IN CANADIAN CHARTERED BANKS AND MEMBER BANKS IN THE UNITED STATES

JUNE 1939 = 100



PARAPHRASE of telegram from COPENHAGEN, no. 558,
October 29, 1940

Secretary of State,

Washington.

The release of official figures for the current year's crops is not expected before January. There follow, however, estimates which are believed to be reliable: All figures expressed are in terms of 1,000 tons--oats 910, barley 1,210, wheat 180, rye 245, mixed grain 745, a decline of 330 from last year's total for all grain crops. Mangels 7,308, swede turnips 9,866, other turnips 421, carrots 116, fodder sugar beets 3,724, sugar beets for feeding 942, a total of fodder beets of 22,377, a decline of 2,000,000 on the 1939 figure. Potatoes 1,100, sugar beets to be used in refining 1,609, hay 1,400. This year the beets appear better. The kernel results of cereals are better, but the straw results are not so good. The export price of butter shipped to Germany increased by kroner 70 per hundred kilos October 4 now totals 450. An increase of 21 per kilo has taken place in the domestic retail price of butter. A new record of 2.16 per kilo has been reached in the price of bacon and 1.72 in the price of eggs. 20,000,000 kroner weekly is the approximate figure for agricultural export returns. The production of bacon, eggs and butter, however,

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now 3,045, which is 15% lower than it was in September 1939 and exports were 6,055, a decrease of 20%. Gasoline is now being consumed at the rate of 4,000 tons per month. Approximately three months' supply is on hand. Arrangements are now being made, however, to obtain from Rumania 2,000 tons of benzine each month, and from Germany 1,200 tons of potato alcohol to be mixed with the gas here, the railway cars and ships for transportation to be provided by Denmark.

Germany now employs 18,000 Danish workmen, a number which is increased by about 700 a week. There are now 110,000 unemployed in Denmark, but the outlook appears very bad with the approach of winter and the decrease in the available materials for manufacturing.

The accounts of the Danish Government at the end of the fiscal year closing March 31, 1940 showed a surplus of 9,300,000 kroner. It had been anticipated that there would be a deficit of 15,300,000. The revenue was 10,000,000 greater and the expenditures were 15,000,000 lower than the original budget called for. A deficit of 49,000,000 is anticipated by the budget for the current year and the budget bill for 1941-1942 is presented with an estimated deficit of 67,000,000. At the end of September 359,000,000 in foreign exchange holdings were held by the National Bank and private banks in Denmark, nearly
all

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all in official clearing account with Germany plus estimate 200,000,000 in unofficial clearing account. At the end of September deposits in private banks reached a record figure of 2,537,000,000 kroner, while a new low point of 2,114,000,000 was reached for loans and discounts. There was announced a new Government loan of 50,000,000 at 4% interest yearly to be amortized over a period of twenty years, issued at 97.75%. The proceeds will be used, according to present intentions, to redeem 30,000,000 kroner-worth of Treasury notes dated October 27, 1937 and for the financing of an extensive scheme for public works.

PERKINS

DCA:GHK:RLS 10/30/40

For Miss Chauncey

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE October 29, 1940

TO Secretary Morgenthau
FROM Mr. Cochran

Mr. Cameron of the Federal Reserve Bank of New York gave us the following information regarding the transactions listed below in Italian accounts maintained with the National City Bank, New York.

<u>Date</u>	<u>Amount Debited</u>	<u>Account Debited</u>	<u>Paid To</u>
October 21	\$37,300.66	Banco di Napoli Trust Co., N. Y.	Check to the order of Chase National Bank, N. Y.
October 22	63,000	Banco di Napoli Trust Co., N. Y.	Check to the order of, Guaranty Trust Co., N. Y.
	40,000	Banca Commerciale Italiana, N. Y.	Check to the order of National City Bank, N. Y.
October 24	40,000	Banco di Napoli Trust Co., N. Y.	Check to the order of Chase National Bank, N. Y.
October 25	68,673.01	" "	Check to the order of Yokohama Specie Bank

J. M. P.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE October 29, 1940

TO Secretary Morgenthau
FROM Mr. Cochran

Mr. Cameron of the Federal Reserve Bank of New York reported the following transactions in the account of the Banca Commerciale Italiana maintained with the Chase National Bank, New York.

<u>Date</u>	<u>Amount Credited</u>	<u>Received From</u>
October 29	\$ 99,995	Banca Commerciale Italiana, New York (Check drawn by the Discount Corp., N. Y., on the Guaranty Trust Co., New York.)
"	38,864	Banca Commerciale Italiano, New York (Miscellaneous checks)



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE October 29, 1940

TO Secretary Morgenthau
FROM Mr. Cochran

CONFIDENTIAL

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

Sold to commercial concerns	£34,000
Purchased from commercial concerns	£18,000

The Federal Reserve Bank sold £2,000 in registered sterling to a non-reporting bank.

Open market sterling was quoted at 4.04 all day. No transactions with commercial concerns were reported by the banks.

As for the other currencies, there was some weakening in the rates for the Canadian dollar, Argentine free peso and Cuban peso. Closing quotations were as follows:

Swiss franc	.2322
Canadian dollar	15-1/4% discount
Swedish krona	.2385
Reichsmark	.4005
Argentine peso (free)	.2320
Brazilian milreis (free)	.0505
Cuban peso	9-1/8% discount
Lira	.0505

There were no gold transactions consummated by us today.

The Federal Reserve Bank made a three-months loan of \$25,000 to the Central Bank of El Salvador, setting aside as collateral \$28,406 in gold from the Salvadorean bank's earmarked account. The total of such loans now outstanding amounts to \$797,000, secured by \$890,071 in gold.

The Federal Reserve Bank of New York reported the following gold engagements:

\$2,314,000	from Canada, shipped by the Bank of Canada for its own account to the Federal Reserve Bank of New York.
780,000	from India, shipped by the Chartered Bank of India, Australia and China, Bombay, to its New York agency.
\$3,094,000	Total

These shipments are for sale to the U. S. Assay Office at New York.

The report of October 23, received from the Federal Reserve Bank of New York giving foreign exchange positions of banks and bankers in its district, revealed that the total position of all countries was short the equivalent of \$11,642,000, a decrease of \$1,184,000 in the short position. The net changes in the positions are as follows:

Country	Short Position October 16	Short Position October 23	Decrease in Short Position
England*	\$ 1,899,000	\$ 1,459,000	\$ 440,000
Europe	4,576,000	4,052,000	524,000
Canada	93,000	160,000 (Long)	253,000 (Increase in Long Position)
Latin America	466,000	396,000	70,000
Japan	4,730,000	4,592,000	138,000
Other Asia	1,104,000	1,290,000	186,000 (Increase)
All others	42,000 (Long)	13,000	55,000 (Increase)
	\$12,826,000	\$11,642,000	\$1,184,000

*Combined position in registered and open market sterling.

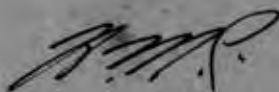
The gold price received from Bombay was equivalent to \$33.73, up 1¢. Silver was equivalent to 43.41¢, up 1/16¢.

