DIARY

Book 376

February 26 and 27, 1941

THE UNDER SECRETARY OF STATE
WASHINGTON

February 26, 1941

CONFIDENTIAL

Dear Henry:

Thank you very much for letting me have with your letter of February 25 copies of the correspondence relating to airplane orders for the Soviet Union. I am very glad indeed to have the information you have been good enough to send me.

Believe me

Sincerely yours,

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

February 26, 1941
9:10 a.m.

H.M.Jr: Hello, Harry. How are you?

Henry L. Stimson: Fine, and I've had a bully time.

H.M.Jr: Good. Did you get some horseback rides?

S: No, but I played golf and I did some flying. (Laughs).

H.M.Jr: Oh, really! Good for you.

S: Oh, I went around and did some inspection down there, but I had a very good rest.

H.M.Jr: How is Mrs. Stimson?

S: Pretty well, thanks. She gained back much of her strength.

H.M.Jr: That's good.

S: But I come back to find two appointments at the White House: one at 10:15, in about an hour, and another one this afternoon at 2:00 o'clock. I don't know what the 10:15 is about; the 2:00 one seems to be about the lease-loan implementation.

H.M.Jr: Well, it's a follow-up on your memorandum.

S: Yes. Well, I just wanted to call up my fidus Achates and get oriented on it. Has anything happened about it that I should know beforehand?

H.M.Jr: Yes, I think you should. Are you alone?

S: Well, the telephone is along. I'm not in connection with anybody.

H.M.Jr: I meant that I could talk to you.

S: Yes, you can talk.

H.M.Jr: Well, here's the situation. I've seen Hopkins several times and he has come back with the idea that he's going to devote the next two or three months to getting this thing started and when he heard that Colonel Burns was to be slated for Secretary, he said, no, he wanted to be secretary.

S: Yes, I got that. The President explained that. That's all right. I mean, the President explained that and asked to have somebody to help in that matter, and unless otherwise advised, I shall appoint Burns to be the helper.

H.M.Jr: Well, I told Harry that he could have Philip Young and then I made a suggestion both to Harry and to the President, which they liked, - I said if it is going to be Burns and Young, why not also take Admiral Spear as the three of them have been the President's Liaison Committee now for two years, and let that be the secretariat. Then you'll get the benefit of the last two years and just not throw it out of the window the way we do so frequently. Well, both the President and Hopkins liked that. You see?

S: Yes.

H.M.Jr: Because, for instance, if Hopkins goes away with the President on this fishing trip that he going on and be gone for two weeks, you see, we'd have to have somebody to carry on.

S: Well, I naturally wanted someone in that office, being the Department that will have altogether the most items to supply and that's all I'm seeking for.

H.M.Jr: Well, I'm not seeking anything; I've got to be pushed, on this thing - I mean, as to my own responsibility. I think I told you that.

S: You did and I have no suspicion of you, my friend.

H.M.Jr: No, you have no reason this time. (Laughs).

S:	(Laughs). I may normally regard you as having the burden of proof but this time I think you quite innocent.
H.M.Jr:	No, nothing had happened while you were gone and I don't know what the 10:15 meeting is. What I'm going to do - I'm going to push like hell at 2:00 that whatever the President thinks the English need for the spring campaign that before he leaves, or rather before the bill passes, all of those things should be earmarked and, if possible, even put into packing cases ready to go.
S:	Yes.
H.M.Jr:	Because if the English are going to hold out this spring, the extra things that they're going to get ......
S:	I've only got one thing to add to you.
H.M.Jr:	What's that?
S:	That we don't want them sunk on the way over.
H.M.Jr:	True.
S:	I have a remedy for that which I've had for at least one year. (Laughs).
H.M.Jr:	What's that?
S:	Well, you know it -
H.M.Jr:	Oh.
S:	We ought to make sure that those damn don't sink it on the way over, and we can't afford to give two for one that gets there.
H.M.Jr:	That's true. There has been a suggestion, which I got in a roundabout way which somebody asked me if I had heard about. I'm passing it on to you for what it's worth. Someone said that there was a plan on foot that we should ship this stuff to Iceland and then have it trans-shipped.

S:	Oh, that's been talked of for three months but I haven't heard anything to indicate that it was any more crystallized than it has been for a long time.
H.M.Jr:	Well, I thought it was a cock-eyed idea.
S:	Well, I don't know about that, Henry. I mean, I wouldn't .....
H.M.Jr:	Throw it out?
S:	I wouldn't throw it out altogether. It may be one of those circumlocutions that we've gotten so accustomed to that work out pretty well in the end, but my own method would be more direct.
H.M.Jr:	Yeah. I want you to know that I kept everything in line for you while you were gone, and as far as I know, nothing has happened. If anything had happened I would have phoned you.
S:	Well, you were very good to do it and the result is I really feel better than I have for months.
H.M.Jr:	I didn't know - for a day or two I was a little worried about what form that committee would take because Hopkins has been doing a lot of burrowing, you know.
S:	Yes.
H.M.Jr:	But he told me about it and talked it over with me and he said that he'd like to be secretary and evidently that's all that he wanted.
S:	Well, I have no comeback on that at all; that's for the President to say and I think this man is a man who has been qualified by his recent presence over there.
H.M.Jr:	Well, he's full of enthusiasm and very anxious to help.
S:	As long as he doesn't take an instructive position, which I'm sure he won't, that's all right.

H.M.Jr:	Well, no. Harry is very anxious to help and ......
S:	That's what I've always heard. I want to get to know him a little better.
H.M.Jr:	Well, you'll like him.
S:	I'm sure I will.
H.M.Jr:	Well, I'll be looking forward to seeing you at 2:00.
S:	2:00 o'clock. Thank you very much.
H.M.Jr:	Thank you.

February 26, 1941
9:25 a.m.

H.M.Jr: Hello.

Operator: Mr. Rouse.

H.M.Jr: Hello, Rouse. Have you talked to anybody today?

Robert Rouse: No, no one today.

H.M.Jr: So you don't know what went on yesterday.

R: Yes, we talked to four or five people last night late thinking we wouldn't have time this morning in case we wanted to have any conversations with you or the people at the Board, and I might run through them with you.

H.M.Jr: Will you do that, please?

R: Mills, of Discount - I'll just read from my notes I made - said that on Monday a bank on the West Coast sold 10 million rights, a bank in New York sold a large amount and continued, another bank in New York sold 8 or 9 million. They found no buyers for the rights yesterday morning from 101.18 down to 101.2 at which point they ran into a little savings bank buying. They saw no buying by commercial banks until after the price had declined to par 24/32s. The latter buying may have been for conversion into notes. He further stated that the introduction by Senator Taft of a bill to double the minimum reserve requirements would have a direct effect on the market and that the sharp decline from late in the noon hour could be credited to that news. He also stated that he believed there were still several other large blocks of rights overhanging the market. Principal talk of the market yesterday centered about the possibility of all tax exempt bonds being called at the earliest call date and replaced with taxable bonds and on that theory the new 2% bond was being figured to maturity rather than to the optional date.

H.M.Jr: Yeah.

R: There was steady selling by trust accounts particularly of the local banks all during the day but he believed that most of that had dried up by the close of the market. He expected the market might do a little better on Wednesday. He said that his position in rights had increased about 1½ million but the rest of his position was little changed. Devine stated that the most surprising thing he saw in the market today was the selling of rights by a New England insurance company and a large out-of-town bank in exchange for tax exempt issues although neither one of these sources he believed needed tax exemption. He gained the impression that many holders of rights, particularly banks, were looking at the large amount of securities to be offered for cash later and were reluctant to increase their holdings at this time expecting higher rates later.

H.M.Jr: Yeah.

R: He expressed the opinion that it was unfortunate that the spread between the tax exempt security and the new taxable bond had become so wide, that is, 45/100s in basis in view of the volume of financing to be done later. He stated that he started the day with a volume of about 25 million rights which he still had at the close of business today. He said that during the day he received an order from a savings bank to buy 10 million of the new bonds at 101.10. Despite his holdings he refused to confirm the securities to the customer and requested an order to buy them for the account of the customer, which he did very readily in the market and against his own interests. Later in the day a local bank in New York gave him an order to buy 5 million on the scale down starting at par 24. He thought the worst of the problem appeared to be over although there was still a substantial amount of rights to be placed. He also said that there was still a demand for the intermediate tax exempt bonds.

Mr. Panke of Childs and Co. stated that the Treasury offering today was disappointing to many holders of rights which resulted in a continuous supply of rights all day. They found a poor secondary market for the new issue and were able to sell only 4 million, all of which went to savings banks in small amounts. He found two classes of sellers, one who sold the rights and purchased tax free issues and the other who sold rights, held the cash and are potential buyers of future date. He believed that there were some holders, who would exchange their rights but were not satisfied to hold the new 2% bond, who will swap it later for other issues. He stated that he believed it was not so much that the customers did not like the new bond but that in some cases they were frightened by the inclusion of the 2 year note and its rate as it was only a short time ago the Treasury was able to put out a 5 year taxable note at 3/4s rate. He also mentioned the reason for the poor secondary market was the fact that investors felt there were plenty of new issues coming along for cash and that they might receive an opportunity to invest their funds in higher rates later. He further stated that the selling in rights and the decline in prices brought about some selling in the outstanding issues but that the supply of such bonds was small. Moreover some of the selling was against the purchase of a new bond. In addition there was some selling of short for long tax exempt securities. He stated that the selling in rights was steady until near the close of the market, that they had no position in rights last night and had closed the previous night the same way.

First Boston Corporation - Lanston. He stated that his sales of the new bond today were almost entirely to savings banks to which he sold a total of about 12 million. He said that the Savings Fund in Philadelphia purchased 1½ million of the new bonds later. Selling of rights came from everywhere. The largest block of rights he purchased consisted of 4 million from Boston on a swap for '60-65s. He also reported a little buying in New York

City and Cleveland in the partially tax exempt intermediate bonds and although he received several requests for quotations from insurance companies in Connecticut and New England nothing materialized. He stated that despite the fact that savings banks do not pay taxes some of them are reluctant to buy the new issues of 2's while they can buy the outstanding issues at higher yields. In endeavoring to explain the reception which the market has accorded the new 2% bond, he attributed it primarily to failure of the Treasury to recognize the need in the market for a longer term, higher rate security offered in conjunction with this 2% bond of '48-50. He believed that the Treasury had interviewed a great many people and to the best of his knowledge all had recommended that a longer term, high rate, that is 2-3/4s% issue was desirable. He then added that it would be difficult to distribute the full 1 billion, 200 million to banks which were fearful of higher rates and many more securities of increasing rates in which they would be expected to do their part. He also commented that towards the close of the market today one of the large banks was purchasing rights on the basis of a note conversion but that that bank had indicated it would not be a big buyer in the sense that it had been when the Defense notes were issued. Lanston also suggested that it would be helpful if the Treasury would show a willingness to exchange tax exempt issues which they have in trust accounts for new taxable securities. He realized that while it might be contrary to long term policy, it was to the interest of the trust accounts in the immediate market situation. He believed that substantial amounts of tax exempt securities could be placed at about the present level.

In the canvass we made with a wider list of dealers, the dealers apparently bought about 98½ million of rights and sold either in the form of rights or the new securities 92 million.

H.M.Jr: That's not bad.

R: I think they did a good job and I think the effort will be helpful.

H.M.Jr: Yeah. Well, now I've just got one suggestion. Devine is 25 million long, isn't he?

R: Yes, but he's not concerned about that. He believes in the issue.

H.M.Jr: Well, I just wondered whether - think it over. I'm just raising the point of the possibility of relieving him of some of those.

R: Well, he's in this position that he's short bonds to a like amount. In other words, that's a hedged position so that he - he felt in effect that he had no position. He had sold bonds and bought rights figuring to convert into bonds and he'd be even or pretty well hedged.

H.M.Jr: Do I understand - they bought how many rights, the combined dealers - a little under 100 million?

R: Almost 100 million the dealers bought.

H.M.Jr: And sold?

R: And sold 92 in one form or another.

H.M.Jr: I see.

R: And they all said that the market primarily, I think, due to the Chase's buying last night closed a little better than off the bottom.

H.M.Jr: Who did the buying?

R: Chase Bank.

H.M.Jr: What were they buying?

R: They were buying the rights for conversion into a note, presumably.

H.M.Jr: I see. Well, how soon will you have an indication of how they opened this morning?

R: Well, I think we'll have an indication a little before 10:00.

H.M.Jr: Well, as soon as you get it will you call me?

R: I will.

H.M.Jr: Thank you.

February 26, 1941
9:30 a.m.

GROUP MEETING

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

H.M.Jr: Where is Haas?

Haas: Here, sir.

H.M.Jr: Oh. George, what I would like you to have somebody do this morning is to take these English orders, and take them, for instance, by horsepower, you see, whatever the horsepowers are.

(Mr. Sullivan entered the conference.)

H.M.Jr: This says 250 horse, you see. That would be there. Then come X, Y, Z, who makes it, by horsepower, and then run your delivery sheets across this way, and then down here would be the total. In other words, we have on order so many total for each month of that horsepower. Do you see what I mean?

Haas: Yes.

H.M.Jr: The total by horsepower. How long would it take to do that? Can I have it tomorrow morning?

Haas: Yes.

H.M.Jr: By horsepower and the delivery schedules.

Haas: One for orders and one for deliveries?

H.M.Jr: Well, it would be the total.

Haas: I see, on order and schedule of deliveries.

H.M.Jr: It would be like this except by horsepower.

Haas: Yes. We can do that.

H.M.Jr: And then if they could take the thing - this is the one I want particularly, and then break it down, Army and Navy and civilian and Great Britain. If they could make this kind of a breakdown.

Haas: All right. We can do that by tomorrow morning.

H.M.Jr: I am just going to ask you people if you have got something important this morning, because I don't want a long meeting. Have you got anything important?

Thompson: We sent a man to New York yesterday from Mr. Haas' office.

Haas: I sent Turner.

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

Haas: Not yet. I talked to him last night before he left.

H.M.Jr: Well, you had better call him up. Then Mr. Harriman said he thought that the Treasury had the best statistical organization in the world. I am repeating what he said, and that the only people in Washington who know what is going on are them. He can't run the Union Pacific unless he has statistics. He wants us to let him have a man to go to London with him to get the statistics at that end to help keep up the master sheet.

Now, I was thinking - I like his attitude. What is the name of the man who has been doing it?

Haas: Our stuff on the British? We have got several of them headed up by Lindow.

H.M.Jr: What do you think of lending him Lindow?

Haas: It would be a big sacrifice to us, a real sacrifice. We are looking toward increasing our staff.

H.M.Jr: This maintenance of this master sheet - what you might do is send somebody with Lindow who could stay behind, and let Lindow get it started. Let Lindow stay say for three months, because Mr. Harriman is supposed to come back at the end of three months, and let somebody stay there with him.

I don't even know whether he wants to go. Is he married?

Haas: Yes.

Young: He just got married.

H.M.Jr: Well, this isn't an order. They will have to volunteer for this, and I won't have any feeling if he doesn't want to go. It is something that somebody has to volunteer for.

Young: It would put an awful crimp in us here, because he is excellent on the supervision.

H.M.Jr: Who would be the second man?

Haas: Well, the second man is a man named Leahey, in there working on the British material; but Lindow is the fellow who knows how to make contacts and get along with people; and at the same time he knows what he is looking for. I don't know how Leahey would work.

H.M.Jr: Look at the job of going over there.

(Mrs. Klotz entered the conference.)

H.M.Jr: They tell us that Lord Beaverbrook runs three sets of books on airplane production, and that he gives - it is known that he gives Churchill the wrong figures.

Haas: Lindow would be good for that.

H.M.Jr: They say he doesn't give Churchill the right figures, and we haven't been getting the right figures because he thinks if he gives us the correct figures they would look too good and he won't get any airplanes.

Foley: That is a job for Sammy Klaus.

H.M.Jr: Well, he is on income tax. Well, turn it over in your mind. Harriman isn't going until Saturday a week. Turn it over in your mind, will you please, George?

Haas: All right.

Foley: Ben is going - he spoke to me last night about getting an accountant.

H.M.Jr: Let him take Piser. If we had taken Piser's and Eccles' advice on this financing, our bond would be selling at what, George?

Haas: They figured it would sell at a premium of 102½, and we would be under par.

H.M.Jr: No, no. Eccles recommended an 8-10 year bond at two per cent.

Haas: Or to put it another way, he said the one that you proposed would sell at 102½. It would be under water, it would be under par.

H.M.Jr: It would be 99¼, wouldn't it? If I had taken the Federal Reserve Chairman's advice and his group's, the issue would be a complete flop. It isn't a success yet, but if I had taken - am I right, Bell?

Bell: That is right.

H.M.Jr: It would have been a complete failure. And I am saying here that I am thinking of writing a letter to the Federal Reserve of all the gross incompetency and lack of intelligence that I have ever met with, after talking with 12 Federal Reserve presidents, plus the Chairman of the Board and his people, personally I never saw such a waste of money. I am going to get enough money to put my own people in the Districts. If I had relied on the Federal Reserve System, Mr. Eccles and his people plus the 12 presidents, today we would have had the greatest failure of a financing we ever had. I am just going to hire my own people, and if necessary go to Congress and tell them why. But certainly, I never saw a demonstration of such sheer incompetency and stupidity and laziness. The morning we were trying to do our financing, Eccles had a committee come to town and they want to run the open market and run the bond issues.

I am very serious about this. We will just have to build our own staff in the field. We cannot rely on the Federal Reserve. Have you got anything you want to take up this morning?

Bell: No.

H.M.Jr: Harold?

Graves: No.

H.M.Jr: Harry?

White: Not unless you want to go into today the question of how to handle the direct investments.

H.M.Jr: No.

White: I think some time in the next couple of days.

H.M.Jr: I am seeing the President about it tomorrow.

White: Don't you want to have a discussion with us before you see him on it to clarify what the possibilities are of handling it? We have had some discussion already and I think possibly it would be helpful.

H.M.Jr: Yes, I will see you. I will see Bell and White and Cochran.

Cochran: Did you see the article in the Wall Street Journal about it this morning?

H.M.Jr: No.

Cochran: It is the idea that the British may abandon their sale of securities here and the Government take over.

Schwarz: First column.

H.M.Jr: Well, I will see when I can get to it. Well, Foley and Sullivan are coming in on something today. My meeting on the Hill is postponed until tomorrow. I can see the group at 11:30, Bell and White and Foley and Cochran.

White: To assure you about that Argentinematter, you were quite right. I don't know whether you know yet, but the Argentine loan that was scheduled both by the Export-Import Bank and the Treasury has not yet been consummated, because we are waiting for a certain law to pass in Argentina, and even indirectly there has been no assistance.

H.M.Jr: Get me a letter not later than this afternoon. Chick, did you get my memo?

Schwarz:	Yes, sir.
H.M.Jr:	What did you do about it?
Schwarz:	It was on the wire before the market opened.
H.M.Jr:	They had done it themselves?
Schwarz:	No, but they put it on at our reminder.
H.M.Jr:	It was not on?
Schwarz:	They hadn't had it yet, and they put it on. Here are this morning's stories on the bond market, and an editorial from the Wall Street Journal.
H.M.Jr:	John?
Sullivan:	The general relief went through the House yesterday, and it will come up in the Senate tomorrow morning at ten o'clock.
H.M.Jr:	The story said we lost a hundred million dollars revenues.
Sullivan:	That is not correct. That is on the full year, at which time we will be getting a lot of money.
H.M.Jr:	Don't you think it ought to be explained?
Sullivan:	Yes, and we did explain it yesterday. We only lost 23 million this year.
H.M.Jr:	Have you said anything to Schwarz?
Sullivan:	No, I have not.
H.M.Jr:	Talk it over with him.

Sullivan: I will.

H.M.Jr: Will you talk to Chick?

Sullivan: I will.

H.M.Jr: Well, I am seeing you at ten.

Sullivan: That is on this bill, Dan. Do you want to sit in on that? You had better. It is the question of tax exempts for States.

Bell: Yes.

H.M.Jr: Ten thirty. Kuhn, you had better come to that meeting too, so you will know what it is all about.

Kuhn: Ten thirty?

H.M.Jr: Yes.

George, are you all right?

Haas: I have just got one thing. On that Georgia power, that is the way the insurance companies took another private sale. They closed that deal of Monday before they knew the terms of your offer. The insurance companies agreed to take a hundred and one million dollars worth of those bonds before they even knew the terms of the Treasury offering.

H.M.Jr: Well, I want to say now in front of everybody that George and his group did me a magnificent job over the weekend, and if the thing goes, he deserves a lot of credit for the work he did. I appreciate it, and I would like to - I want to see all of your (Haas') group and tell them so myself, everybody that helped you on that thing.

Phil?

Young: On this airplane export analysis you asked for yesterday that you wanted tomorrow, the British records and reports are set up so that I think we will have to give it to you this way --

H.M.Jr: Listen, I can't take it now.

Young: All right.

H.M.Jr: Any way that they can get it I will take it, see? Do you mind?

Young: No. We will give you one report tomorrow and another one at the end of the week.

H.M.Jr: All right. I just can't get it down now.

Young: Right. When can I see you on Russia?

H.M.Jr: I don't know. You will just have to wait. They will have to wait. Speak to Stephens will you? Today I have got to see this bond issue through, and that comes first. I am not going to get in on Russia. I have just got to take care of my bond issue.

Pehle?

Pehle: I have nothing.

H.M.Jr: I hear you (Odegarde) came down with Bob, who insists there were no doors on the train, that you had to get out the windows.

Odegarde: He didn't get out the window.

H.M.Jr: Did you hear Hu Shih speak?

Odegarde: Yes.

H.M.Jr: How was he?

Odegarde: Very good.

H.M.Jr: Did the boys like him?

Odegarde: He had a very good crowd and made a fine impression.

H.M.Jr: Bell, are you meeting with the Federal Reserve today to get their great wisdom and so forth and so on?

Bell: At 2:30.

H.M.Jr: Just try to get them to advise us.

Bell: They have got some ideas, they say, on the types of the bonds.

H.M.Jr: Let's you and I and the rest of the Treasury crowd make up our minds tomorrow what we are going to do.

Bell: I think we can.

H.M.Jr: All right. And just because General Motors - Bob took your idea as to a symbol, if it is good enough for them why isn't it good enough for us?

Odegarde: That is what I think.

H.M.Jr: Don't weaken.

Odegarde: I think ours is better than theirs.

H.M.Jr: Which one have you got now?

Odegarde: We use the same symbol, but we use a different caption.

H.M.Jr: Harold wants just one for six stamps.

Graves: For six weeks or six months.

Odegarde: That is what I am suggesting this one for.

H.M.Jr: In the Treasury you don't suggest, you just fight for it.

Graves: Would you care particularly if we took the suggestion he made instead of our own?

H.M.Jr: Oh, I prefer his.

Graves: Well, I do too. I think - it is a statue of the minute man, isn't it?

H.M.Jr: That is right. Who was the artist?

Odegarde: It is a reproduction of the Daniel Chester French statue at Concord.

Sullivan: Lexington.

H.M.Jr: You forgot we have the Sullivans of New Hampshire, not the accent on the "Sullivan" but on the "New Hampshire" Sullivans.

Odegarde: My suggestion for caption was, "America On Guard."

H.M.Jr: I like it.

Graves: Well, is that a deal? Can we go ahead?

H.M.Jr: Well, if your people are satisfied.

Ferdie?

Kuhn: Sure.

H.M.Jr:	It suits me.
Graves:	Fine.
White:	I think I ought to mention, Mr. Secretary, in the event that Jake Viner didn't mention to you, that he was of the impression that there ought to be some consideration being given, if it hadn't, he didn't know whether it hadn't; and I don't know whether it hadn't, to the question as to the timing of the launching of the campaign. He was a little disturbed about it, and I am a little; but I don't know whether you have given it that and I am repeating what he spoke to me before he left.
H.M.Jr:	If you don't mind my saying it, it is meaningless. I don't know what you mean.
White:	Well, I gather there is going to be launched a campaign with respect to the --
H.M.Jr:	Yes.
White:	Raising of funds.
H.M.Jr:	Well, there is, and he questions the timing. Well, how would he time it?
White:	Well, I don't know. I imagine what he had in mind - we didn't discuss it at any great length - was that he would postpone it, but I don't know whether he --
H.M.Jr:	Until when?
White:	Meant to indicate he knows enough about it to comment on it, but I thought he should have been in on it.

H.M.Jr: Why postpone it, and to - until when?

White: You did ask him?

H.M.Jr: No.

White: You are asking now?

H.M.Jr: No, I am asking his messenger.

White: All right, I will call him up, and I will also give you what I think about it.

H.M.Jr: And give it to Harold Graves, will you please?

White: Yes.

(Telephone conversation with Mr. Rouse follows.)

Cochran: I have nothing.

H.M.Jr: Ed?

Foley: There isn't any reason why that letter to Berle can't be written - it wasn't going to be written by the Treasury, it was going to be written by Phil as a member of the Liaison Committee, but I think it is just as well to have the Embassy write it and then they can't pin it on us if anything happens.

H.M.Jr: Sure. My suggestion was, let the British Embassy write for this ruling on the Consolidated bombers. Why should we write it?

Young: I think either one could do it. I don't think it makes much difference.

H.M.Jr: Well, it is just a little on the cautious side.

Foley: Yes. We have broken off those talks that we have been having with the State Department and Division of Controls, and we told them we weren't getting anywhere. They put down the advantages on five pages, and the disadvantages on about twelve, and that was too much for us.

H.M.Jr: Well, I saw the President last night, and he was under the impression first that he had sent me a memorandum on the thing. He has evidently come to a decision. Then he said he wasn't sure that he hadn't sent it to Bob Jackson, but either Bob Jackson or I have a memorandum from the President on it, and let's wait and see what we get. He has evidently made up his mind on something. He wasn't quite clear what it was.

Foley: Maybe he is thinking about that memorandum of Hull's he sent over here on the ad hoc business. I think that is all we accomplished. We knocked that ad hoc stuff out, but we didn't get over our stuff.

Gaston: It looks as if those papers they took from the German sailors Thursday night may be quite important. It indicates that this concern in New York had been acting as a fence for Belgian diamonds, and apparently for valuables from the occupied countries generally, and it appears that we have got a good criminal case there.

H.M.Jr: Good. Thank you all.

February 26, 1941
9:55 a.m.

H.M.Jr: Hello.

Robert Rouse: On checking around, there seems to be no big blocks hanging over the market. The customers are talking to the dealers sort of trying to check with them and get a little advice as to what to do. I'm sure the dealers will give make the recommendation that they should make their exchange. I know in talking with these fellows last night that they told me that they had instructed their men by and large to play the game and turn in their bonds, and refrain from giving a bid until they had made that advice and then if they insisted on selling to make them a bid.

H.M.Jr: I see.

R: Allan and I have just beentalking about it here and we thought the best thing to do was to watch the opening. I'll call you back in about 10 or 15 minutes.

H.M.Jr: Please do that.

February 26, 1941
10:13 a.m.

H.M.Jr: Hello.

Robert Rouse: There are some blocks coming in for sale - not large. One dealer, Discount, had an aggregate of 2½ billion offered to them of which, I think, a million was the largest. The 2½ was made up of four or five offerings. The Street brokers, the dealers not knowing for whom they were making bids, were quoting them a little higher, bidding 26 for them. I got some line on the source. Apparently Chris Devine was trying to help it a little bit and giving them small bids and trying to indicate a little better tone, but the other fellows tell us that offerings are coming in to them and I think the general feeling is that a little help would be desirable, either some switches or some cash buying. I'm inclined myself to agree with that although Allan doesn't feel the same way I do about it. He's on the wire and can state his own feelings about it.

H.M.Jr: Well, I'd rather wait another 15 minutes.

R: Personally, I'm inclined - I'm unwilling to see them go below where they closed last night.

H.M.Jr: Let's wait another 15 minutes or half an hour, and if anything happens though either way - if anything happens one way or the other call me back will you.

R: All right, sir.

February 26, 1941
10:45 a.m.

H.M.Jr: Go ahead, Rouse.

Robert Rouse: It stays better. The general market for Government securities is unchanged - some are off 1 and some are up 1. The rights are 1 and 2 better than they were last night and it remains pretty healthy. The offerings are light.

H.M.Jr: Now, as I got it when I talked to you 10 or 15 minutes ago, you were inclined to do a little helping and swapping but Sproul wasn't. Is that right?

R: That's right.

H.M.Jr: Do you still feel that way?

R: Well, it's taking good care of itself now.

H.M.Jr: Well, I'd like you to wait another 10 or 15 minutes and let's see what happens.

R: I'll call you at 11:00.

H.M.Jr: Is Sproul with you? May I speak to him, please?

R: Yes, indeed.

Allan Sproul: Good morning.

H.M.Jr: How do you feel now about leaving it a natural market or doing any helping?

S: Well, I feel that we ought to leave it. I wouldn't go in unless it gets much worse than this. I have a figure in mind - if it got down around 5/16 then we'd do some helping.

H.M.Jr: Well, I don't want to do anything now.

S: No.

H.M.Jr: Allan, while I've got you on the wire, I wish you'd give this very, very serious thought. We've simply got to have better sources of information in the future. This thing has been too damn close and uncomfortable. We've got to know more about what the banks think and the savings banks and the insurances, and I'm ready to spend money. I don't want to unless I'm forced to put our own people out to get it, but frankly, and I think this is a fair statement, I didn't get enough information. I don't think anybody had enough information and of course the Federal Reserve Board, if I had taken their 8 to 10, 2% we would have been completely under water. But the New York bank is my fiscal agent, I've got to get that information and I wish you'd give me a plan.

S: All right, we'll do that.

H.M.Jr: I mean I'm looking to you now as my fiscal agent. How can I get better information in the future on the market.

S: We'll go to work on that. I think in this case nobody really knew what the situation was going to be, the market - its main characteristic was doubt and confusion.

H.M.Jr: I know but there the question of preparing the public and all the rest of that. I just don't think we've done enough and I say "we" advisedly. I can't get it from the Board here and I just want to see what you people can do as our fiscal agent and I wish you'd think up something.

S: We'll do what we can.

H.M.Jr: Thank you so much.

S: All right, sir.

H.M.Jr: And I'll hear from you a little later.

S: Right.

February 26, 1941
10:48 a.m.

H.M.Jr: Hello.

Jerome Frank: Hello, Henry. This is Jerome. I want to congratulate you on the job yesterday.

H.M.Jr: (Laughs). Well, I think you're a little previous.

F: Well, the Street seems to think that everything is going fine.