In London, the prices fixed for spot and forward silver were both unchanged, at 23-7/16d and 23-3/8d respectively. The dollar equivalents were 42.56¢ and 42.44¢.

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

We made three purchases of silver totaling 225,000 ounces under the Silver Purchase Act, all of which consisted of new production from foreign countries, for forward delivery.

We also purchased 40,000 ounces of silver from the Bank of Canada under our regular monthly agreement.



CONFIDENTIAL

TREASURY DEPARTMENT
Office of the Secretary 183
Technical Assistant to the Secretary

Date October 30, 1940

TO:

Secretary Morgenthau

Room

Mr. Secretary:

I asked Mr. Knoke to give us
the attached information, following
your reading to me of a confidential
report.



From: MR. COCHRAN

(Prepared by Mr. Knoks in the Federal Reserve Bank of New York at the request of Mr. Cochran in the Treasury.)

October 29, 1940

STRICTLY CONFIDENTIAL

The balance of de Javasche Bank's dollar account has risen from \$583,000 at the end of June to about \$39,000,000 today.

The same bank's gold holdings in New York have risen from \$14,000,000 at the end of June to about \$40,000,000 today.

The principal payments out of the account since June 30 have been (1) \$26,000,000 (in toto) to the Guaranty Trust Company. This money may well be used in payment of purchases made here for account of Java. (2) \$720,000 to local Japanese banks - a total of 12 payments ranging from \$200,000 to Yokohama Specie Bank to as low as \$20,000 to Bank of Taiwan. Taiwan has received 9 payments out of the total. Among payments into the account from July 1 on were \$6,120,000 by local Japanese banks. These latter I understand result from guilder purchases (against dollars) made in Java by branches in Java of Japanese banks which require guilder funds for their regular operations in Java. The Japanese banks in Java are, of course, dependant upon de Javasche Bank (the country's central bank) for the supply of local funds.

COPY

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DEPARTMENT OF STATE
WASHINGTON

October 29, 1940

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of a paraphrase of telegram no. 322 dated October 24, 1940 from the American Legation, Ottawa, regarding the situation in Canada with respect to the war.

Enclosure:

From Ottawa,
October 24.

*Ball
Harry White
Read
and
Return
Wm2*

PARAPHRASE OF TELEGRAM RECEIVED

FROM	OTTAWA
TO	Secretary of State, Washington
DATED	October 24, 1940
REC'D.	12:55 p.m.
NO.	322, October 24, 11 a.m.

The American Minister at Ottawa, after referring to a previous telegram, no. 147 of June 23, 7 p.m., from the Legation, briefly summarizes as follows the situation in Canada at the end of a period of four and a half months during which Canada's war efforts have been intensive.

Financial. Ways and means of acquiring more dollar exchange appear to be Canada's biggest worry at the moment. This problem is rapidly becoming acute although the need is not as yet desperate. The problem could, of course, be postponed if American legislation were amended to permit the granting of credits or loans to Canada. There appears to be, however, some slight opposition in financial circles in Canada to this prospect. These circles argue that the future headache which would come from the servicing of a large increase in the foreign debt of Canada would be worse than any possible current headache. The Minister feels that if credits or loans are not soon forthcoming the fact must be faced that one

or

or more of the following three measures must be taken by Canada; (a) seizure of large blocks of American securities now held by Canadians against compensation and sale in New York, (b) blocking the transfer in whole or in part to American owners of dividends of Canadian companies, and (c) selective purchasing under license from the United States with non-essentials, among which are included American fruits and vegetables, being strictly rationed. Despite the realization of the Government that measure (c) would have unfortunate repercussions on a large group of American producers whose good will Canada wishes to keep, as well as on the trade agreement, there is much popular pressure in favor of this measure.

Industrial Effort. The industrial effort of Canada is now at a point where there is a definite shortage of skilled mechanics and machine tools. The former must be found or developed locally and the latter must come largely from the United States. It is the plan of the Chief of Staff to suggest to the Government that any skilled or qualified workmen now in Canada's armed forces be given a furlough at least for the winter, and a move is being made with a view to trying to obtain an additional supply of skilled workmen and also good potential

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potential material for industrial training from the 30-day trainees (conscription into the Canadian Army is for thirty days).

Political. Mr. Mackenzie King, the Prime Minister, is now at the apex of his power. There is no trace any longer within the Liberal Party of opposition to his leadership and what there was of opposition in the Conservative Party has been dissipated by its leader, Mr. Hanson, who has made several bad blunders. The press and the public are giving Mr. Mackenzie King full personal credit for the speed with which Canada's war effort has been accelerated, for the large measure of unity, conspicuously absent during the last war, between the French and British Canadians, and for the closeness of United States-Canadian relations resulting particularly from the declaration at Ogdensburg and the work of the Permanent Joint Defense Board.

Aviation. The Commonwealth air training scheme has a waiting list of 17,000 young men who have passed rigorous selection tests. The scheme continues to be a trifle ahead of schedule. The number of aviators which will eventually be turned out under the scheme depends, however, on whether Great Britain will ask that most of the trained pilots be sent to England
when

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when their training is completed or will encourage Canada to reserve enough of these pilots for the training of others.

War Contribution. That Canada's major contribution to the war will be in industrial development and in aviators and not in the training of additional army divisions is becoming more and more realized in Canada.

Summary. To date in Canada things have been progressing nicely but a point is being neared where the rate of increase of the war effort will be found to level off and where American interests are bound to be adversely affected in one way or another through the difficulties of financing the purchases of raw materials.

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(Received from Mr. Pinsent of the British Embassy by Mr. Cochran in the Treasury at 2:30 p.m., October 29, 1940.)

BRITISH EMBASSY,

WASHINGTON, D. C.

29th October 1940.

Dear Merle,

I enclose a note for the Secretary about the forthcoming visit of Mr. D'Arcy Cooper and Mr. Stirling to Washington, and our hope that the Secretary will be able to receive them some time before the Election.

Yours ever,

(Signed) Jerry Pinsent

Mr. H. Merle Cochran,
United States Treasury,
Washington, D. C.

C O P Y

dm

Note for the Secretary of the Treasury.

As a sequel to the suggestions for promoting British exports to the United States and Latin America which were made by the President and by the Secretary of the Treasury to Sir Frederick Phillips in July, His Majesty's Government, after consulting the State Department, have asked Mr. F. D'Arcy Cooper, Chairman of the Executive Members of the Export Council, to visit the United States with a view to discussing this problem with the United States Government. Mr. Cooper is accompanied by Mr. J. A. Stirling of the Commercial Relations and Treaties Department of the Board of Trade.

Among other questions which Mr. D'Arcy Cooper has been asked to discuss with the United States authorities are the possible effects of the new British purchase tax on British exports to the United States, the effects of the United States provisions regarding countervailing duties and anti-dumping duties, and also the possibility of purchases of British materials or other goods required for the equipment and clothing of the United States Army and Navy, and for the construction of the new United States bases in the Caribbean Sea. He will be in a position to explain the measures which are already being taken by His Majesty's Government to promote British exports to the United States and Latin America with a view to raising the maximum amount of currency for the payment of British purchases in those countries.