H.M.Jr: Well, it's nip and tuck, Jerome.

F: Is it?

H.M.Jr: Well, it's still too damn close. Thank heavens, I didn't follow the advice of the Federal Reserve Board.

F: What did they want you to do?

H.M.Jr: Well, they recommended a 10, 2% which now would be selling at 99 something and the thing would have been a complete flop.

F: Well, my judgment was based on what - I was up in New York yesterday - what all the afternoon papers were saying, and some people I met on the train, they all seemed to think it was a great job.

H.M.Jr: Well, thank you so much. I'll feel better about noon tomorrow.

F: (Laughs). Well, Schey of the North American Company is in and he said the general feeling was that it had done a lot to create a feeling of more confidence about the bond market generally.

H.M.Jr: Good. Thank you, Jerome.

F: All right.

February 26, 1941
10:50 a.m.

H.M.Jr: Hello.

Operator: Mr. Purvis.

Arthur Purvis: Good morning, Henry.

H.M.Jr: Good morning. We're having the first meeting with the President at 2:00 and I wondered if you wanted to give me the list that you had in mind of the things that you would like to have over and above - well, things that would come under the billion three, you know.

P: Yes. Well, that's the one I gave you last evening - the itemized statement.

H.M.Jr: Oh, no. I mean the things like the extra bombers and extra flying boats.

P: Oh, yes. I see what you mean.

H.M.Jr: Because you told me yesterday that yourlist and Hopkins' didn't agree.

P: No, that's quite right. I could do that very easily.

H.M.Jr: When?

P: Well, I mean I'll just have to get at it straight away and reconcile two lists and have them typed up. What time would you like to get it?

H.M.Jr: Well, the only time I'm free is quarter of 12:00. Is that rushing you too much?

P: Well, I think we can .....

H.M.Jr: It's either that or .....

P: I think we can make it. It's not a long list. The only thing that ......

H.M.Jr: I could see you quarter of 1:00. Would that help?

P: Yes, that might be better but may I just get my mind straight on this with you. I think there is a little point that arises here. Hopkins did not give me a copy of the schedule - he had it in his hand, it's a foolscap sheet. It contained in it a great many references to crews which I have only just noted in pencil. I would not have an accurate idea of the detail of the requests that have been made to him. I have a note of the items just very briefly put down on pencil and paper but not specific. I know what items have been left off, of course, because those I have specific information from London, but I have no copy of this list which he has which is apparently of the nature of a special document that was handed him as he left made up of various items that had been discussed ......

H.M.Jr: Well, would you rather not give me a list?

P: I believe it might be better for me to give it to you just scrapily as I have it, but leave you to use your discretion as to what you do with it.

H.M.Jr: Well, supposing you be here - can you be here sharp quarter of 1:00 - that gives you ample time.

P: I will. That'll be grand.

H.M.Jr: Do you want to bring Baillieau with you then?

P: Yes, I'd love to bring him in.

H.M.Jr: Well, do it at that time.

P: That'll be grand. Thank you very much.

February 26, 1941
10:50 a.m.

RE FINANCING

Present: Mr. Bell
Mr. Hadley
Mr. White
Mr. Haas
Mr. Murphy
Mrs. Klotz

H.M.Jr: The reason I called you is, this thing moved so fast and it happened so fast. At 10:30 Rouse wanted to go in and help the market to do a little switching, and do a little buying; but at a quarter of eleven, he changed and he didn't.

Bell: I don't think he should do anything.

H.M.Jr: I called you in here to talk it over with you, but since then the thing is one or two thirty-seconds better than last night.

Hadley: I think it is getting a little better tone and I wouldn't go in right now.

H.M.Jr: Well, at a quarter of I told him not to, and the fellow who is helping us today is Devine. He is doing the bidding.

Hadley: Chase Bank has done some, too.

H.M.Jr: Yes, last night. But Devine was doing it definitely today on the basis of helping us out.

Haas: It would be much better if they didn't have to.

Bell: Sure. I don't think they ought to do it.

H.M.Jr: I am not for doing it, but at 10:30 Rouse wanted to do it, and wanted to call back and then all of this stuff happened. To give Sproul credit, Sproul at 10:30 did not want to.

Anybody got any other ideas?

Hadley: Well, some of the reports from the Street are that in the next hour or so, that this selling should stop. Some of the dealers feel that way. Getting close to the close they will start to bring their stuff in and get a better tone.

Bell: They have got to make up their minds pretty soon now what they are going to do with these rights.

H.M.Jr: All right. I will call you again. Everything happens this way.

Has anybody got any ideas?

Bell: I think we had just better leave it alone for awhile.

H.M.Jr: Murphy, you have always got an idea.

Murphy: My idea would be to leave it alone.

H.M.Jr: O.K., goodbye.

February 26, 1941
11:05 a.m.

H.M.Jr: Hello.

Robert Rouse: The tone of the market is distinctly better. We've seen some switching by savings banks out of comparable maturities and tax exempt bonds into the new bonds. There is some buying in the tax exempts and some buying in the tax exempt notes and it has added color to the market on the up side.

H.M.Jr: Any change in the price?

R: Changed the prices so that most everything is up 1 to - in a few cases - 3 or 4/32nds on the day and the rights are up to 28 bid for the 1½, and there are a few bids better than that for small amounts.

H.M.Jr: But better tone.

R: Distinctly. If there's a change, I'll call you.

H.M.Jr: Do that, please.

February 26, 1941

TREASURY DEPARTMENT
Office of the Secretary

Date Feb 26 '41
12:20 PM

TO: Mrs. Klotz

Room

Sales of "rights"
by small country
banks picking up.
New bond now 100.26-28
Rights now 100.28

From: MR. HADLEY

February 26, 1941

TREASURY DEPARTMENT
Office of the Secretary

Date Feb 26 '41
12:30 PM

TO: Mrs Klotz

Room

Market easing further.
New bond now 100.24
Selling of rights picking up.

From: MR. HADLEY

February 26, 1941
12:39 p.m.

H.M.Jr: Hello, Rouse. Bell is in here now with me. What's the trouble now?

Robert Rouse: Well, the aggressive buying that came into the market seems to have been pretty well satisfied and the people who have been interested are turning into scale buyers. The proportion of selling of rights is increasing and they are now down to 24 bid.

H.M.Jr: Say that again please.

R: The aggressive buying in the market both in the rights and in the tax exempt list has stopped. The buying has turned into scale buying on the way down. The amount of rights seems to be increasing and they are now down to 24 bid. The first in easing down to 27 or 8 the tone of the/rest of the market seemed to be pretty good, but the last 15 or 20 minutes the selling has accelerated.

H.M.Jr: Well, we've just got to watch it a little bit.

R: Well, we've got to watch it closely again from here. We've been keeping close tabs on it of course, but that is the case at the moment.

H.M.Jr: You're not going out for lunch?

R: (Laughs). No, sir.

H.M.Jr: Well, I don't know. I never know what these Federal Reserve people will do.

R: Well, you pretty well know what I do.

H.M.Jr: Well, I'm available up until 2:00, the time when I go to see the President and then Bell will be here from 2:00 on and he can get me out over at the White House. I can come out.

R: All right, fine.

H.M.Jr: And Bell says he is having his lunch at his desk.

R: Right. Well, that has been the custom the last few days.

H.M.Jr: Don't hesitate to call me because this is by far the most important thing I've got.

R: Right.

February 26, 1941
1:45 p.m.

H.M.Jr: Hello.

Operator: Mr. Rouse.

H.M.Jr: Hello.

Robert Rouse: Hello.

H.M.Jr: Yes, Rouse.

R: This thing's holding steady.

H.M.Jr: Holding steady.

R: Holding steady. The outstandings are a little better than they were -

H.M.Jr: Yes.

R: And the securities involved in the exchange are just steady.

H.M.Jr: I see.

R: They're a little better than when I talked with you last. They are around '26-27.

H.M.Jr: I see.

R: And it looks like we might get through all right in that range.

H.M.Jr: Uh-huh.

R: They - of course they're dealing now - all dealings would be for cash and by and large there is a bid but no offer but they'll sell the new securities when issued.

H.M.Jr: I see.

R: The exchanges are beginning to accelerate. We've had more come in in the last half hour than we've had in the preceding hour or hour and a half.

H.M.Jr: I see.

R: We're up to 221 million now -

H.M.Jr: Yeah.

R: And that does not include the systems.

H.M.Jr: Uh-huh.

R: We have - the system has it just under 75 million.

H.M.Jr: I see. Well, how does that compare with the same time other times?

R: Well, I haven't figures but the men handling it say it's very fair.

H.M.Jr: Well, would you say that the pressure to sell the rights has passed?

R: I've just talked myself with three dealers and they tell me it's lightening.

H.M.Jr: I see.

R: And they think they see the way clear although there may be a final splash.

H.M.Jr: Well, I've got to be at the White House at two but Bell is here and he can get me at the White House if necessary.

R: Fine.

H.M.Jr: Who are the principal buyers?

R: The savings banks have continued again and there has been some insurance company buying of the tax-exempt securities. There's a little squeeze there but the buyers of the tax exempt say - or the holders of the tax exempt see a little squeeze developing and they're holding off which tends for a stronger market there and because of the wide spread in the value - that is 45/100 between a tax exempt and taxable - that has a tendency to hold the taxable bond.

H.M.Jr: Tell me this. Do you know what the Federal Reserve System is going to do with their holdings?

R: No. I'm trying to get them. As soon as I clear with you I - as far as my recommendation is concerned, I think it's about - to my mind - about fifty-fifty what to do whether to - or to exchange them fifty-fifty. Have you any ideas about it?

H.M.Jr: No. No I don't think it makes much difference.

R: From one standpoint it - to have a big amount of notes might be undesirable; and yet perhaps from the standpoint that they look at it having to do with monetary matters particularly they might want the - the maturity.

H.M.Jr: Well, all things -

R: Coupling the two things together, it hardly seemed to me that it was a - that it didn't make a great deal of difference and my tendency would be to take a larger percentage of the longer bonds.

H.M.Jr: Well, if I was writing the ticket I'd rather see them take the bonds.

R: Yeah.

H.M.Jr: I don't see any sense in their taking the notes.

R: Right.

H.M.Jr: I mean from their standpoint - from our standpoint I'd rather see them go into bonds.

R: Well, I'll say that I think the Treasury but I wouldn't quote - won't quote you - and if they want to check with you - fine.

H.M.Jr: They can check with Bell.

R: Right.

H.M.Jr: Well, all right. What did you do with the man I sent up to you?

R: We've got him down on the trading desk listening to the conversations.

H.M.Jr: That's right. Is he all right?

R: I haven't had a chance to talk with him myself; I'm ashamed but I've been going like this ever since I got in.

H.M.Jr: But he's down on the trading desk?

R: He's down and he's in the hands of Marcus Harris primarily.

H.M.Jr: Good.

R: Right.

H.M.Jr:	Good. If you could get word to him I'd like him to stay there the rest of the week.
R:	All right, I'll take care of that.
H.M.Jr:	Tell him to stay there the rest of the week.
R:	I'll see him this afternoon after this rush is over.
H.M.Jr:	Right. Thank you.
R:	Thank you, sir.

February 26, 1941
4:15 p.m.

H.M.Jr: Hello.

Operator: Mr. Rouse.

H.M.Jr: Hello. Hello, Bob?

Robert Rouse: Yes, sir. It ended pretty well.

H.M.Jr: What?

R: Ended pretty well. 30 bid for the new bonds.

H.M.Jr: 30 bid for the new bonds.

R: The -

H.M.Jr: And that's an honest bid - in the sense that - were you the man there?

R: Well - it's quite moderate. The situation this afternoon has been a wave of interest in tax exemption.

H.M.Jr: Oh I see.

R: And that has primarily carried the whole load.

H.M.Jr: Uh-huh.

R: And it has folded up and is catching its breath.

H.M.Jr: Uh-huh.

R: Of course, what we're getting from the street is suggestions that Treasury or the Reserve Banks make switches to ease this pressure on the tax exemption.

H.M.Jr: Well -

R: And I'm thinking along this line - how in the world are we ever going to know what the real value is if it doesn't work it out itself?

H.M.Jr: Well, look, old man, if we make available tax exempts to that - that just sells more of these new bonds.

R: Sure.

H.M.Jr: On the switch of the tax exempts.

R: Exactly.

H.M.Jr: So why should we do it?

R: Well, that's what I say. I think the thing should straighten itself out. To avoid their worrying about having to take on more securities - let them sell their rights now - their next rights.

H.M.Jr: Well, I'll be very much opposed to the Federal Reserve at this time making available tax exempts.

R: Well, I haven't talked to the people below but I'm sure they feel the same way and I think Al and I feel the same way.

H.M.Jr: Before you do anything, please tell Allan that I'd like to talk to the two of you. We've taken this thing - I've sweat blood now for two days and I'd like to see what kind of an after market we get.

R: Well, that's exactly our feeling about it; he and I have been talking about it for the past hour and we're thinking along exactly the same lines.

H.M.Jr: Well, I'm very much pleased with the way you conducted yourself the last two days. You've been most helpful.

R: Well, we've tried to be and -

H.M.Jr: I said you. I didn't say -

R: Well, thank you very much.

H.M.Jr: Most pleased.

R: One other thing - the exchanges here are 357 million - 357 million that have been counted. Jones tells me it doesn't mean a thing as counters are piled high.

H.M.Jr: Yeh.

R: And to that you'd have to add our system which would bring it to 432.

H.M.Jr: 432 out of what?

R: That's the total out of your billion 222. That's exchanged here and I said the counters are piled high with uncounted securities.

H.M.Jr: Well, I'm not worried. They're not going to let practically a point go are they?

R: No, sir.

H.M.Jr: And any criticism of giving the little fellow an extra day?

R: Not a bit.

H.M.Jr: What?

R: Haven't heard a bit.

H.M.Jr: No criticism.

R: None at all.

H.M.Jr: Good.

R: Good bye.

February 26, 1941
4:19 p.m.

H.M.Jr: Hello.

Operator: Mr. Duffield.

Gene Duffield: Hello, Mr. Secretary.

H.M.Jr: How are you, Gene?

D: Pretty well.

H.M.Jr: Gene, I wonder if you could give me an answer by nationalities.

D: Yeah.

H.M.Jr: The story which you ran on the left-hand column on the front page of your paper on these English securities - could you tell me, did it come from an American source or English source.

D: Well, Mr. Secretary, I'm going to give you an answer but I have to explain a little bit beforehand. That story in the form that it was finally run was a large-part hunch based on what we were told primarily by Jesse Jones, who said it was possible and who said he wouldn't bet that it wouldn't be done.

H.M.Jr: I see.

D: But he didn't say in so many words that it would be done. All he said was that it was possible and he wouldn't bet that it wouldn't be done.

H.M.Jr: I see. Well, that's enough.

D: Yeah. O. K., fine.

H.M.Jr: Our issue I guess is all right.

D: Good. Fine.

H.M.Jr: It was a little hard going and there has been an awful lot of churning but it closed at - just under 101.

D: Well, that's all right.

H.M.Jr: That's all right. I think it's all right.

D: That's fine. Must be a load off your mind.

H.M.Jr: A couple of loads.

D: (Laughs).

H.M.Jr: All right, Gene. See you soon.

D: Yeah. Good-bye.

February 26, 1941
4:26 p.m.

H.M.Jr: Hello.

Operator: Mr. Smith.

H.M.Jr: Harold Smith, Henry Morgenthau.

Harold Smith: Yes.

H.M.Jr: I'd like to talk on the phone to you a minute on a heart-to-heart basis.

S: Go ahead.

H.M.Jr: You may or may now know that I've just been trying to refund $1¼ billion worth of bonds and notes yesterday and today and it has been very, very tough going, and it wasn't made any easier by the Treasury being taken completely unaware that a request went up for $3 billion 700 million for the Army.

S: Is that so?

H.M.Jr: I mean, the people picked up yesterday's papers and they read we wanted to do a refunding and they also read that we needed $3 billion 700 million more. I wondered if some way can't be worked out as between the Budget and the Treasury that we know a little bit about it ahead. It seems that that's a reasonable request.

S: Well, I don't know any reason why it can't be.

H.M.Jr: But we don't know any more about it than the cop on the corner does and this isn't the bottomless pit and we've just gone through hell yesterday and today on this refunding.

S: Well, let's see now. I suppose that it's the timing of these things that's bothering you, isn't it?

H.M.Jr: No, it's more than that. It's the timing, yes, but after all if we're going to have to borrow the money and raise the taxes, I think we ought to know something about the expenditure's size and I always did up until a few months ago.

S: Well, I don't .....

H.M.Jr: But something has happened the last couple of months and the Treasury is completely shut out of the picture.

S: Well, I don't know what has happened.

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

S: My feeling is - I mean, I feel almost as much in the dark as you do, that with this picture changing so rapidly no one can very accurately estimate the expenditures. Now as to delaying a few days with respect to sending up an appropriation estimate, I don't know any reason why that can't be done. Now we had dropped in on us the other day out of a clear sky - I hadn't heard of it from anywhere - a couple of billions request on airplanes. When it came in here I understood that it had the President's approval. We got a little nervous about it and finally in trying to get the background on it the War Department said hold it, for goodness sakes don't say anything about it until the Lease-Lend thing is over. Well, the very day they were telling us that it was in the paper. In other words, we're having our own difficulties in keeping on top of this thing and we often get - these Army-Navy people go to the White House and get O.K.'s, then they come back to us through the back door and we don't know any more about it than you do. In other words, the President puts his own staff in a difficult position very frequently.

H.M.Jr: Well, I didn't want to go and complain to the President without first talking to you, but if you didn't have any objection, the first time I saw the President I did want to talk to him about it. Do you mind?

S: No, I haven't. As a matter of fact I've got a whole lot of complaints on my own that I just haven't .....

H.M.Jr: But I hope not against me.

S: Oh, no, but I mean in the way the system works.

H.M.Jr: Well, maybe the President might see you and me together because, Harold, it's going to get more and more difficult to raise the money and this haphazard way of slinging around billions - I just can't raise it on that basis. I mean, there's got to be some kind of co-ordination and I think I'm talking calmly .....

S: Well, I'd be glad to help make some issue of it but there is no use of our talking about coordination the way the thing has been working because it starts some place else and we're getting this thing through the back door. It comes in one day, we have a few days to process it, they say this is very urgent and it must get up, a Congressional committee is calling us to shoot it into some deficiency bill, - they've already talked to the committee people on the Hill. You see that's our problem which is also a part of yours.

H.M.Jr: Well, I'll give you a little laugh. Stimson had to ask Roosevelt this afternoon what the $3 billion 7 was that he'd seen in the papers. He didn't know what it was, so there is a lot of coordination to do. So I'm going to raise it ....

S: Well, we're in the same position at the moment on the Lend-Lease Bill. I'm expecting a bunch of estimates to come over here from some place on the Lease-Lend Bill. We haven't been in on it at all - on the discussions as to how much, or what, and that's the way it is going to go. Now, I haven't complained to the Boss about these irregularities and so on - I just didn't want to bother him about it.

H.M.Jr: Well, Harold, there is a limit to what we can borrow and we've just gone through hell yesterday and today and this is just the beginning, and this is refunding - this isn't even new cash, and the President thought it was very, very funny that I was a little bit worried this morning. He thought it was very funny. So the first ......

S: Well, you talk to him if you like on any basis you like. It's perfectly all right with me.

H.M.Jr: Well, I'm going to ask him if he won't see you and me and see if we can't get a little bit more system, and I should think from what you tell me that it would be pleasing to you.

S: Well, it certainly would.

H.M.Jr: But I didn't want to talk to him without first talking to you.

S: Yeah. All right.

H.M.Jr: Thank you.

February 26, 1941
4:30 p.m.

RE AID TO BRITAIN

Present: Mr. Sullivan
Mr. Young
Mr. Gaston
Mr. White
Mr. Bell
Mr. Foley
Mr. Kuhn
Mrs. Klotz

H.M.Jr: Well, I want to tell you people in triple confidence what I have been doing all afternoon. It affects some of you. I want you to know it.

Yesterday around five I got the following letter, which was marked confidential, which I will read, from the President.

"Dear Mr. Secretary:-

I want to get ready for the administering of the Lend-Lease Bill at once so that upon the day I sign the bill I can also take a number of important actions in relation to it.

My plans are to be away from Washington for about ten days after the bill is signed, and during that period I would like to have other proposals adequately canvassed so that I may take the series of steps immediately upon my return.

I propose to administer the bill through the assistance of an Advisory Committee composed of the Secretary of State, the Secretary of War, the Secretary of the Navy and you.

I am going to ask Harry Hopkins to act as Secretary of this Committee during the next few months. I do this because of his intimate acquaintance with the needs of Britain and his understanding of governmental relationships here.

Will you be good enough to assign one of the members of your Department to work with Hopkins in debeloping the details of the proposals which your Committee will consider from time to time?

I am anxious to hold the first meeting with this Advisory Committee at once, and I will arrange a time either Wednesday or Thursday of this week."

Well, to give the thing to you on this time table basis, after asking Young whether it was agreeable - nobody has seen this letter up to now. I called up Hopkins and said if he wanted somebody to help him, Mr. Young was available. Well, we went over there today, and we had about an hour and a half with the President, and we didn't get very far. He was talking to us about what General Dowding had told him about how many planes the English had and so forth and so on. After we got along, I said, "Mr. President, don't you think that we ought to have ready for the English when you sign the bill whatever over and above we can spare and what they need?" And he said, "Yes." Hopkins had a list, but he didn't have it with him of 18 things which had been given to him. I am supposed to get a photostat of it this afternoon. Well, then I made the suggestion that we report back to the President after Cabinet on Friday, and everybody seemed to think that was too quick, but they took the suggestion. I don't want you to think it is all me, but up to the time I put the heat on, nothing happened. Now, we then adjourned to Cabinet where Harry read us these 18 things, none of which are particularly new. Before I left, the President said, "No, Henry, here is something I want you to think over. There has been so much argument between Willkie and Knox in the newspapers on this destroyer thing." He said, "Would it or would it not be possible for you to let us have for the English 10 of your oldest cutters." He says, "I think they were built 30 years ago,"and I said, "No, I am not going to give you anything like Frank Knox did for the Greeks. If you want the 10, 250-cutters - I take it that is what you have in mind." There are 10, aren't there?

Gaston: Yes.

H.M.Jr: They were built 10 or 12 years ago, weren't they?

Gaston: Around there, yes.

H.M.Jr: So I said, "I think this is a very good example. Sumner Welles knows what we have done for the Greeks. We have argued for months about them, and if you say, 'I want them,' I will give you a yes or no and I hope everybody else will do the same thing. There is no use in sitting around here for days and months arguing about it; and if you, Mr. President, say you want some Coast Guard cutters, the answer is yes, and I hope everybody else will say the same thing on everything else the British want."

I wanted to do that because otherwise if the British - I am firmly convinced that the British don't get the things - if you fellows could sit a little closer. You are just out of my focus.

I refuse to wear my bifocals. But if they fool around and don't get the things they have asked for, which are within reason, I don't think they can hold out, and also it went quickly through my mind that if we give them - and the President said, "I will give you the money to build yourself 10 more cutters."

I thought it was a much better basis to do it that way than have him take the whole shop over, you see, and then take all of it and give part of it to the Navy. I think I am right. I don't know. I did make a snap decision.

Gaston: I think as a general principle the thing is right.

H.M.Jr: These are the new convoy duties. I said three times, "Mr. President, if you want it, I will give you yes or no and it doesn't take me three months to make up my mind. If you say you want it, the answer is yes." So he said, "Well, will you get them ready and so forth and so on." He said, "I am asking you now to get ready so when I go to Cabinet Friday you can tell me how quickly you could turn them over and where are they and their description and armament and so on."

Gaston: It is just possible that the 165 footers would be of more use to them. I don't know how heavy a gun they want on them, but they have got a good deal more speed, those 165 foot Diesels.

H.M.Jr: Herbert, the transports at present only make about six knots. Not the transports, the convoys. They make only six knots. They average between four to six knots.

Gaston: Yes. Of course these 250 foot boats have got pretty good armament on them, and they make speed enough for the convoy.

H.M.Jr: They only make six knots, I mean the convoy.

Gaston: Yes. They make 14, these--

H.M.Jr: Then we met in the other room. I say all of this is terribly confidential. There was Welles and Forrestal and Stimson and myself, and we got on to the organization. You could see Hopkins wasn't ready. He said what he wanted was to borrow a man from us and one from War and one from Navy and somebody from Justice and somebody from the Maritime Commission, did we think that was right or should he get other people? We all agreed that was right. Then - oh, to go back, an amusing thing the President told us. He said, "Somehow or other Jesse Jones found out about this meeting and came over to see me this morning and said he should be a member of it." The President said, "I told him at this stage it wasn't necessary for him to be a member of it," which is interesting. Jesse also wants to go up on the Hill and get a law through which would make it possible to lend money to the English so that he could put up or lend the English money on collateral against their securities.

Gaston: That is where those stories come from, then.

H.M.Jr: Yes, that is where the stories come from, right out from Jesse Jones.

Now here is the thing that bothers me. In this thing that they are setting up, and I think Hopkins said he expects to see you tonight, Young. I don't know whether you have heard from him or not.

Young: No.

H.M.Jr: He said he wanted from now until Friday night to think about this setup, and I again said I thought what he needed - I said, "I don't think you have any idea of what this means in work," and I said, perfectly frankly, "If you are going to do this, Harry, you can't go away for two weeks with the President on his boat." Well, he said, he guessed I was right. He guessed he wouldn't go. So I said, "It is all of this work and I think that the President's Liason Committee are the people who could do this thing for you." then Welles spoke up, and he thought that it ought to be divided into two parts. What this committee of four does with Hopkins plus whatever - should be distinctly on a war basis. He was very nice in his attitude. He said he appreciated more than anybody else what we are doing. All the other things like the Russian request for machine tools and South America, ought to go to somewhere like OPM or some other place, and that the work that Hopkins does in this committee of four in a sense of a war cabinet should be strictly confined to the war business, and I don't know but what he is right. I want to tell you that I said two or three times as far as I was concerned, I wanted to get as much out of this thing as I could, so I said, "Now, after a meeting like this, normally I would go and see Purvis and tell him what happened. Now, who is going to keep Purvis up?" Well, Harry, in the course of conversation, said, "There is only one person I have talked to and that is Churchill." I said, "Well, you have got to keep Purvis posted and let him know what is going on." So Welles said, "Well, the person to continue to see Purvis is Morgenthau," and he told me afterward that the President told him yes, that he wanted me to do that, but if all of this stuff on the war business is going to flow in through whatever organization Hopkins sets up, all these requests for war materials, then it comes to this committee of four, then from them to the President. It sounds very nice, but I am just worried sick over it because I have seen - with all the time and energy we have put into it, the thing doesn't work, and Hopkins isn't well enough, and I think that the best way, maybe, would be for me not to see Purvis and the British and let them get all stewed up for a few days or so, and then maybe they would get the kind of service they need. I don't know what to do, but I am not going to - my position has been consistently that I am not going to do anything today in connection with the war stuff that the President doesn't ask me to do in writing. I have sent that message to him now about two or three times. I think just at this time - I think it is very, very unfortunate that there is going to be a swapping of horses, and you can't without - I mean, the best example, here is this list of 18 things the British want. Hopkins has been carrying that around with him since Sunday a week ago. The thing could have been mimeographed and everybody could have a copy and working on it. That is what would have happened in my shop. We would have an answer on this Friday. We haven't got it yet. There is no reason why that shouldn't have been distributed.

Philip, you see - let me just ask you the question a minute. If this thing is the way it looks as of tonight - supposing Hopkins decides to take you and Burns and Spear to assist him on the thing, do you agree with Welles that the non-military things should be separated and sent somewhere else?

Young: No, it can't be done.

H.M.Jr: It can't be done?

Young: No. I don't think so at all.

H.M.Jr: Why?

Young: There has got to be some point, Mr. Secretary, in the Government, I feel very strongly, where you can go and spread out on the table the complete foreign purchasing program in the United States, and I think it ought to include all commercial as well as strategic, critical and war materials, which is going even much farther than we have gone today, because we just border on the commercial now without actually getting into it.

H.M.Jr: Well, you will have your chance when you see Hopkins to explain it to him. I want you to know that - well, I am just not going to put up anything in the Treasury. If you people think I am wrong - you can just see that Hopkins wants to do it all and it will have to come up to this committee of four, four Cabinet members, of which I am a member. I may be wrong but - well, the best example is, the President gives the Secretary of War Friday a week ago a written order to give the Greeks 45 planes, and Welles said that his whole experience in the State Department - in his whole experience he has never been so humiliated as he has over this thing. He said the President of the United States sent the King of Greece a message on this thing saying he was going to give them to him.

Bell: They haven't got them yet?

H.M.Jr: No. What do you think, Dan? I mean, my personal feelings are sort of so interwoven on this thing as I tell the story.

Bell: I think it is very unfortunate that you are getting out of it with all the background and knowledge you have of the situation. I can see your desire to be relieved, with all the other duties you have got, but I don't think it is going to function without you being on it.

H.M.Jr: Well, I am on the committee of four.

Bell: I know, but I mean the first--

H.M.Jr: The President didn't call it that. I am a member of the War Cabinet, that is what he calls it.

Bell: I don't see why it can't function just as it has functioned in the past through Phil Young and you and from here to the big committee. It would be better.

H.M.Jr: The way Hopkins wants it to go, he wants it to go from his working group to him, to the committee, and then I take as much responsibility as any other Cabinet member, but I don't have to do the spade work, you see. I will get it on the same level that Hull and the others get it, but I won't be having to spend half of my day holding these people's hands. That is up to Hopkins.

Young: I don't think it will work.

White: I think it is better. I think it is better for two reasons. In the first place, I think that if one looks at this thing from the experience of Great Britain, all the preliminary organizations which they have broken down and are breaking down now, and that if events are going to continue, I think what we are going to move toward is just that, a War Cabinet which will have charge, not only of foreign purchases, but I think that sooner or later it will be recognized that they have to have charge of the whole picture, and that they very likely will be on top of the OPM and everything else, and under the President, and I think that is the logical evolution, and if the beginning of the proposal can be considered with that eventual step in mind, I think it will inevitably move in that direction and will free your hands for the more important decisions, leaving somebody else, as you say, to do the--

H.M.Jr: Spade work.

White: ....spade work. I think that is the only rational way to handle a war program such as we are going into. It certainly isn't working well now, and nobody is fooled about it. It is in a state of flux, and it is going to move toward that as it has moved in every country in every war.