Mr. D'Arcy Cooper and Mr. Stirling will arrive in Washington on the evening of Thursday, October 31st. It has been arranged that they should call on the

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Secretary of State at 11 a.m. on Saturday, November 2nd, and on the Secretary of Commerce at 11 a.m. on Monday, November 4th.

15/10/40 ?
His Majesty's Chargé d'Affaires will greatly appreciate it if the Secretary of the Treasury would be willing to receive Mr. D'Arcy Cooper, possibly on Friday, November 1st, or on Monday afternoon, November 4th, or at any time which would be convenient to the Secretary.

BRITISH EMBASSY,

29th October 1940.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE October 29, 1940

TO Secretary Morgenthau

FROM Mr. Klaus

STRICTLY CONFIDENTIAL

FBI reports:

October 25. The British are increasing their censorship staff from 50 to possibly 3,000 censors in Bermuda and propose to take up with the United States Post Office Department reestablishment of routing of mail to Japan via Vancouver to permit British censorship in Vancouver; British authorities are said to desire to discuss with F.B.I. agents plans for establishing a censorship organization in anticipation of the United States entering the war--the British feel the United States Post Office Department would not do the job well.

October 26. The Japanese government is planning to evacuate some seven hundred nationals from England to return via Panama Canal.

October 24. "A confidential source" gives the background of Ambassador Henri Haye: He was formerly employed by the Worthington Pump Company, was reputedly an instructor in the United States Army during the last war, has a son attending some college in the United States, and is married to an American woman; has always stood in well with French Fascists and Petain and is a close personal friend of Abetz, German spy, now Ambassador to France. He and Rene de Chambrun, working from the French Information Service in the French Building at Rockefeller Center, are expected to take over some of the propaganda activities of the German government. According to the de Gaulle representative in New York (Jacques de Sleyes, representing the French perfume firm of Jean Patou), Haye is accompanied by a Mr. Constantine, formerly of the French Surete, Paul Guichard of the Surete and a man called Mussart, who are investigating the de Gaulle supporters in the United States with a view to putting pressure on their relatives etc. Captain Daru, living at the Waldorf, New York, is also working with Haye as a member of the French Army Intelligence and a Count Serge Fleury has volunteered as press attache to Haye.

October 26. A new publication to be known as "Public Opinion" is being undertaken with a guarantee of \$50,000 of which \$10,000 has been provided by a man called Evans, said to be connected with the Dupont Lobby in Washington; The Germans are said to have agreed to take 200,000 copies at wholesale prices for distribution throughout the country, the outstanding article in the first issue to be an explanation of Schacht's Economic Peace Plan; the article itself is now being discussed by the editor and Tannenberg of the German Embassy.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE October 29, 1940

TO Secretary Morgenthau

FROM Mr. Klaus

STRICTLY CONFIDENTIAL

FBI reports:

October 23. German propaganda agents are said to have started rumors in Alaska that the United States would go off the gold standard and therefore gold would be worthless; on this basis a mining company ceased operations at Fairbanks in the construction of a new mine but has now resumed construction. Otherwise there are no subversive or propaganda activities affecting the national defense in Alaska.

OK.

JT

GRAY

BUENOS AIRES

Dated October 29, 1940

Rec'd 5:21 p.m.

Secretary of State,
Washington.

507, October 29, 6 p.m.

Department's 250, October 28, 7 p.m.

The Director of the Exchange Control Office requests that no (repeat no) publicity be given to his statement since he was not authorized by the Minister of Finance to make it. The Embassy understands that a statement will be issued by the Finance Ministry within a few days. When this occurs an immediate report will be submitted by cable for publication by the Department of Commerce.

ARMOUR

NPL

No. 232

SITUATION REPORTM.I.D., W.D.
October 29, 1940.
12:00 N.

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.

The German Air Force operated by day and night along the same lines as heretofore. Intensity of effort appears to have been slightly below normal. Weight of night attacks appears to have shifted to the Liverpool area and the Midlands, notably Birmingham and Coventry.

Night offensive operations of the R.A.F. were primarily directed against German ship yards and shipping in the "Invasion Ports". Oil plants at Hamburg and Cologne were also attacked.

II. Greek Theater of War.

The Italian communique of October 29th states that early on October 28th Italian forces crossed the frontier and penetrated into Greece in several different localities. The advance was said by Rome to be continuing.

A purported British military despatch from Athens stated that Greek outposts along the frontier were withdrawing to their main line of resistance along the general line: Janina—Kastoria—Florina. According to information received by an American diplomatic representative some months ago in Athens, Greece possesses only a line of field fortifications along the Albanian frontier. On the other hand, the Greek frontier facing Bulgaria is protected by a line of permanent fortifications.

Rome officially states that Italian bombing formations attacked objectives at the following places during the 28th:

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The port of Patras (confirmed)
The Corinth Canal
The Greek naval base at Prevesa
The airfield of Tatoi (confirmed)

III. Mediterranean and African Theaters of War.

No ground operations reported. Apparently there was widespread minor air activity.

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SPECIAL BULLETIN
No. 24
G-2/2657-231

MILITARY INTELLIGENCE DIVISION,
WAR DEPARTMENT,
Washington, October 29, 1940.

NOTICE

The information contained in this series of bulletins will be restricted to items from official sources which are reasonably confirmed.

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

SOVIET INFANTRY EQUIPMENTSOURCE

The information contained in this bulletin is based primarily upon the reports of official American observers and secondarily upon handbooks and other publications concerning the Red Army. Obsolete or obsolescent materiel which is no longer in general use or which is being replaced is not included in this study.

NOTE

Characteristics marked (?) are doubtful.

CONTENTS

1. INTRODUCTION
2. INDIVIDUAL INFANTRY EQUIPMENT OTHER THAN WEAPONS
3. COMMON INFANTRY WEAPONS
4. INFANTRY CANNON
5. INFANTRY BRIDGE EQUIPAGE

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RESTRICTED1. INTRODUCTION

According to Eastern European standards, the Red Army is satisfactorily uniformed and equipped. Picked units usually make an excellent appearance at reviews, although the general appearance of troops which entered Estonia in October, 1939, was not good.

While much of the Red Army's materiel is obsolescent, or even obsolete, most of that used during the Finnish War was satisfactory, and some of it was modern.

It is believed that the Soviet Union has on hand sufficient materiel for an army of four or five million men. Most of the modern weapons have been copied from foreign prototypes, usually through purchase of patent rights. Because of inefficiency in manufacture, however, copies have not usually been as well constructed as the originals upon which they were based. Care of equipment, while not up to American standards, is satisfactory.

The Red Army is strongly committed to a policy of modernization of equipment and materiel, especially as regards motorization and mechanization. It does not cling tenaciously to old materiel for sentimental reasons. The fact that horsed units are still very numerous is due to poor roads in many parts of the country and to the belief that such units are still useful under certain conditions.