Bell: That would be all right if you were starting from scratch, but you are not starting from scratch.

White: Well, they never start from scratch. It would have been better had you started from scratch, but these other ways are unsatisfactory, and you will find that the breaks and corrections will come and that they will shift around to some such thing as has happened, I think, in almost every country. I am not sure. I will have the history of that checked up and give it to you.

H.M.Jr: Well, the President said the English went from the cabinet of 27 down to eight. You (Kuhn) ought to know.

Kuhn: Well, it is a cabinet smaller than eight, in fact. It is much closer to a cabinet of four. But they didn't have the complicating problem of foreign purchases.

White: Don't you agree, Ferdie, that foreign purchases must inevitably be a part of the whole domestic program, especially if the foreign purchases are going to be larger and larger.

H.M.Jr: Well, to show you what the President has in mind, he says, "I got a recommendation from Budget for a committee on economics." He says, "I got a recommendation for a committee on economics and fiscal matters." The other day on the train he told me he had killed both of these recommendations. I gathered that he had killed them both. He said, "Now all of these things that come up, I am going to give to this committee of four to digest, all of them."

What do you think, Herbert?

Gaston: I agree pretty much with what Harry said. I think the weak point here is Hopkins' place in the set up. I am just afraid he isn't up to it.

White: Well, he will either make good or crack under the strain. That will be the consequence of that. As time goes on and the pressure gets greater--

Gaston: It will have to be tried, I suppose, according to the way the President has set it up.

H.M.Jr: He has done it formally in a letter.

Gaston: Yes. But as to the general headship of this idea of concentrating the emergency powers in those four men, as Harry says, I think that is altogether to the good. I think we have had too much of this nonsense of multiplying advisory commissions and coordinating commissions and all that truck. It is a farce.

White: I would like to tell you what Churchill said recently in response to requests on the part of the House that they establish other committees, et cetera. He said he has come to the conclusion that the way to handle these problems is with the key men in the older departments and not keep duplicating and adding new men. That is a result of their long experience.

H.M.Jr: Well, that was my advice at the beginning, and I argued with the President right up to the drop of the hat against the Advisory Defense Commission.

Gaston: And all the rest of it has broken down.

Foley: Well, it is coming back to that.

Klotz: I think you have to go through that stage of adding on, and then it comes back to where it originally started from.

Sullivan: I think it will be your show again by the middle of April.

H.M.Jr: But - I hope you are wrong, but for the next few days, as for my conduct of myself.

Sullivan: Oh, I think you have got to play ball with this suggestion.

H.M.Jr: And give them the best people I have got?

Sullivan: Yes, I do, and hope that it works.

H.M.Jr: Yes, Ferdie?

Kuhn: I think that if this group under Hopkins can be the channel through which these foreign purchases can be handled satisfactorily, then it is a good setup. If the British and those can come as they have and know there is somebody there keeping abreast of their needs.

H.M.Jr: But you don't feel in any way that I am letting the British down by going along with what the President wants?

Kuhn: No, except that they will have to get used to dealing with somebody else.

Gaston: I think the British can't be let down. I think it would be a terrible tragedy if there is a hiatus of supply and if new contracts to take care of them are not placed properly. I think it has just got to be done.

White: Well, it would seem that the Secretary could do that more effectively by being a part of a group withwhom the final decision rests than he could by having to make decisions himself and then having to sell them around.

Gaston: I think so. After all, this Cabinet is going to meet, this four-man Cabinet is going to meet, I assume, pretty frequently.

White: And that relieves the responsibility of those who were doing the spade work to determine the policy. What they will do will be to recheck the estimates and so on and transmit them. That makes them more efficient because they don't have to carry the ball, the matter of final determination, so it seems to me, it makes it very definitely efficient so far as the British are concerned.

Gaston: I think Phil is going to have to duplicate Harry Hopkins' work more or less for a while just to be sure that it isn't lost, that the ball isn't lost.

White: Well, a committee like that can function only if it has competent sub-committees, and I think that will be his function, in setting up these sub-committees to analyze their problems because you are starting with a small area. I think it is bound to grow unless there is some break up.

H.M.Jr: Ed?

Foley: I think it is taking the course I would like to see it take, and it seems to me it is a perfectly normal one and the one that we anticipated. The order that we sent over there is this thing. I think it is fine. I like it a lot.

H.M.Jr: You do?

Foley: Sure. I think it is the only way that it could work out. As Dan says, it is too bad we aren't starting a new program. I think we are really going into a new phase of this program and with your familiarity with the problem and with the Treasury staff's knowledge that no other organization in town has, it seems to me you won't have any trouble at all shaping the thing the way you want it and carrying it along with your own ideas, and I think it will work out all right.

Gaston: I think Phil will be found to be doing the same work he has been doing under the nominal supervision of Harry Hopkins, but under the actual supervision of the Secretary.

Foley: That is right.

Gaston: That is the way it will work out.

Young: Well, you have got--

H.M.Jr: It is just a bed of roses for Phil, with thorns.

Young: I am used to being scratched.

I take it from what you say he is contemplating that countries which will continue to pay cash will still come under that supervision.

H.M.Jr: He hasn't thought the thing through. He is only thinking of the English, you see. He doesn't know anything about Greece, he doesn't know anything about China, about South America, or about Russia. He has listened to this thing in England and they have sold him a bill of goods as to what they need, and he undoubtedly has made certain commitments and wants to see them carried out. As I told the President - I mean, I was the person who was pushing today. I was pushing the President. I made up my mind I would push him. I didn't realize he would be - I mean, there was no snapping of fingers. I hoped he would simply say, "I want this, and I want this, and by golly come in in 48 hours and give me an answer," but he hasn't got to that point. This thing has just got to happen and--

Young: I think there are two things about it. One is that the less you can upset the foreign purchasing relations, the easier it is going to be. Secondly, divorcing the personalities involved from the picture, if you take the present procedure as such, the general way in which it works, there is no reason why it can't work under the Lease-Lend just the same as it is operating now. What you have done is put a supervision of policy board on top plus whatever ramifications you get into in making your Lease-Lend part of the deal for specific countries. Basically it is the same sort of maneuvering.

Gaston: I think if Phil would say to Harry Hopkins when he sees him tonight or tomorrow morning, "Now, shall I go on for the present seeing the British Purchasing Commission people?" that Hopkins will probably say, "Yes."

Young: As well as the other 31 countries outside of the British and Dutch empires.

White: I gather that this committee would likewise have to shape the conditions of any proposal as to what the terms of the exchange will be. Now, that is--

H.M.Jr: Definitely. Well, I think I am satisfied that I have done the only thing that I can, and I think we have got to try to make this thing work with as little hiatus as possible.

To just switch a minute - (Discussion off the record) - I think you all.

Has anybody got any after thoughts?

Gaston: We are going to lend these cutters under the Lease-Lend Bill?

H.M.Jr: That is right and get money to build other ones.

Gaston: Yes.

H.M.Jr: In order to prepare for that meeting on the Hill, which I have canceled about three times, I am supposed to see the President tomorrow morning, and the minute I come back I will ask you gentlemen - I am supposed to see him at 9:30. I have press at 10:30. I will try to see you then to go over the thing.

Sullivan: Is that with Rayburn?

H.M.Jr: Yes, 2:30.

Sullivan: I have to testify at 10 o'clock in Senate Finance tomorrow morning.

H.M.Jr: You testify.

Sullivan: Then I will come back as soon as it is over.

H.M.Jr: I will wait until you come back.

Sullivan: I may be there a couple of hours.

Klotz: Is Mr. Kuhn in on liberty loan?

H.M.Jr: Harold Graves.

Kuhn: Not liberty loan, though.

Klotz: I meant--

Kuhn: That is right.

H.M.Jr: Well, it was a great day.

Oh, yes, another thing the President threw at this committee: should Chester Davis set up a separate food department? Chester Davis sold a bill of goods. Nobody knows anything about food or agriculture or anything. Nobody knows anything about it.

White: It could be a sub-committee of this committee.

Sullivan: That is the cupboard cabinet.

H.M.Jr: Cupboard? Dog house!

Kuhn: Is this going to come out in the form of a detailed order with very--

H.M.Jr: No. It is a secret. It is all in the afternoon papers, you see. The President says he wants to keep the fact that this committee exists a secret. I have read about the meeting.

Foley: Do they want us to do anything about the order?

H.M.Jr: I got no answer.

THE WHITE HOUSE
WASHINGTON

February 25, 1941.

Confidential

Dear Mr. Secretary:-

I want to get ready for the administering of the Lend-Lease Bill at once so that upon the day I sign the bill I can also take a number of important actions in relation to it.

My plans are to be away from Washington for about ten days after the bill is signed, and during that period I would like to have other proposals adequately canvassed so that I may take the series of steps immediately upon my return.

I propose to administer the bill through the assistance of an Advisory Committee composed of the Secretary of State, the Secretary of War, the Secretary of the Navy and you.

I am going to ask Harry Hopkins to act as Secretary of this Committee during the next few months. I do this because of his intimate acquaintance with the needs of Britain and his understanding of governmental relationships here.

Will you be good enough to assign one of the members of your Department to work with Hopkins in developing the details of the proposals which your Committee will consider from time to time?

I am anxious to hold the first meeting with this Advisory Committee at once, and I will arrange a time either Wednesday or Thursday of this week.

Always sincerely,

Franklin D Roosevelt

The Honorable
The Secretary of the Treasury,
Washington, D. C.

February 26, 1941
5:15 p.m.

H.M.Jr: Hello.

Operator: Mr. McReynolds.

Wm. McReynolds: Yeah.

H.M.Jr: Did you call me Mac?

McR: Oh, yeah. I was going to tell you. They've only identified one guy. He gets a couple thousand dollars a month from the British Purchasing. He was an advisor over in Navy and transferred over from them, as I recall it. I haven't got a report on it yet, but the arrangement for him to work then - I think he is still on their roll.

H.M.Jr: Yeah.

McR: But I told them I wanted within the next 48 hours a statement from every division head as to what the situation was with all the people that they had hired here.

H.M.Jr: Will you keep me posted?

McR: You bet. There was just this one man - Rand, is his name.

H.M.Jr: Rand. Where's he working?

McR: He's in the airplane shop down there.

H.M.Jr: In the Navy?

McR: No, he's working over at O.P.M. in the airplane end of it, but he was originally brought in by the Navy as a consultant.

H.M.Jr: Oh. Who pays his salary now?

McR: Well, so far as I know the Navy still does.

H.M.Jr: Well, then there's nothing to that?

McR: Well, not so far as I know but I can't swear to it.

H.M.Jr: O. K.

McR: I'll have the facts in another day.

H.M.Jr: Thank you.

February 26, 1941
5:17 p.m.

Ronald Ransom: At the time I called you this afternoon, I just wanted to report that we were about to reach a decision on the exchange of our holdings on this new issue. In the meantime we reached a decision which Dan tells me he reported and I hope that's satisfactory.

H.M.Jr: Yes, it is.

R: The reason I called you the other afternoon was to ask if, at some time between now and the next major financing, you had an hour or so some evening that was not otherwise occupied, if you would let Goldenweiser and me come down and talk to you wholly off the record and informally and not as officials of this system and give you something of our own thought about the major aspects of this problem and the long-range aspects of it that wouldn't be related to any immediate problem of refinancing.

H.M.Jr: I'd like to.

R: Any time at your convenience if you will give us a ring and we won't take too much of your time, but I think it would be helpful to both of us to talk to you about it and I hope it might be to you.

H.M.Jr: Thank you.

R: All right. Fine.

February 26, 1941
5:22 p.m.

H.M.Jr: Hello.

Operator: Secretary Jones.

Jesse Jones: Hello, Henry.

H.M.Jr: Well, we got by with our issue, but we had some tough sledding today.

J: It wasn't so happy, huh?

H.M.Jr: No, for a while this morning it looked kind of bad but we left the market alone, we did nothing and it took care of itself.

J: Good.

H.M.Jr: The savings banks were the chief buyers of the 2% bond, and I think that's interesting and encouraging.

J: It is interesting.

H.M.Jr: And the bonds closed just under 101 and the note at about 27/32nds. The note closed where we priced it, but if I had listened to Eccles and Piser why I would have been a very depressed fellow.

J: Yes, you would, wouldn't you.

H.M.Jr: Oh, yes, the bond that they suggested - 8 to 10 years would be selling below 100, about 99½.

J: Yes. Not any more than that and that would have been terrible, not just on that but on the whole situation.

H.M.Jr: No, and I couldn't tell them that it was Eccles' advice that I took; they wouldn't be satisfied.

J: No, it would have been your responsibility.

H.M.Jr: You bet. I had a call from you but I wanted to tell you we got by.

J: Well, that's fine. I called you about this - the Arkansas bond situation.

H.M.Jr: Do you want to sell me a couple?

J: (Laughs). I might. The bankers are getting colder feet right along and I would about as soon go ahead and just buy them all. I'm afraid if they buy they won't bid - they might bid 100½ for a 3½% bond. Well that's - when you look over all of the states, and I've looked them over, even on the long bonds 2%, 2¼, 2½ is high even for a state like Mississippi, and so I think we've either got to say we won't do it or we will and take the whole wad.

H.M.Jr: Well, supposing you said you didn't .....

J: If we didn't buy them?

H.M.Jr: What would happen to the State of Arkansas.

J: Nothing. They're paying now - the bonds that they're going to refund are drawing 4.42 and they would have to go until October as I understand it before they get another shot at it, and they've done a lot of things getting ready for this - passing new laws and getting court approval and things of that nature. The bankers - they had 250 in a syndicate, about all the bankers in the country, and have pulled out and they were figuring on a 3½% rate.

H.M.Jr: Well, how would it appear to the public?

J: Well, I think it would look very bad generally.

H.M.Jr: No, I don't mean if nothing happened. I meant would it appear that you took the business away from the banks?

J: No, no. We told the bankers that we didn't - I've told them even this afternoon - we don't blame them at all that the market is bad and so forth and so on, so that we would probably go ahead and buy the bonds and then do like we have been doing always, negotiate with them for the distribution - a few at a time, when the market is right.

H.M.Jr: I see.

J: You see nearly all the bonds we've ever sold have been sold through the bankers.

H.M.Jr: How much cash would it take?

J: Oh, it may take $100 million.

H.M.Jr: When?

J: It would take it the first of April.

H.M.Jr: Well, the way I feel Jesse is that I haven't changed. I think for a State not to be able to finance when it wants to is bad at this time.

J: I think so.

H.M.Jr: I think the State of Arkansas ought to be able to do a refunding.

J: At a decent rate.

H.M.Jr: At a decent rate.

J: Either the bond oughtn't to be bought or it oughtn't to bear this high a rate. I mean, if it's a good bond, then it ought to be less rate than that. If it's not good they oughtn't to buy it at all.

H.M.Jr: But as long as it's clear that you've stepped in and saved the situation .....

J: Yeah, they'll understand that.

H.M.Jr: But I wouldn't want to see the thing announced - that the State of Arkansas - the thing had to be put off. Is it wholly tax exempt?

J: Oh, yes.

H.M.Jr: It is.

J: The bond ought to be a 3% bond, that's what it ought to be.

H.M.Jr: Yeah. Well, on what basis are you going to do it?

J: Well, I'd say probably 3-1/8th, 3½.

H.M.Jr: Well, without getting in the race could I have them studying it, you see. I mean, it's another field - you know what I mean?

J: Yeah.

H.M.Jr: You saw that the other day. None of our boys are ready so I don't want to talk the race but I can simply say this - I would hate to see the announcement that the State of Arkansas had to postpone a financing six months because the United States markets couldn't take it. Now, is that what you want from me?

J: Yeah, I think that's it.

H.M.Jr: Is that what you want?

J: Yeah.

H.M.Jr: Well, that's my answer. Now as to the rate, I'm more than willing to leave that to you.

J: I'd like to make it 3% but I think that's cutting it a little close.

H.M.Jr: Well, I don't know, Jesse. It's another field and I couldn't advise you.

J: Well, we'll determine the matter now and we'll go ahead and bid for the whole thing.

H.M.Jr: And you can find that for whatever it's worth, my good will is behind you.

J: O.K., fine. Thanks.

H.M.Jr: Thank you.

Copies to: Mr. Bell
Mr. Foley
Mr. White
Mr. Pehle

2/27/41

THE WHITE HOUSE
WASHINGTON

February 28, 1941.

MEMORANDUM FOR

THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE ATTORNEY GENERAL

I have given further consideration to the matter of controlling assets and properties owned by foreigners within the United States. I am sure that this is a matter that needs to be prosecuted at once and, after considering the various proposals, it seems to me the most satisfactory one is to have a Committee composed of the Secretary of State, the Secretary of the Treasury and the Attorney General to approve of any actions that are to be taken by the Treasury.

It is clear to me that all three Departments are vitally involved, and I should like, therefore, to have the approval of all the Departments prior to any recommendation for action whenever a specific proposal is submitted to me for approval.

Inasmuch as the Treasury is responsible for the actual issuance of the orders, I believe that it would be advisable to have the Secretary of the Committee chosen from the Treasury staff.

F. D. R.

Purvis
[illegible] to Hank, PM
Feb 26 at

Specially urgent items for which London requests
have been received
by the
British Supply Council

20 Motor Torpedo Boats with full complement of torpedoes, guns and ammunition

30 Class C fast cargo liners (C type which came under the Maritime Commission 1938 building programme)

2 fast tankers (18 knots) - Cimarron class

* 452 ~~1548~~ Machine guns - .30 calibre (aircraft)

* 327 ~~1259~~ Machine guns - .50 calibre (aircraft)

PBY type flying boats - as many as possible

Four engine bombers -- " " " "

Medium bombers ------- " " " "

200 Advanced trainers

Binoculars - 7 by 50 - as many as possible

5 Five inch equipments .38 calibre (navy type)

* These pencilled changes are on carbon of this list sent to Mr Young 2/27.

Washington

February 26, 1941.

Specially urgent items for which London
has asked assistance for Greece

--

200,000 - 75 mm shells
75,000 -105 mm shells
15,000 -155 mm shells

Any type pack Howitzers 75 mm or 3 inch with complement of ammunition

Washington
February 26, 1941.

Secret

MEMORANDUM FOR THE PRESIDENT

STRICTLY CONFIDENTIAL

(1.) 10 destroyers a month beginning April 1st. Destroyers to be reconditioned in the United States -- reconditioning to begin immediately. X

(2.) The urgent need of more merchant shipping at once. British cannot wait until new ships are built.

(3.) 50 PBY planes in addition to the PBY which the British are receiving on their own account; fully equipped with radio, depth charges, bombs, guns and ammunition. Adequate operating spares supplies. Urgent need for crews.

(4.) There are 29 engineless Lockheed planes in England. They need 58 Wright 1820 engines at once.

(5.) There are 100 Curtiss Tomahawks without propellers in England. 764 fifty caliber and 1000 thirty caliber machine guns required to complete armament. Curtiss Tomahawks already in England.

(6.) Consideration to be given immediately to the replacement of fifty caliber guns manufactured by Colt which are unsatisfactory with the same gun which has already been manufactured by our own arsenals

(7.) 20 million rounds of fifty caliber ammunition and as many extra fifty caliber gun barrels as are available urgently needed.

(8.) The maximum number of B 17, BS C's or D's in addition to the 20 already agreed upon to be sent to England immediately. Planes should be sent complete ready for immediate operation, including spare parts, bombs and ammunition. Crews urgently needed.

(9.) Transfer to the British 200 North American Harvards or Vultee Valiants trainers in excess of all present deliveries.

(10.) At least 5 additional civilian flying training schools completely equipped.

(11.) Work out plan to ferry bombers to England. This would release nearly 800, ~~000~~ British R.A.F. personnel.

(12.) 250,000 Enfield rifles and 50,000,000 rounds of ammunition have been sent. X

(13.) Give priority to tools for the manufacture of Point 303 rifles for the British. Same applies to 303 ammunition.

(14.) Send 80 trained observers -- half from the factories and half from the Army and Navy -- to acquaint Britain with the use of our planes.

HARRY HOPKINS

Received 5 10 Feb 26th 1941

FEB 26 1941

My dear Mr. Tinkham:

This is to acknowledge receipt of your letter of February 20. You ask whether the Treasury Department has considered taking any action regarding the stocks and bonds and other property owned by Great Britain in South America, and whether some arrangement cannot be made whereby these assets could be used as collateral against advances made to Great Britain by the United States.

You may recall that in my testimony before the House Committee on Foreign Affairs on January 15, I referred briefly to the problems of liquidating British investments in Latin America. The Treasury is continuing to gather as much information as possible about British holdings in Latin America. If this Government should deem it desirable to accept British investments or other property in Latin America in return for goods to be sent to the United Kingdom, the President would under H.R. 1776 have the power to negotiate and to accept such property.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable George Holden Tinkham,

House of Representatives.

VFC:HDW:dlm HDW OC 9147b
2/26/41.

FILE COPY

Extra copies to Thompson

GEORGE HOLDEN TINKHAM
10th District Massachusetts
Committee on Foreign Affairs

E. C. HAMELIN

Congress of the United States
House of Representatives
Washington, D. C.

February 20, 1941

The Honorable
The Secretary of the Treasury
Washington, D. C.

Dear Sir:

Will you kindly let me know whether the Treasury Department has considered taking any action concerning the stocks and bonds and other property owned by Great Britain in South America? Cannot some arrangement be made whereby these British assets could be segregated or pooled and used as collateral against advances made to Great Britain by the United States?

With appreciation of your attention and advice, I remain

Sincerely yours,

GEORGE HOLDEN TINKHAM

s

TREASURY DEPARTMENT
DEPARTMENTAL BOOK FORM 3381

SPECIAL

It is important that this Paper should be made Special.

TREASURY DEPARTMENT

WASHINGTON

recd 9am 2/27

February 26, 1941.

TO: The Secretary

FROM: Mr. Young

Re: British requests for clearance pending in the War Department.

For your information, there is presented below a listing of requests for clearance filed by the British Purchasing Commission with the President's Liaison Committee through this office and which at this writing are held by the War Department:

Date Filed	Material	P.N.R. No.
Oct. 23, 1940	37 MM A.P. Shot (Projectile only)	21-CP-3 Alt.
Nov. 2, 1940	2-Pounder A. P. Shot	1 Alt.
Dec. 2, 1940	NA-73 Pursuit Aircraft	370
" " "	P-39 Pursuit Aircraft	371
" " "	Boston Bombers	372
" " "	Bomber - Martin 187	373
" " "	Hudson Reconnaissance Bombers	374
" " "	Bomber - Lockheed-37s	375
" " "	Harvard Trainer Aircraft	376
" " "	Hawk 87A - Aircraft	377
" " "	NA-73 - Pursuit Aircraft	378
" " "	Typhoon - Pursuit Aircraft	379
Dec. 9, 1940	Misc. Spare Barrels, Guns Complete, Howitzers, etc.	414
Dec. 12, 1940	Fuze No. 253 for 20 MM H.E. Shell (Hispano Suiza)	192-CP-6
Dec. 21, 1940	4" Mark XVI Loose Barrels	A-13-R
Dec. 31, 1940	Anti-Tank Carriages for 37 MM Guns	358 Alt.
Jan. 3, 1941	Bofors A. A. Mounts	501
Jan. 9, 1941	Pratt & Whitney Engines	563
Jan. 22, 1941	Binoculars 6 x 30	598
" " "	" " " "	599

Date Filed	Material	P.E.R. No.
Jan. 23, 1941	4" 50 Cal. U.S. Naval Cartridge Case	602
Jan. 27, 1941	20 MM Hispano Suiza Cannon for Aircraft Mounting	610
Jan. 28, 1941	Fuze No. 253 for 20 MM H. E. Shell (Hispano Suiza)	192-CP-6 Alt.
Feb. 3, 1941	6 x 30 Prismatic Binoculars with Graticules	648
" " "	6 x 30 Prismatic Binoculars with Graticules	648 Alt.
Feb. 4, 1941	Steel Galv. Zinc Powder Boxes	670
" " "	" " " " "	671
Feb. 7, 1941	Spares for P. & W. Engines	524 Alt.
Feb. 10, 1941	Binoculars 6 x 30	598 Alt.
" " "	6 x 30 Prismatic Binoculars with Graticules	648 Alt.
Feb. 11, 1941	Binoculars 6 x 30	598 Alt.
" " "	" " " "	599 Alt.
" " "	6 x 30 Prismatic Binoculars with Graticules	648 Alt.
Feb. 17, 1941	Nitration Toluol	422-R
Feb. 19, 1941	Steel Galv. Zinc Powder Boxes	670 Alt. Let.
" " "	" " " " "	671 Alt. Let.

The above listing includes only those requests which have been filed by the British Purchasing Commission. No official notification of War Department action with respect to these requests has been received by this office.

Copies of this list are being sent to General Burns, Admiral Spear, and Mr. Knudsen. These copies are going forward today.

P.M.

OFFICE OF
THE SECRETARY OF THE TREASURY

2/26
4:40

MR. GASTON:

The Secretary would like to have an answer on this the first thing in the morning.

Please return this copy to Room 285.

copy returned
2/26/41
5:15 P.M.

February 26, 1941
4:21 p.m.

H.M.Jr: Hello.

Operator: Senator Barkley.

H.M.Jr: Hello, Alben.

Sen. Barkley: Henry, you know our friend, Joe Duffy .....

H.M.Jr: I've heard of him.

B: A little bit temperamental sometimes like you and I .....

H.M.Jr: Un-huh.

B: He's got a situation over there in Pennsylvania that is bothering him and it's over the matter of a Collector of Internal Revenue.

H.M.Jr: Oh, I thought you were going to tell me over a man by the name of Earle.

B: No, that ought to bother somebody else more than it ought to Joe, but Joe is sort of disturbed about it here, you know, and we've got too close a proposition on some of these amendments to have any of our fellows bothered.

H.M.Jr: Is it Collector of Internal Revenue or Customs?

B: Well, I don't know which it is but probably you're going to do it - maybe it's under investigation - but I wish you'd give him some satisfaction about it. Are you acquainted with the details of it?

H.M.Jr: No, but I'll get acquainted.

B: All right, and see if you can't tell him youre going to do it - whatever he wants.

H.M.Jr: Is his vote in doubt?

B: Well, he's mouthing around here about some of these amendments - just between us - and I don't want to have to bother with him. I've got enough troubles among some others. It's just one of those things where probably it's going through the routine of investigation but he gets impatient and don't know what's going to happen - it seems that he wants a new man; he recommended a new man over there for Collector of Customs or Internal Revenue one - I don't know which. I haven't talked to him about it but I've got this from other fellows and look into it.

H.M.Jr: I'll do it at once.

B: All right.

H.M.Jr: Thank you.

B: Thank you.

February 28, 1941

Harry White

Secretary Morgenthau

Mrs. Franklin Roosevelt asked me whether we, through either the RFC or the Treasury, were helping to finance the Argentine to sell food to Spain. I told her we were not. I think I am right. Please give me a memorandum on it that I can send to Mrs. Roosevelt.

Memo sent to Mrs. ~~Mrs.~~ Mrs.
Roosevelt 2/26/41

February 26, 1941

MEMORANDUM FOR THE PRESIDENT

Argentine Sales of Food to Spain

1. Argentina is known to be currently negotiating with Spain for the sale of wheat in an amount which initially totals 50,000 tons but which may ultimately reach 500,000 tons. It is our understanding that this wheat is to be paid for by certain securities available to Spain and by credits to be accorded Spain by Argentina. It is possible that the British have lent a helping hand in these arrangements, but we do not have definite information.

2. The dollar credits we propose to extend to the Argentine Republic through the Export-Import Bank and the Treasury have not yet been made available because the Argentine Congress has delayed in passing the necessary legislation. It is doubtful whether the anticipation of these American credits would have facilitated the extension of the wheat loan to Spain inasmuch as the wheat going to Spain could not have yielded any dollars.

H.M.Jr.

By Messenger 9/0
on 2-27

February 26, 1941

MEMORANDUM FOR MRS. ROOSEVELT

Argentine Sales of Food to Spain

1. Argentina is known to be currently negotiating with Spain for the sale of wheat in an amount which initially totals 50,000 tons but which may ultimately reach 500,000 tons. It is our understanding that this wheat is to be paid for by certain securities available to Spain and by credits to be accorded Spain by Argentina. It is possible that the British have lent a helping hand in these arrangements, but we do not have definite information.

2. The dollar credits we propose to extend to the Argentine Republic through the Export-Import Bank and the Treasury have not yet been made available because the Argentine Congress has delayed in passing the necessary legislation. It is doubtful whether the anticipation of these American credits would have facilitated the extension of the wheat loan to Spain inasmuch as the wheat going to Spain could not have yielded any dollars.

(Signed) H. Morgenthau, Jr.

Envelope marked Confidential

By Messenger 5 35

HDW:rel
2/26/41

STRICTLY CONFIDENTIAL

AIRPLANE ENGINES

Unfilled Orders* February 15, 1941 and Estimated Deliveries, by months; by horsepower and by purchaser

Horsepower and Purchaser	Unfilled orders* Feb. 15, 1941	Estimated deliveries 1941 Feb. 16-28	1941 Mar.	1941 Apr.	1941 May	1941 June	1941 July	1941 Aug.	1941 Sept.	1941 Oct.	1941 Nov.	1941 Dec.	1942 Jan.	1942 Feb.	1942 Mar.	1942 Apr.	1942 May	1942 June	1942 July	1942 Aug.	1942 Sept.	1942 Oct.	1942 Nov.	1942 Dec.	1943 Jan.	1943 Feb.	Undistributed	Percent of spare parts specified in contract
AIRCOOLED ENGINES																												
Under 100 h.p.																												
U. S. Commercial	1,528	347	352	386	50	50	50	50	50	50	50	50	43															
100 h.p.																												
U. S. Commercial	9	4	3	2																								
125 h.p.																												
Army	169	50	80	39																								
British Empire	378	116	47	25	25	25	25	25	25	25	25	15																
U. S. Commercial	94	26	18	14	2																						34	
Total 125 h.p.	641	192	145	78	27	25	25	25	25	25	25	15															34	
145 h.p.																												
Other Foreign	2	2																										
U. S. Commercial	22	2	7	6	7																							
Total 145 h.p.	24	4	7	6	7																							
150 h.p.																												
Other Foreign	15	15																										
160 h.p.																												
Army	573				90	111	124	124	124																			
U. S. Commercial	51	1																									50	
Total 160 h.p.	624	1			90	111	124	124	124																		50	
165 h.p.																												
British Empire	214	15	30	35	35	35	35	14																			15	
U. S. Commercial	58	6	8	6	6	6	6	6	6	7																	1	
Total 165 h.p.	272	21	38	41	41	41	41	20	6	7																	16	
175 h.p.																												
Army	636	24	60	56	65	69	72	90	72	72	48																8	
180 h.p.																												
U. S. Commercial	47	12	12	15	8																							
190 h.p.																												
So. America	19			6	8	5																						
200 h.p.																												
U. S. Commercial	36	6	10	8	8	4																						

(Continued on page two)

Office of the Secretary of the Treasury, Division of Research and Statistics. *Excluding spare parts Source: Reports from Individual Companies. Date: February 26, 1941.