2. INDIVIDUAL INFANTRY EQUIPMENT OTHER THAN WEAPONS

The individual infantryman formerly carried a load of 27.6 kilograms (60.7 pounds), but this is reduced to 18.5 kilograms (40.7 pounds) when the pack is carried in the field train. The Soviet press has announced the adoption of a new aluminum canteen, a new flexible cartridge box, a waterproof poncho which can be used as a shelter tent, and a new knapsack with a wood frame and with straps for attaching the overcoat. It is said that the knapsack has already been issued to some troops.

Individual anti-gas equipment consists of a Selinski-Kumant M/TT-4 or M/TT-5 gas mask, a coat for protection against yperite, and a first-aid packet containing other materials necessary for protection against yperite.

Ski battalions usually have better equipment than other troops. They have white padded caps, padded trousers, felt and leather boots, knitted woolen helmets, winter caps, white capes

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which can be fastened about the neck,* woolen and leather gloves, flannel underwear, skis,* and gas masks.

3. COMMON INFANTRY WEAPONSa. Rifle **Mossim-Nagaut, 91/30

Caliber: 7.62 mm.
 Weight: 4.5 kilograms, with bayonet.
 Method of feeding: Magazine.
 Number of rounds: Five.
 Rate of Fire: 10-12 rounds per minute.
 Effective Range: 2000 meters.
 Maximum range: 2000-2750 meters.
 Muzzle velocity: 880 meters per second.
 Length: 1.23 meters.
 Sight: Telescopic.
 Remarks: Reported used in Finnish War.

b. Semi-Automatic Rifle.

Remarks: Details unknown; fires 15 rounds from clip inserted in breech chamber; reported used in Finnish War; according to a Red officer, the day of fire for a semi-automatic is 2000 rounds (1500 with weapon and 500 in regimental train).

c. Carbine, 1910

Caliber: 7.62 mm.
 Weight: 3.3 kilograms.
 Method of feeding: Magazine.
 Effective range: 2000 meters.
 Muzzle velocity: 800 meters per second.
 Length: 1.01 meters.

d. Pistols(1) Tokarev (TT) Automatic, 1933

Caliber: 7.62 mm.

* In Finland not all ski troops had skis or white capes.
 ** At Petsamo the Reds had, in addition to the ordinary rifles, a rifle with a telescopic sight manufactured in 1937.

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Weight: 0.825 kilograms.
Muzzle velocity: 420 meters per second.

(2) Machine Pistol (Sub-Machine Gun)

Remarks: Details unknown, but said to be similar to Finnish Suomi machine pistol; used in Finnish War.

e. Machine Guns *(1) Degtarev (DP) Light Machine Gun

Caliber: 7.62 mm.
Mount: Bipod.
Weight: 8.4 kilograms without mount. 9.4 kilograms with mount.
Method of feeding: Drum.
Number of rounds: 47 (49?)
Rate of fire: Effective, 100-150 rounds per minute. Maximum, 600 rounds per minute.
Effective range: 1300-2750 meters.
Maximum range: 4500 meters.
Muzzle velocity: 880 meters per second.
Remarks: Gas operated; air cooled; fixed barrel with gas port; reported used in Finnish War.

(2) Maxim-Tokarev Light Machine Gun

Caliber: 7.62 mm.
Mount: Bipod.
Weight: 13 kilograms.
Method of feeding: Belt.
Number of rounds: 100.
Rate of fire: Effective, 100-150 rounds per minute. Maximum, 500 rounds per minute.
Effective range: 2750 meters (direct, 1500 meters; indirect, 4000 meters. ?)
Muzzle velocity: 880 meters per second.
Remarks: Recoil operated; water cooled; reported used in Finnish War.

* At Petsamo the Reds had a quick-firing rifle with a drum of 47 rounds, as well as machine guns mounted on wheels, manufactured in 1937-1938. According to a Red Officer, the day of fire for a machine gun is 4000 rounds (3000 with weapon and 1000 in train).

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RESTRICTED(3) Maxim Heavy Machine Gun, 1909-1910 *

Caliber: 7.62 mm.
 Mount: Carriage (Sokolov).
 Weight: 60 kilograms with mount. 18 kilograms without mount.
 Method of feeding: Belt.
 Number of rounds: 250-300.
 Rate of fire: 250-500 rounds per minute.
 Effective range: 2750 meters.
 Maximum range: 5000 meters.
 Muzzle velocity: 860-880 meters per second.
 Remarks: Recoil operated, water cooled. Reported used in Finnish war.

(4) Maxim Antiaircraft Machine Gun

Caliber: 7.62 mm.
 Mount: Tripod.
 Weight: 80 kilograms with mount.
 Method of feeding: Belt.
 Number of rounds: 250-300.
 Rate of fire: 250-500 rounds per minute.
 Effective range: 2750 meters.
 Muzzle velocity: 880 meters per second.
 Remarks: May be mounted in groups of three or four. Reported used in Finnish War.

f. Rifle Grenade ProjectorDyakanov Projector

Caliber: 40.6 mm.
 Mount: Bipod.
 Weight: 3.2 kilograms.
 Rate of fire: 5-6 rounds per minute.
 Effective range: 150-800 meters.
 Muzzle velocity: 54-100 meters per second.

* A Soviet poster, 1940, announces two models of this machine gun, the 1908 and the 1930. Each is said to have the following characteristics: weight of body, 20.4 kilograms; weight of frame, 33.5 kilograms; weight of shield, 8 kilograms; diameter of wheel, 55 centimeters. In addition, the 1908 is said to have a muzzle velocity of 860 meters per second and the weight of its belt, with cartridges, is said to be 9.8 kilograms. Muzzle velocity of the 1930 is listed at 800 meters per second and weight of belt with cartridges at 10.325 kilograms.

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Radius of burst: 10-30 meters.

Remarks: Reported used in Finnish War.

g. Hand Grenade

Dyakanov, Model 1933

Remarks: Close action type weighs 500 grams and has a range of about 45 meters; the distant action type weighs 600 grams and has a range of about 40 meters.

h. Rifle Grenade

Dyakanov, Model 1930

Remarks: Has a range of 850 meters; reported used in Finnish War with both time and percussion fuzes.

i. Bayonets

(1) Blade Bayonet

Remarks: Six or seven inches long.

(2) French Type Bayonet

Remarks: Triangular cross section; about 18 inches long; predominated in Finnish War in ratio of five to one.

4. INFANTRY CANNON

a. 37-mm.

(1) 37-mm. Bofors Antitank Gun

Length: 45 calibers.
Muzzle velocity: 500 meters per second.
Weight of projectile: 0.66 kilograms.
Weight in firing position: 310 kilograms.
Range: 4.5-6 kilometers.*
Elevation: -10 to + 25 degrees.*
Traverse: 50 degrees.*
Rate of fire: 20 rounds per minute.

* These characteristics from Bofors catalogue. They pertain to the 37-mm. gun from which this gun was apparently copied.

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Radius of burst (destructive): 5 x 10 meters.
 Trail: Split.
 Remarks: Reported used in Finnish War.