STRICTLY CONFIDENTIAL

AIRPLANE ENGINES

Unfilled Orders* February 15, 1941, and Estimated Deliveries, by months; by horsepower and by purchaser (Continued - 2)

Horsepower and Purchaser	Unfilled orders* Feb. 15, 1941	Estimated deliveries 1941 Feb. 16-28	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1942 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1943 Jan.	Feb.	Undistributed	Percent of spare parts specified in contract
AIRCOOLED ENGINES (Continued)																												
220 h.p.																												
Army	1,962	60	140	140	140	140	176	100	100	150	150	150	150	150	150	60	6											
Navy	178	80	98																									
Other Foreign	35	35																										
U. S. Commercial	190	42	50	50	48																							
Total 220 h.p.	2,365	217	288	190	188	140	176	100	100	150	150	150	150	150	150	60	6											
225 h.p.																												
Army	201	28	35		18	30	30	30	30																			
Navy	361	27			23	21	21	21	21	45	40	40	40	25	25	12												
British Empire	302	38	60	66	98	40																						
Other Foreign	1	1																										
U. S. Commercial	19	3	9	5	2																							
Total 225 h.p.	884	97	104	71	141	91	51	51	51	45	40	40	40	25	25	12												
235 h.p.																												
Navy	816	29	20	20	50	50	50	50	50	50	50	50	50	50	50	50	50	50	47									
250 h.p.																												
Army	2,235	80	120	155	167	156	166	155	175	110	110	110	110	110	110	121	280											
285 h.p.																												
U. S. Commercial	1	1																										
295 h.p.																												
Army	3,019	46	175	200	174	174	174	174	174	180	185	185	185	200	200	200	200	193										
330 h.p.																												
British Empire	2,086	105	125	168	160	184	176	190	190	200	200	200															188	
350 h.p.																												
U. S. Commercial	1	1																										
400 h.p.																												
Army	491	4	57	72	80	80	92	54	52																			
440 h.p.																												
Army	1,153	24	27	28	20	20	10	41	38	55	98	95	105	105	105	105	105	105	67									

(Continued on page 3)

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

*Excluding spare parts

Source: Reports from Individual Companies.

Date: February 26, 1941.

STRICTLY CONFIDENTIAL

AIRPLANE ENGINES

Unfilled Orders* February 15, 1941, and Estimated Deliveries, by months; by horsepower and by purchaser (continued - 3)

Horsepower and Purchaser	Unfilled orders* Feb. 15, 1941	Estimated deliveries 1941											1942												1943		Undistributed	Percent of spare parts specified in contract
		Feb. 16-28	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.		
AIRCOOLED ENGINES (Continued)																												
450 h.p.																												
Army	2,815	140	140	200	280	280	265	180	180	180	180	180	180	180	180	70												
Navy	1,619	39	130	127	105	105	130	130	135	167	120	120	120	95	80	4			12									
British Empire	4	2	2																									
Other Foreign	5	5																										
U. S. Commercial	32	10	6	10	3	3																						
Unclassified	8	4																									4	
Total 450 h.p.	4,483	200	278	337	385	388	395	310	315	347	300	300	300	275	260	74			12								4	
600 h.p.																												
Army	4,006	74	150	170	245	250	250	240	240	240	250	260	260	260	260	260	260	260	77									
Navy	311	20	20	20	30	35	30	20	20	20	20	20	20	20	16													
British Empire	1,876	70	80	80	90	110	110	110	110	93	70	70	70	70	70	70	3											
South America	1	1																										
Total 600 h.p.	5,594	165	250	270	365	395	390	370	370	353	340	350	350	350	346	330	263	260	77									
225 h.p.																												
British Empire	7	7																										
950 h.p.																												
Army	105		8	18	17	17	18	13	14																			
Navy	191	28	29	16	17	19	16	22	21	23																		
Total 950 h.p.	296	28	37	34	34	36	34	35	35	23																		
1000 h.p.																												
Army	1				1																							
Navy	216		1			7	12	15	15	15	16	17	17	17	20	20	20	20	4									
Total 1000 h.p.	217		1		1	7	12	15	15	15	16	17	17	17	20	20	20	20	4									
1100 h.p.																												
Navy	46		11	8	6		6				7	8																
British Empire	50	14	16	10	6	4																						
U. S. Commercial	22		3	9	7		1																				2	
Total 1100 h.p.	118	14	30	27	19	4	7				7	8															2	

(Continued on page 4)

*Including spare parts

Source: Reports from Individual Companies.

Date: February 26, 1941.

[a]

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

STRICTLY CONFIDENTIAL

AIRPLANE ENGINES

Unfilled orders* February 15, 1941, and Estimated Deliveries, by months; by horsepower and by purchaser (continued - 4)

Horsepower and Purchaser	Unfilled orders* Feb. 15, 1941	Estimated Deliveries 1941 Feb. 16-28	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1942 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1943 Jan.	Feb.	Undistributed	Percent of spare parts specified in contract
AIRCOOLED ENGINES (continued)																												
1200 h.p.																												
Army	6,879	43	53	40	201	316	212	248	246	264	278	277	200	200	200	200	200	200	200	33							3,268	
Navy	2,719	28	59	110	205	143	87	64	90	99	101	96	123	123	131	120	120	120	120	120	121	100	120	120	120	87	54	
British Empire	4,914	302	456	425	210	104	128	140	133	327	351	357	317	305	280	120	142	120	120	246	320	11						
Other Foreign	391	20	60	82	77	56	10	20	20	20	18																8	
U. S. Commercial	244	45	44	22	24	15	14		9																		71	
Unclassified	10	10																										
Total 1200 h.p.	15,157	448	672	679	719	634	451	472	498	710	748	730	640	628	611	440	462	440	440	399	441	111	120	120	120	87	3,401	
1300 h.p. U. S. Commercial	254	4			8	8	16	24	28	24	36	36	46	20	4													
1500 h.p. Navy	260	3			1									5	30	30	30	30	30	30	30	30					11	
1600 h.p.																												
Army	2,698	1	31	44	80	90	100	100	100	100	104	100	100	100	105	120	120	120	400	400	300	83						
British Empire	6,519	158	341	423	409	406	415	404	396	400	406	406	408	421	413	382	371	325	35									
Other Foreign	143	16	25	3				5	20	20	20	21	13															
U. S. Commercial	36	12	8	4	8	4																						
Total 1600 h.p.	9,396	187	405	474	497	500	515	509	516	520	530	527	521	521	518	502	491	445	435	400	300	83						
1700 h.p.																												
Army	7,043	37	74	73	81	92	76	68	90	125	211	305	383	492	553	820	969	993	598	200	200	200	200	203				
Navy	2,263	6	1	17	18	30	30	40	50	65	61	80	137	110	179	150	177	177	242	229	100	100					264	
U. S. Commercial	55															24	24	7										
Total 1700 h.p.	9,361	43	75	90	99	122	106	108	140	190	272	385	520	602	732	994	1170	1177	840	429	300	300	200	203			264	
1850 h.p.																												
Army	3,651	20	30	44	46	62	102	120	125	136	226	226	226	225	226	226	226	226	226	226	226	226	226	28				
Navy	3	1	1			1																						
British Empire	2,944	2	30	125	236	256	287	267	285	254	236	236	236	244	250													
Total 1850 h.p.	6,598	23	61	169	282	319	389	387	410	390	462	462	462	470	476	226	226	226	226	226	226	226	226	28				
2000 h.p.																												
Army	1,053	1	3	1	2		5	10	20	39	74	74	74	74	74	74	74	74	74	74	74	74	74	8			2	
Navy	1					1																						
Total 2000 h.p.	1,054	1	3	1	2	1	5	10	20	39	74	74	74	74	74	74	74	74	74	74	74	74	74	8			2	

(Continued on page 5)

*Excluding spare parts

Source: Reports from Individual Companies.

Date: February 26, 1941.

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

STRICTLY CONFIDENTIAL

AIRPLANE ENGINES

Unfilled Orders* February 15, 1941 and Estimated Deliveries, by months; by horsepower and by purchaser (continued - 9)

Horsepower and Purchaser	Unfilled orders* Feb. 15, 1941	Estimated deliveries 1941 Feb. 16-28	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1942 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1943 Jan.	Feb.	Undistributed	Percent of spare parts specified in contract
AIRCOOLED ENGINES (Continued)																												
2200 h.p.																												
Army	1																										1	
Navy	2										2																	
British Empire	401	1										2	6	6	10	10	6	50	50	60	60	64					76	
U. S. Commercial	350						2	2		2			2	2	2	2	2	2	2	2	2	2					324	
Total 2200 h.p.	754	1					2	2		2	2	2	8	8	12	12	8	52	52	62	62	66					401	
2650 h.p.																												
Navy	1																										1	
TOTAL AIRCOOLED ENGINES	70,452	2354	3355	3583	3695	3614	3529	3366	3454	3557	3743	3786	3621	3610	3723	3250	3385	3072	2304	1620	1433	890	620	359	120	27	4382	
LIQUID-COOLED ENGINES																												
1090 h.p.																												
Army	380	112	130	125	13																							
British Empire	678	60	105	93	227	193																						
Total 1090 h.p.	1,058	172	235	218	240	193																						
1150 h.p.																												
Army	3,967	23	85	155	160	167	196	225	265	402	470	460	325	293	225	225	225	66										
British Empire	2,551	4	80	100	100	140	279	325	360	348	330	340	145															
Total 1150 h.p.	6,518	27	165	255	260	307	475	550	625	750	800	800	470	293	225	225	225	66										
1350 h.p.																												
Army	3,000		1	1	1		5	40	80	120	140	211	266	266	266	266	266	266	266	266	273							
British Empire	6,000			1	2	2	11	80	160	240	280	422	534	534	534	534	534	534	534	534	530							
Total 1350 h.p.	9,000		1	2	3	2	16	120	240	360	420	633	800	800	800	800	800	800	800	800	803							
TOTAL LIQUID-COOLED ENGINES	16,576	199	401	475	503	502	491	670	865	1110	1220	1433	1270	1093	1025	1025	1025	866	800	800	803							
GRAND TOTAL	87,028	2553	3756	4058	4198	4116	4020	4036	4319	4667	4963	5219	4891	4703	4748	4275	4410	3938	3104	2420	2236	890	620	359	120	27	4382	

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

*Excluding spare parts

Source: Reports from Individual Companies.

Date: February 26, 1941.

[s]

AIRPLANE ENGINES

STRICTLY CONFIDENTIAL

Unfilled Orders* February 15, 1941, and Estimated Deliveries, by months; by horsepower and by company

Horsepower and Company	Unfilled orders* Feb. 15, 1941	Estimated deliveries 1941 Feb. 16-28	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1942 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1943 Jan.	Feb.	Undistributed	Percent of spare parts specified in contract
AIRCOOLED ENGINES																												
Under 100 h.p.																												
Continental	826	188	302	336																								
Lycoming	699	156	50	50	50	50	50	50	50	50	50	50	43															
Kearvin	3	3																										
Total under 100 h.p.	1,528	347	352	386	50	50	50	50	50	50	50	50	43															
120 h.p.																												
Kearvin	9	4	3	2																								
125 h.p.																												
Kinner	212	71	102	39																								
Menasco	352	100	33	29	25	25	25	25	25	25	25	15																
Warner	77	21	10	10	2																						34	
Total 125 h.p.	641	192	145	78	27	25	25	25	25	25	25	15															34	
145 h.p.																												
Warner	24	4	7	6	7																							
150 h.p.																												
Menasco	15	15																										
160 h.p.																												
Kinner	574	1			90	111	124	124	124																			
Menasco	50																										50	
Total 160 h.p.	624	1			90	111	124	124	124																		50	
165 h.p.																												
Warner	272	21	38	41	41	41	41	20	6	7																	16	
175 h.p.																												
Ranger	636	24	60	56	65	69	72	90	72	72	48																8	
180 h.p.																												
Ranger	47	12	12	15	8																							
190 h.p.																												
Ranger	19			6	8	5																						
200 h.p.																												
Ranger	36	6	10	8	8	4																						

(Continued on page 2)

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

*Excluding spare parts

Source: Reports from Individual Companies.

Date: February 26, 1941.

STRICTLY CONFIDENTIAL

AIRPLANE ENGINES

Unfilled Orders* February 15, 1941, and Estimated Deliveries, by months; by horsepower and by company (continued - 2)

Horsepower and Company	Unfilled orders* Feb. 15, 1941	Estimated deliveries																										Percent of spare parts specified in contract
		1941											1942												1943		Undistributed	
		Feb. 16-28	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.		
AIRCOOLED ENGINES (Continued)																												
220 h.p. Continental	2,365	217	268	190	188	140	176	100	100	150	150	150	150	150	150	60	6											
225 h.p. Jacobs	372	69	99	66	98	40																						
Lycoming	512	28	5	5	43	51	51	51	51	45	40	40	40	25	25	12												
Total 225 h.p.	884	97	104	71	141	91	51	51	51	45	40	40	40	25	25	12												
235 h.p. Naval Aircraft	767			20	50	50	50	50	50	50	50	50	50	50	50	50	50	50	47									
Wright	49	29	20																									
Total 235 h.p.	816	29	20	20	50	50	50	50	50	50	50	50	50	50	50	50	50	50	47									
250 h.p. Continental	2,235	80	120	155	167	156	166	155	175	110	110	110	110	110	110	121	280											
285 h.p. Jacobs	1	1																										
295 h.p. Lycoming	3,019	46	175	200	174	174	174	174	174	180	185	185	185	200	200	200	200	193										
330 h.p. Jacobs	2,086	105	125	168	160	184	176	190	190	200	200	200															188	
350 h.p. Wright	1	1																										
400 h.p. Wright	491	4	57	72	80	80	92	54	52																			
440 h.p. Wright	1,153	24	27	28	20	20	10	41	38	55	98	95	105	105	105	105	105	105	67									
450 h.p. Pratt & Whitney	3,902	162	236	290	353	353	350	260	260	260	260	260	260	260	260	74											4	
Ranger	401	1	20	25	30	30	40	40	40	40	40	40	40	15														
Wright	180	37	22	22	5	5	5	10	15	47									12									
Total 450 h.p.	4,483	200	278	337	388	388	395	310	315	347	300	300	300	275	260	74			12								4	

(Continued on page 3)

AIRPLANE ENGINES

STRICTLY CONFIDENTIAL

Unfilled Orders* February 15, 1941, and Estimated Deliveries, by months; by horsepower and by company (continued - 3)