(2) 37-mm. Antitank Gun, Model 1926

Length: 45 calibers.
 Muzzle velocity: 300 meters per second.
 Weight of projectile: 0.655 kilograms.
 Weight in firing position: 313 kilograms.
 Range: 8 kilometers.
 Rate of fire: 12 rounds per minute.
 Remarks: Probably no longer in use.

(3) 37-mm. Rheinmettal Antitank Gun, 1930

Muzzle velocity: 800 meters per second.
 Weight of projectile: 0.66 kilograms.
 Weight in firing position: 313 kilograms.
 Range: 7 kilometers.
 Remarks: Probably no longer in use.

b. 45-mm. *(1) 45-mm. ZTK-5 Antitank Gun, 1932

Muzzle velocity: 760 meters per second.
 Weight of projectile: 1.14 kilograms.
 Weight in firing position: 3.89 kilograms.
 Range: 6.5 kilometers.
 Remarks: It is possible that there are one or two models of this gun.

(2) 45-mm. Antitank Gun, Designation Unknown

Muzzle velocity: 600-800 meters per second.
 Weight of projectile: 1.5 kilograms.
 Rate of fire: 20 rounds per minute.
 Radius of burst (destructive): 10 x 12 meters.
 Remarks: Reported used in Finnish War.

(3) 45-mm. Semi-Automatic Antitank Gun, Model 1936-1938

Length: 45 calibers.

* During the Finnish War, a Red Officer stated that the day of fire for a 45-mm. antitank gun was 600 rounds, and that armor piercing, fragmentation, and sometimes case shot projectiles were used.

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Range: 4 kilometers.
Trail: Split.

(4) 45-mm. Battalion Howitzer, 1929

Length: 25 calibers.
Muzzle velocity: 600 meters per second.
Weight of projectile: 1.15 kilograms.
Weight in firing position: 240 kilograms.
Remarks: Old model; no recent information, although new experimental model reported.

c. Trench Mortars(1) 81-mm. Stokes-Brandt Trench Mortar

Length: 15 calibers.
Muzzle velocity: 300 meters per second.
Weight of projectile: 3.25 kilograms.
Weight in firing position: 58.6 kilograms.
Range: 3 kilometers.

(2) 82-mm. Soviet Trench Mortar

Muzzle velocity: 202 meters per second.
Weight of projectile: 3.2-6.5 kilograms.
Weight in firing position: 57.7 kilograms.
Range: 3.5 kilometers.
Rate of fire: 19-30 rounds per minute.
Mount: Tripod.
Remarks: Existence of this weapon is doubtful.

5. INFANTRY BRIDGE EQUIPAGE

An Infantry regiment is usually equipped with 32 TZ1 semi-unsinkable rubberized floats filled with kapok, etc., and 16 stringers. With this material a light bridge about 60 meters in length can be constructed.

A raft made of four floats can carry a load of 1000 kilograms, or a machine gun section. Regiments also have Polyanski rubberized floats, which weigh two kilograms and can carry a load of 50 kilograms each. The floats are transported in four wagons or two 1 $\frac{1}{2}$ -ton trucks.

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October 30, 1945

My dear Mr. Secretary:

I enclose herewith a copy of the final draft of the statement which we discussed in the conference yesterday afternoon.

Sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable,

The Secretary of War.

Sent also to:

Secretary of the Navy
General Marshall
James V. Forrestal
Secretary of Commerce
Mr. James Clement Dunn
Wm. S. Knudsen
Mr. E. R. Stettinius, Jr.
Mr. Donald Nelson

By Messenger

JGB:er

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Building on the foundation provided by orders placed last winter and in the spring, the British are now receiving a steady stream of airplanes. The strength of the Royal Air Force, after three months of Blitzkrieg of the air, is actually greater now than when the Blitzkrieg began. And this increase in strength despite battle losses is due in part to the contribution made by American airplane industries and the American contribution will be of ever increasing importance.

The British have now asked for permission to negotiate again with American manufacturers for another 12,000 additional planes. I have requested that the most sympathetic consideration be given by the Priorities Board consisting of William S. Knudsen, Edward R. Stettinius, Jr., and Leon Henderson. When these additional orders are approved, it will bring Britain's present orders for military planes from the United States to more than 26,000 and require extra plant facilities so that the present program of building planes for military purposes both for the United States and Great Britain will not be interrupted. Also large additional orders are being negotiated for artillery, machine guns, rifles, and tanks with equipment and ammunition. The plant capacity necessary to produce all of this military equipment will be available to serve the needs of the United States in any emergency.

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THE ADVISORY COMMISSION TO THE COUNCIL OF NATIONAL DEFENSE
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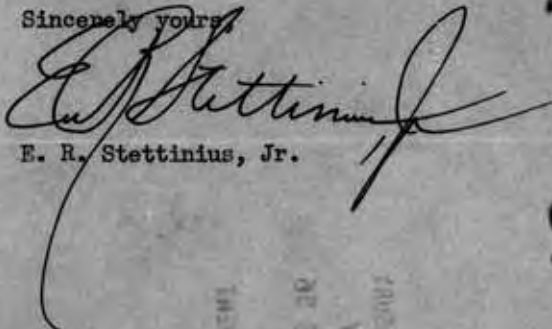
October 30, 1940

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

Dear Mr. Secretary,

Thank you for your note of
the 30th, accompanied by the copy
of the final draft of the statement
which I have read with great inter-
est.

Sincerely yours,



E. R. Stettinius, Jr.

This is the message from Purvis to Salter to Churchill.



BRITISH PURCHASING COMMISSION

COPY

Washington,
October 30, 1940.

Most Immediate

To: Salter

From: Purvis

Secretary Morgenthau asks you to convey his acknowledgment of the message contained in _____. He has just listened with the greatest satisfaction to the public radio address made by the President in Boston tonight outlining the President's intent to stimulate production of aircraft and munitions required by Great Britain and he trusts that its contents will have been found encouraging in the United Kingdom.

677 Purvis - Salter - Churchill

GROUP MEETING

October 30, 1940
9:30 a.m.

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

H.M.Jr: Good morning.

Thompson: Here is a memorandum --

H.M.Jr: I got all excited yesterday trying to get Henry's draft number, which I couldn't. When I finally got it he said, "What is all this excitement, Dad? When the Government wants me they will let me know." He said, "I am not worried. It is up to them to let me know." He can't find his number. Being out of town, they say it goes to the Governor of the State and he sends it down to the Beacon Draft Board and the Beacon Draft Board isn't set up; it has no office. It is amazing. There is no office, no place - there isn't any Draft Board in Beacon, which is our district. I wonder if that is true in many places in the United States?

Bell: I don't know.

Thompson: It would seem impossible.

H.M.Jr: No place that the man was at home, the head of the Draft Board. The mail comes in around noon tomorrow and he says, "Call me up again around noon and maybe I will have it." But

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Henry says, "If the Government wants me, it is up to them."

What is all this?

Thompson: We have finished our budget study for the Treasury 1942 budget estimates and I have written down a statement of the high spots you might like to look over.

H.M.Jr: Mr. Bell?

Bell: We have 545 million of Treasury bonds that may be called for payment in March and we have to give four months notice. The deadline would be November 15. I am assuming you want to call them, and I am having a letter prepared for your signature next week.

H.M.Jr: Sometime after Tuesday?

Bell: Yes. Wednesday, I think.

H.M.Jr: Incidentally, while you are on that, so that you people know my plans, if anybody wants to go away, what I am hoping to do is to leave here the 7th, the night of the 7th, and get down to Porto Rico where I am going to spend about a week with Admiral Leahy, and then I am going to meet Mrs. Morgenthau at Jamaica and stay there maybe a week. But that is the plan that I have in mind, see, depending upon the international situation, so you people will know about where I am and what I am going to do, and I think if everybody could take turns going away while I am away, if they would arrange it with Mr. Bell and Mr. Thompson. They can get together with Mr. Gaston and see that everybody gets a chance.

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- Bell: That means you will be back between the 20th and the 25th?
- H.M.Jr: I started off - Mrs. Klotz keeps laughing - I was going to stay away six months, was it? Then three months. Now I am talking two or three weeks.
- Bell: We are having a great many requests for banking facilities in these various places where the bases are going to be located, applications for all the banks.
- H.M.Jr: Wouldn't that be a good way to raise some money for the Democratic Committee?
- Bell: It is a little out of their bailiwick, I think.
- H.M.Jr: They are concessions, aren't they?
- Bell: Well, a little bit, but not much.
- H.M.Jr: Well, what is it worth?
- Bell: I doubt if it is worth an awful lot.
- H.M.Jr: We are very hard up.
- Bell: A little bit would help, would it? (Laughter) The most pressing place is Newfoundland. I understand they sent some engineers up there and they want facilities. We are developing the facts in the case, but when it comes to choose the bank, we don't know whether we will just use our judgment or should we consult somebody outside the jurisdiction of the United States?
- H.M.Jr: Aren't there two big chains of banks in Canada? There are three, the Bank of Nova Scotia, the Bank of Montreal, and the Royal

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Bank. How many bases are there?

Bell: Eight, I think.

H.M.Jr: Why don't you just split it up, give each one two?

Bell: We could do that. In Bermuda, I think there is a Butterworth Bank and the Barclay Bank.

H.M.Jr: Is there anything in the Bermuda capital?

Bell: Hamilton?

H.M.Jr: Well, the local capital.

Bell: That is Butterworth.

H.M.Jr: I would give it to them.

Bell: We thought we might give it to Butterworth in Bermuda and Barclay in Jamaica.

H.M.Jr: Has Jamaica got a bank with local capital? Wherever there is a bank with local capital, I would check it and clear it with Governor Towers of the Bank of Canada.

Bell: I was wondering if we ought to do that or see the Legations.

H.M.Jr: I would call up. You know, you can get right through New York. They have a wire right through to Towers. My own inclination is, where there is a bank with local capital and he says it is okay, I would use that. The other times, I think there are three principal chains and I would divide it up. Is that fair?

Cochran: Yes, sir. In Jamaica there is no local capital.

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- H.M.Jr: If there isn't, give it to one of those three big - I think there are three big chains in Canada, Nova Scotia, the Royal Bank, and the Bank of Montreal.
- Cochran: It is the Royal and Nova Scotia and the British Bank.
- H.M.Jr: I would give it to the bank Towers okays.
- Bell: We are required by law to favor American banks wherever there is a branch there, but I don't think there are any branches there.
- H.M.Jr: That goes without saying.
- Bell: The Treasury is required to answer a number of questions of this Wagner Banking Committee, both the Treasury direct and the Comptroller of the Currency. Dr. White is working on one phase of the Treasury question and Haas is working on another, and the Comptroller, of course, is working on his own. With your permission I would like to establish a Banking Committee and spend some part of each day going over those questions and coordinating them.
- H.M.Jr: I am all for it.
- Bell: I wonder if later on we might not try to coordinate them with Federal Reserve and FDIC.
- H.M.Jr: I would, and I would bring in Viner on that, too.
- Bell: Yes. We are prepared to discuss with you, at your convenience, the Hungarian loan.

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H.M.Jr: Well, what is there? It seems so --

Bell: Well, we are unanimously recommending that the Treasury not make the loan.

H.M.Jr: Okay, that settles that.

Bell: We have all recommended that.

H.M.Jr: All right. There is no use having a consultation.

Bell: I have here the original papers of the Louisiana Purchase.

H.M.Jr: Oh.

Bell: Would you like to look at them?

H.M.Jr: Yes. Were they discovered somewhere?

Bell: Well, they were in the safe. The question now is whether they should be sent to the Archives or be put in a case like the Washington papers.

H.M.Jr: I would like them outside, if there is room.

Bell: I am not so sure that both books shouldn't be treated by the Archives.

H.M.Jr: You know how they do that?

Bell: No.

H.M.Jr: Mrs. Klotz will explain it.

Klotz: Charles Bell takes care of it. They treat it with a certain - it lasts forever.

Thompson: There is something that they press on with 40,000 pounds of pressure.

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Schwarz: These have been buried for some time and have never been on exhibit.

Bell: No, they have never been on exhibit. They have been in the Public Debt safe for years.

H.M.Jr: I think they are intensely interesting.

Bell: They have Jefferson's signature and Monroe's signature.

H.M.Jr: I think these definitely should be treated.

Bell: They also have Gallatin's signature.

Thompson: If we sent it to the Archives for treatment, they would keep it.

H.M.Jr: I wouldn't blame them. It is priceless. How many people know what we paid on that Louisiana purchase?

Bell: It is 15 million, I think, of which 11 million 250 thousand were bonds and about four million dollars represented claims - French spoilation claims.

H.M.Jr: He is a ringer. He ought to be a professional.

Bell: I learned that in the White House. (Laughter)

H.M.Jr: He opened the book. You had a pony, didn't you? That is what they used to call it.

Bell: Advance information.

H.M.Jr: In Latin they had a pony which you read the English translation from, and the boys would keep it in their laps and they were supposed to translate Latin at sight. Do you know what that is?

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Klotz: I never heard of it.

H.M.Jr: That shows what an honest girl you are.

Bell: That is all.

H.M.Jr: When there weren't enough around, they would lend them around during the night and would try to memorize it.

Graves: I would like to bring you up to date about our Mint production situation.

H.M.Jr: Right.

Graves: Our total capacity in all three institutions, working 24 hours a day, is 42 million pieces a week. During the 13 weeks in July, August and September, the Treasurer had orders from the bank for 54 million issues a week. In October we had four weeks of work for the Treasurer and their orders ran to 36 million a week, which is below our productive capacity, so I think we are perhaps over that hump.

Bell: Did you have any supply on hand?

Graves: We have about 35 million pieces on hand.

H.M.Jr: All right? Before I see this other group, there is just a suggestion I want to make to you (Graves) which I will make right after this meeting.

Harry?

White: Mr. Marris of the British Embassy was in and he left some information and material about oil. One portion of it I think would be of interest to you with respect --

H.M.Jr: Well, what you men have got to do - for instance,

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what's-his-name sent me up last night, I think it was, 25 or 30 different pieces, one of which he said was urgent. I can't read all this stuff. After supper I read until my eyes gave out. So if there is something important, all of these things get down to one or two sentences. Now, let me give you an example. I don't know whether Klaus does that or Gaston. During the week I suppose that 20 or 50 letters would come in from J. Edgar Hoover. They have gotten it down now so I get a half a page, about two lines on each letter, which gives me the important stuff.

Gaston: Sam Klaus is doing that.

H.M.Jr: Well, he is doing a nice job. If you have something, Harry, and this really goes for you (Cochran) too - I mean, if there is something, give me one page of two lines and then if I want to look at the table I can ask for it. Just like on Klaus' memorandum, he refers to certain things and when they are important I ask Mrs. Klotz to get them, but it has gotten down - I mean, I just can't do it. So I mean if there is something important that this fellow wants - now, there was a whole mass of stuff there last night about Vichy and this thing and that thing, and I can't do it any more. I mean, there is so much - and I may be missing something, but if you (Cochran) take those and reduce it to just - any of those cables - take this thing, for instance, that he said. Now, maybe too much lubricating oil is going to Spain or not enough and I want to know about it. I can ask for the cable. Can you (White) do that?

White: Oh, yes.

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H.M.Jr: And will you (Cochran) do that?

Cochran: Yes, sir.

H.M.Jr: Either I am getting - I have no time to think.

Or George, any important trends - I mean, it is impossible.

White: I was going to suggest for your consideration a supplement to that which I found necessary to do with mine, because there is so much stuff coming in, that the man attach to each cable they read one sentence or two sentences on a little yellow tab, which gives the gist of it.

H.M.Jr: Well, it gets down - if I got one page at nine, or it ran to two pages of something I ought to know or something you fished out - there is one thing Cochran wanted me to do and I am doing it today, but the rest of the stuff is too much.

Incidentally, a thing which I got last night, Nelson Rockefeller sends around something which I think is excellent. The things that he has done during the week, just three or four lines on each thing. How many of you people get that?

White: They are sent to the various departments. I don't know whether anybody gets it here except yourself.

Gaston: I saw the Rockefeller man for the first time yesterday and he said he was going to send me information --

H.M.Jr: That is something else again.

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White: No, this is the minutes of the Interdepartmental Committee.

H.M.Jr: Coffee, manganese, aluminum, rubber, tin, wool, the various things that they have done. Now, what will I do with that? I can't read it myself. Who would get it?

White: I have been getting it, and we follow it, and anybody else whom you like.

H.M.Jr: Supposing it starts with Bell and we circulate it around.

White: I will get the appropriate number of copies.

H.M.Jr: Find out. Then it doesn't have to - it is really --

White: I will see that Bell gets a copy, and if Mr. Gaston is interested, he can get a copy and they won't have to pass it around.

H.M.Jr: I just want to say while we are on it for the benefit of those here in the room, the meeting which we had yesterday which lasted from 3:30 until after 6:00, I think was one of the most important meetings we ever had. The purpose of it was twofold. I mean, that thing just burns you out, getting ready for it. It took days to get ready for it.

The English have this new program. Nothing must be mentioned about this outside of the room. It is both for armaments and planes and there was all kinds of stalling; this person had this objection and this person had that objection, and the English kept shifting and they keep insisting on getting materiel which is peculiar to their arms and which we have no use for. What I did,

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I used that opportunity to get a statement which they would agree on which the President could use tonight, saying what we have done for England, and through using that statement as an excuse, we forced the Army and the Navy and the Defense Council to agree that they would let this program ride, and the whole thing went through.

The thing that I want you (Bell) to know particularly, in case I am not here, in a flat statement which I made then, from now on I will not, as Secretary of the Treasury, approve any additional purchases in this country for armaments for any country, unless the Chief of Staff or Chief of Naval Operations will certify that we can make use of them ourselves - I will not approve them. In other words, any additional facilities must be of such a nature that the Chief of Staff or Chief of Operations will say that in case of danger we can use them ourselves. In case this comes up while I am away, I cannot okay these credits that are going on unless I feel that in building up these productions it is there as a reserve for ourselves in case we need it.

Bell: That is from now on?

H.M.Jr: From now on. And this program - well, to give you an idea of the size of it, the additional program which they want to place amounts to four billion six hundred million dollars.

White: Which raises the next point I was going to make, Mr. Secretary, that keeping track of what they have and so on, they are getting down so low that the first opportunity which you feel you want to go into it --

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H.M.Jr: I know just how low. And the other thing, I told Sir Walter Layton and Purvis yesterday to get over to this fellow Pinsent and tell him for God's sake to stop asking me perfectly asinine questions about that French gold.

Cochran: I got him on that yesterday.

H.M.Jr: Well, he got it double-barreled last night and I told him if he asked me any more questions it was going to make it impossible. I said, "What does he want, a statement with a seal from the Treasury saying that in case they take this French gold we are going to buy it?"

Cochran: I told him I wouldn't even approach you on that question.

H.M.Jr: I said, "The first thing you know, the French will bring suit." I mean, the man is an unbelievably stupid man.

Cochran: I am convinced of that.

H.M.Jr: I just told Layton - I told him the story which Purvis knew, the Layton story - you have all heard my story about my father when he was Ambassador to Turkey, haven't you. The Y & S Licorice Company was entirely manned by English personnel and when in 1914 the war came along they had to withdraw the personnel and send Americans out to take their place, who had no experience doing business in the Far East. So they had this ship there which they wanted to load licorice root onto off the coast of Turkey, and the Governor, who hadn't been paid in two years, wouldn't let them load. He said, "Well, if you brought this ship

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into harbor the English would bombard it and endanger the civil population," and they wouldn't let them load.

So this American comes up to see my father with great excitement. The ship costs so many thousand dollars a day and what would they do? So my father says, "If you wouldn't mind stepping out of the room a minute, I want to talk to my son." So he says, "Henry, take that so-and-so out on the curb and out of American territory and tell him the Governor hasn't been paid for two years and if he crosses his palm I think he will load his steamer, but tell him to get out of my Embassy."

So I took him out, and the next day we got a telegram from the fellow that the ship was loaded.

I told the story and said to tell that to Pinsent. Layton loved it. I said, "Tell that story to Pinsent."

All right, Harry?

White: Well, then you - you are following the fact that the cash assets are getting low?

H.M.Jr: I know just how low?

White: And the contracts are getting very light.

H.M.Jr: I know all about it and so does the President of the United States, and that is why I am taking this position from now on. It is the only defense position I can take from this time on, that the orders they place are those which the Army and Navy can use. It is the only position I can take.

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White: I was under the impression that some time or other you have either made the statement or indicated to some persons that you would let them know when there was not sufficient cash to take care of unpaid contracts. Am I mistaken?

H.M.Jr: 100%. Why should I let them know? It was the other way around, as I remember.

White: Not to the British, no; that you were going to take care of the American producers and that --

H.M.Jr: No.

White: Do you remember anything, Merle, of that character?

Cochran: No.

H.M.Jr: I make lots of slips, but it wouldn't be that bad. Who am I to underwrite it? The only statement that I have made is this, that as long as I was Secretary of the Treasury I never would be part or parcel of lending the money again, and if it got to the place that they couldn't pay, I would recommend that we give it to them. That I said, which I wouldn't want repeated outside of this room for the next ten days.

Gaston: It is only a week.

Foley: Less than a week.

H.M.Jr: Well, they may have to have a recount. (Laughter)

All right, Harry. Your old pal, that loquacious loose-lipped, frivolous Sir Frederick Phillips is on the way over to discuss this thing.

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White: I see. That is a good characterization of him.

Gaston: He didn't say garrulous.

H.M.Jr: I couldn't think of it, Herbert. (Laughter)

White: And scintillating.

H.M.Jr: Yes. Well, he is nobody's fool, Phillips.

Okay?

White: Leon Henderson called me and - to ask - or said he had heard that Baron Stackelberg was around the Treasury and had been trying to see me, which was true. I don't know how he found out. He has been trying to see me for a couple of weeks and I haven't been able to see him, and he said that there is something - shall I say fishy? - about the man, and the State Department has a dossier on him. I wonder if Merle or Chick wouldn't find out about him?

H.M.Jr: Isn't he French?

Cochran: He is Baltic, from up in the north some place.

White: Anyway, he was sent down from the press bureau.

H.M.Jr: Well, I refused to see him.

Schwarz: We will check on that.

H.M.Jr: I refused to see him.

Schwarz: He hasn't been around for a couple of weeks.

H.M.Jr: He has called me several times in the last few days.

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All right?

George?

Haas: These orders are getting to be pretty good reading these days.

H.M.Jr: Anything else?

Haas: That is all.

H.M.Jr: Philip?

Young: George has completed his first survey on the official Dutch orders. It has just come in. It is a detailed statement amounting to a total of around seven million dollars worth. That is outside of this order placed by the large Dutch import-export firm in New York, which runs a mail order catalogue service for all of the East Indies, and that firm has volunteered to come in and cooperate and submit reports on the same basis, on its own initiative. We will get a complete picture of the Dutch.

H.M.Jr: Some Greek citizen appealed to my father, whether they couldn't get 60 planes for Greece.

Young: I have been talking with Greeks for about three weeks, I guess.

H.M.Jr: Are there any planes?

Young: It is possible that some frames might be cleared for production, providing engines could be supplied from another source. It is the feeling of the State Department that if you are going to send planes to Greece, you might as well give them to the British.

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H.M.Jr: Have they a Greek Mission here?

Young: No, but I have talked both with the Minister and the Chancellor of the Greek Embassy or Legation. They have been in several times.

H.M.Jr: Okay.

You are not coming up at 3:00, are you?

Pehle: No.

H.M.Jr: There is a letter here - I sent you a letter. It was delivered at 12:00 o'clock last night. Somebody wants to pay taxes on a house in Paris.

Pehle: Yes.

H.M.Jr: Is everything else all right?

Pehle: Yes. I have one item. The French want to spent about \$200,000 for products to be sent to Martinique, Guadalupe, and the Guianas; principally, Martinique, and principally the foodstuffs. We have cleared the thing with State.

The more controversial items were bunker oil which amounted to \$8,000 and with which Standard Oil had previously gotten clearance with State. Summer Welles called Standard Oil and told them he didn't want them to send any bunker fuel at this time. So that has been eliminated. Then there is an item of \$28,000 for gasoline, which is 13,000 barrels or 546,000 gallons. It is 70-octane gasoline, three-quarters of which is going to Martinique, and a quarter to Guadalupe. The State Department isn't troubled about that at all. They are going to give us a clearance in writing on it.

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- H.M.Jr: Well, according to my secret information, Martinique today are supposed to come out - the mayors of the various towns, if that is the way the government is - and declare for England. That is what I was told late last night.
- Pehle: Well, do you have any objection to those shipments going?
- H.M.Jr: No, I think it is all right.
- Pehle: That is all I have.
- H.M.Jr: Who asked me something and I said to get it through the Committee? Didn't you (Bell)? Was that the Hungarian thing?
- Cochran: No, that was the Java bank account.
- Schwarz: Bruce Barton last night in a radio broadcast was criticizing the Administration and he referred to a case, without naming names, in which he said a wealthy man was reported to have made a remark critical to the President and thereafter received a tax bill for \$700,000 from the Treasury Department and that he went to court and --
- H.M.Jr: My answer is that he got off easy.
- Schwarz: I just thought you ought to know about it.
- Foley: Purely coincidental.
- H.M.Jr: He got off easy. What kind of a democracy does he think this is? He will never live that one down. And the fellow up in the gallery yelled out, "And the fish smells." (Laughter)

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Schwarz: That is the only thing.

H.M.Jr: That is all right.

Cochran: Here is a Canadian silver letter.

H.M.Jr: Are we buying any silver?

Cochran: Not a great deal. Only 400,000 ounces from them so far.

H.M.Jr: In about ten days, Bell, make a note, let's have a meeting on silver and see if we can't get Harry White to drop the price. I don't see why we should pay more than \$30.

Bell: How about eliminating it altogether?

H.M.Jr: Well, Harry might recommend it, you never know. He looks full of pep, vim and vinegar this morning.

White: Well, I might ten days from now. (Laughter)

H.M.Jr: You don't know what you will do ten days from now.

White: That is two days "A.R.," after the revolution.

H.M.Jr: Foley?

Herbert?

Gaston: I think we have finally got everything all cleared up about these French ships that are going to go to Liverpool and take the French refugees away.

H.M.Jr: Well, I saw that the English changed their minds.

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Gaston: Not so far as I know. They got in a panic Saturday night. Over in London they got a rumor from somewhere that these ships were taking cargo, that they were going to lay in to Casablanca. We looked into that and couldn't find any substance for it. The only one that is taking anything other than the supplies for the men they are going to transport was the Wyoming and she was retaining a few Red Cross packages and the British said that was all right, but otherwise they are all in ballast except for quite heavy supplies. They have got bunker supplies to last them for about a three weeks' voyage and quite substantial food supplies, because they think the British say that they may be at sea after they leave Liverpool for two weeks or more.

H.M.Jr: It is all right.

Gaston: It is all cleared all around.

H.M.Jr: Anything else?

Gaston: Nothing else.

Cochran: On that navicert, Mr. Secretary, unless they changed their mind, they declined to give it from Buenos Aires for meat to go to the French prisoners.

H.M.Jr: When you go over this morning, will you particularly look at cables from Dakar?

Cochran: Yes, sir. They had none yesterday.

H.M.Jr: And ask them that in view of the gold that is there, that I would like a cable twice a week or whenever he has anything, our Consul at Dakar, as to conditions there, in view of the

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million dollars worth of gold, see. At least twice a week or oftener, and with our Consul, ascertain whether that gold is still there or whether it has been moved, see.

Cochran: All right.

H.M.Jr: And if he could, where is it in Dakar.

Cochran: The last report was it had been moved up in the country. He gave the name of the town.

H.M.Jr: Well, I would like a complete story. I would like to see Bell, and I want the Stenotype here, and I want Foley to remain.