Horsepower and Company	Unfilled orders* Feb. 15, 1941	Estimated deliveries: 1941 Feb. 16-28	1941 Mar.	1941 Apr.	1941 May	1941 June	1941 July	1941 Aug.	1941 Sept.	1941 Oct.	1941 Nov.	1941 Dec.	1942 Jan.	1942 Feb.	1942 Mar.	1942 Apr.	1942 May	1942 June	1942 July	1942 Aug.	1942 Sept.	1942 Oct.	1942 Nov.	1942 Dec.	1943 Jan.	1943 Feb.	Undistributed	Percent of spare parts specified in contract
AIRCOOLED ENGINES (Continued)																												
600 h.p.																												
Pratt & Whitney	5,594	165	250	270	365	395	390	370	370	353	340	350	350	350	346	330	263	260	77									
825 h.p.																												
Pratt & Whitney	7	7																										
950 h.p.																												
Wright	296	28	37	34	34	36	34	35	35	23																		
1000 h.p.																												
Pratt & Whitney	1				1																							
Wright	216		1			7	12	15	15	15	16	17	17	17	20	20	20	20	4									
Total 1000 h.p.	217		1		1	7	12	15	15	15	16	17	17	17	20	20	20	20	4									
1100 h.p.																												
Pratt & Whitney	3		3																									
Wright	115	14	27	27	19	4	7				7	8															2	
Total 1100 h.p.	118	14	30	27	19	4	7				7	8															2	
1200 h.p.																												
Pratt & Whitney	9,189	322	414	437	435	341	151	172	198	410	428	410	320	308	291	120	142	120	120	120	121	100	120	120	120	27	3,322	
Wright	5,968	126	258	242	280	293	300	300	300	300	320	320	320	320	320	320	320	320	320	279	320	11					79	
Total 1200 h.p.	15,157	448	672	679	715	634	451	472	498	710	748	730	640	628	611	440	462	440	440	399	441	111	120	120	120	27	3,401	
1300 h.p.																												
Pratt & Whitney	254	4			8	8	16	24	28	24	36	36	46	20	4													
1500 h.p.																												
Wright	260	3			1									5	30	30	30	30	30	30	30	30					11	
1600 h.p.																												
Wright	9,396	187	405	474	497	500	515	509	516	520	530	527	521	521	518	502	491	445	435	400	300	83						
1700 h.p.																												
Studebaker	2,000										2	15	50	80	100	150	200	200	200	200	200	200	200	203				
Wright	7,361	43	75	90	99	122	106	108	140	190	270	370	470	522	632	844	970	977	640	229	100	100					264	
Total 1700 h.p.	9,361	43	75	90	99	122	106	108	140	190	272	385	520	602	732	994	1170	1177	840	429	300	300	200	203			264	

(Continued on page 4)

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

*Excluding spare parts

Source: Reports from Individual Companies.

Date: February 26, 1941

AIRPLANE ENGINES

STRICTLY CONFIDENTIAL

Unfilled Orders* February 15, 1941, and Estimated Deliveries, by months; by horsepower and by company (Continued - 4)

Horsepower and Company	Unfilled orders* Feb. 15, 1941	Estimated deliveries 1941: Feb. 16-28	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1942: Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1943: Jan.	Feb.	Undistributed	Percent of spare parts specified in contract
AIRCOOLED ENGINES (Continued)																												
1850 h.p.																												
Ford	3,192						15	30	60	121	226	226	226	226	226	226	226	226	226	226	226	226	226	28				
Pratt & Whitney	3,406	23	61	169	282	319	374	357	350	269	236	236	236	244	250													
Total 1850 h.p.	6,598	23	61	169	282	319	389	387	410	390	462	462	462	470	476	226	226	226	226	226	226	226	226	28				
2000 h.p.																												
Ford	1,044						5	10	20	39	74	74	74	74	74	74	74	74	74	74	74	74	74	8				
Pratt & Whitney	8	1	3	1	1																						2	
Wright	2				1	1																						
Total 2000 h.p.	1,054	1	3	1	2	1	5	10	20	39	74	74	74	74	74	74	74	74	74	74	74	74	74	8			2	
2200 h.p.																												
Pratt & Whitney	1																										1	
Wright	753	1					2	2		2	2	2	8	8	12	12	8	52	52	62	62	66					400	
Total 2200 h.p.	754	1					2	2		2	2	2	8	8	12	12	8	52	52	62	62	66					401	
2690 h.p.																												
Pratt & Whitney	1																										1	
TOTAL AIRCOOLED ENGINES	70,452	2354	3355	3583	3695	3614	3529	3366	3454	3557	3743	3786	3621	3610	3723	3250	3385	3072	2304	1620	1433	890	620	399	120	87	4382	
LIQUID-COOLED ENGINES																												
1090 h.p. Allison	1,058	172	235	218	240	193																						
1150 h.p. Allison	6,518	27	165	255	260	307	475	550	625	750	800	800	470	293	225	225	225	66										
1350 h.p. Packard	9,000		1	2	3	2	16	120	240	360	420	633	800	800	800	800	800	800	800	800	803							
TOTAL LIQUID-COOLED ENGINES	16,576	199	401	475	503	502	491	670	865	1110	1220	1433	1270	1093	1025	1025	1025	866	800	800	803							
GRAND TOTAL - ALL ENGINES	87,028	2553	3756	4058	4198	4116	4020	4036	4319	4667	4963	5219	4891	4703	4748	4275	4410	3938	3104	2420	2236	890	620	399	120	87	4382	

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

*Excluding spare parts

Source: Reports from Individual Companies.

Date: February 26, 1941.

[a]

Table I

AIRPLANE ENGINES

Disposition of Engines Inspected by the British Empire 1/

Week ended February 18, 1941

STRICTLY CONFIDENTIAL

Engine company and type of engine	Week ended February 18, 1941: Inspected engines on hand beginning of week 2/	Engines inspected during week	Total inspected engines to be accounted for	Exports during week: Total	Engines for British airframes	Engines in American airframes: Installed engines	Spare engines	Company and type of airframe involved	Inspected engines on hand end of week	Total to date: Engines inspected to date	Exports to date: Total	Engines for British airframes	Engines in American airframes: Installed engines	Spare engines
Allison Engineering Co.														
V 1710-C15..........1000 h.p.	409	12	421	10	-	10	-	Curtiss Hawk 81A pursuit	411	1,112	701	-	625	76
V 1710-E4..........1150 h.p.	1	-	1	-	-	-	-		1	1	-	-	-	-
Total Allison..................	410	12	422	10	-	10	-		412	1,113	701	-	625	76
Jacobs Aircraft Engine Co.														
L-4MB.................225 h.p.	42	16	58	-	-	-	-		58	58	-	-	-	-
L-6MB.................330 h.p.	-	48	48	48	48	-	-		-	202	202	202	-	-
Total Jacobs..................	42	64	106	48	48	-	-		58	260	202	202	-	-
Lycoming Division of Aviation Manufacturing Co.														
R 680-E3..............300 h.p.	-	-	-	-	-	-	-		-	3	3	3	-	-
Menasco Manufacturing Co.														
D 4....................125 h.p.	-	18	18	18	18	-	-		-	64	64	64	-	-
Pratt & Whitney Aircraft														
R985-SB2..............450 h.p.	40	-	40	-	-	-	-		40	44	4	2	2	-
R1340-S1H1-G..........600 h.p.	-	-	-	-	-	-	-		-	50	50	50	-	-
R1340-S3H1-G..........600 h.p.	-	-	-	-	-	-	-		-	2	2	2	-	-
R1340-S3H1............600 h.p.	96	25	121	26	-	26	-	North American NA 66 trainer	95	1,092	997	-	856	141
R1535-SB4-G...........825 h.p.	52	-	52	-	-	-	-		52	606	754	754	-	-
R1690-S1E3-G..........875 h.p.	-	6	6	-	-	-	-		6	10	4	-	4	-
R1830-SC-G...........1050 h.p.	-	-	-	-	-	-	-		-	3	3	3	-	-
R1830-SC3-G (3:2)....1050 h.p.	14	-	14	12	-	12	-	Lockheed 414-08 2-engine recon. bomber	2	290	288	-	258	30
R1830-SC3-G (16:9)...1050 h.p.	181	-	181	35	-	20	15	Martin bomber	146	649	503	-	214	289
R1830-S1C3-G (16:9)..1200 h.p.	205	15	220	8	-	8	-	Consolidated 2-engine bomber	212	235	23	1	20	2
R1830-82.............1200 h.p.	-	-	-	-	-	-	-		-	14	14	-	14	-
R1830-S3C4-G.........1200 h.p.	712	69	781	-	-	-	-		781	2,039	1,258	928	276	54
R2800-S1A4-G (5:2)...1850 h.p.	-	2	2	-	-	-	-		2	4	2	2	-	-
Total Pratt & Whitney.........	1,300	117	1,417	81	-	66	15		1,336	5,238	3,902	1,742	1,644	516
Warner Aircraft Corp.														
165-D.................165 h.p.	-	11	11	11	11	-	-		-	47	47	47	-	-
Wright Aeronautical Corp.														
R760-E1...............300 h.p.	-	-	-	-	-	-	-		-	2	2	2	-	-
R975-E3...............450 h.p.	-	-	-	-	-	-	-		-	168	168	-	119	49
GR1820-G102A.........1100 h.p.	-	-	-	-	-	-	-		-	835	835	-	788	47
GR1820-G105A.........1100 h.p.	33	3	36	-	-	-	-		36	139	103	-	103	-
GR1820-G205A.........1200 h.p.	182	7	189	-	-	-	-		189	701	512	-	375	137
GR2600-A5B...........1600 h.p.	1,005	79	1,084	68	52	16	-	Douglas DB-7 2-engine bomber	1,016	1,911	895	721	174	-
Total Wright..................	1,220	89	1,309	68	52	16	-		1,241	3,756	2,515	723	1,559	233
TOTAL ALL COMPANIES...........	2,972	311	3,283	236	129	92	15		3,047	10,481	7,434	2,781	3,828	825

Office of the Secretary of the Treasury, Division of Research and Statistics. Source: British Air Commission. Prepared February 25, 1941.

1/ Excludes spare parts but includes spare complete engines; excludes secondhand engines.
2/ Adjusted to allow for revisions in records.

Table II

AIRPLANE ENGINES

Status of Inspected Engines of the British Empire on Hand in the United States 1/

As of February 18, 1941

STRICTLY CONFIDENTIAL

Engine company and type of engine	Airframe company and type of airframe involved		Total inspected engines on hand	Analysis of inspected engines on hand: Engines awaiting export: Total	Engines awaiting export: Engines for British airframes	Engines awaiting export: Engines in American airframes: Installed engines	Engines awaiting export: Engines in American airframes: Spare engines	Engines at engine factory: Total	Engines at engine factory: Engines assigned to British airframes	Engines at engine factory: Engines for American airframes: Assigned for installation	Engines at engine factory: Engines for American airframes: Assigned as spare engines	Engines at airframe factory (or enroute thereto): Total	Engines at airframe factory: Estimated two months' requirements	Engines at airframe factory: Excess engines on hand	Engines at airframe factory: Deficiency in engines on hand	Reason for excess engines
Allison Engineering Co.																
V 1710-C15............1000 h.p.	Curtiss	Hawk 81A pursuit	403	132	-	132	-	12	-	-	12	259	187	72	-	
	Lockheed	322 2-engine pursuit	8	-	-	-	-	-	-	-	-	8	3	5	-	
V 1710-E4............1150 h.p.	Bell	P-39 Airacobra pursuit	1	-	-	-	-	-	-	-	-	1	25	-	24	
Total Allison..................			412	132	-	132	-	12	-	-	12	268	215	77	24	
Jacobs Aircraft Engine Co.																
L-4MB..................225 h.p.	Cessna	T-50 2-engine trainer	58	-	-	-	-	58	-	58	-	-	-	-	-	
Pratt & Whitney Aircraft																
R985-SB2..............450 h.p.	Grumman	G-21A amphibian bomber	40	-	-	-	-	-	-	-	-	40	-	40	-	
R1340-S3H1............600 h.p.	North American	NA 66 trainer	95	12	-	12	-	-	-	-	-	83	294	-	211	
R1535-SB4-G...........825 h.p.	Vought-Sikorsky	V-156 dive bomber	52	-	-	-	-	2	-	2	-	50	15	35	-	Airframe deliveries 1 mo. late
R1690-S1E3-G..........875 h.p.	Lockheed	Lodestar transport	6	6	-	6	-	-	-	-	-	-	-	-	-	
R1830-SC3-G (3:2)....1050 h.p.	Lockheed	414-08 2-engine recon. bomber	2	2	-	2	-	-	-	-	-	-	-	-	-	
R1830-SC3-G (16:9)...1050 h.p.	Martin	167F 2-engine bomber	146	62	-	62	-	-	-	-	-	84	202	-	118	
R1830-S1C3-G.........1200 h.p.	Consolidated	28-5ME 2-engine bomber	212	4	-	4	-	62	-	53	9	146	69	77	-	
R1830-S3C4-G.........1200 h.p.	Lockheed	414-13 2-engine recon. bomber	493	52	-	52	-	-	-	-	-	441	336	105	-	Airframe deliveries 3 mos. late
R1830-S3C4-G.........1200 h.p.	Grumman	Navy fighter	120	-	-	-	-	-	-	-	-	120	24	96	-	Airframe deliveries 2 mos. late
R1830-S3C4-G.........1200 h.p.	Consolidated	LB 30 4-engine bomber	113	-	-	-	-	39	-	39	-	74	77	-	3	
R2800-S1A4-G.........1850 h.p.	Lockheed	37 2-engine bomber	2	-	-	-	-	2	-	2	-	-	-	-	-	
R1830-S3C4-G.........1200 h.p.	Separate engines		55	-	-	-	-	55	55	-	-	-	-	-	-	
Total Pratt & Whitney..........			1,336	138	-	138	-	160	55	96	9	1,038	1,017	353	332	
Wright Aeronautical Corp.																
GR1820-G105A.........1100 h.p.	Brewster	339 pursuit	36	16	-	16	-	12	-	12	-	8	36	-	28	
GR1820-G205A.........1200 h.p.	Lockheed	414-56 2-engine recon. bomber	182	38	-	38	-	144	-	144	-	-	125	-	125	
	Grumman	Navy fighter	7	-	-	-	-	7	-	-	7	-	-	-	-	
GR2600-A5B...........1600 h.p.	Vultee	72 dive bomber	136	-	-	-	-	-	-	-	-	136	6	130	-	
	Martin	187 2-engine recon. bomber	32	-	-	-	-	-	-	-	-	32	7	25	-	Airframe deliveries 4 mos. late
	Boeing	Douglas DB-7B 2-engine bomber	30	-	-	-	-	-	-	-	-	30	2	28	-	
	Brewster	340 dive bomber	48	-	-	-	-	-	-	-	-	48	-	48	-	
	Northrop	72 dive bomber	3	-	-	-	-	-	-	-	-	3	-	3	-	Airframe deliveries 5 mos. late
	Douglas	DB-7 2-engine bomber	362	16	-	16	-	-	-	-	-	346	74	272	-	Airframe deliveries 1 mo. late
	Separate engines		405	165	165	-	-	240	240	-	-	-	-	-	-	
Total Wright....................			1,241	235	165	70	-	403	240	156	7	603	250	506	153	
Subtotal: engines assigned to American airframes (including spares)			2,587	340	-	340	-	338	-	310	28	1,909	1,482	936	509	
Subtotal: engines assigned to British airframes			460	165	165	-	-	295	295	-	-	-	-	-	-	
TOTAL ALL ENGINES			3,047	505	165	340	-	633	295	310	28	1,909	1,482	936	509	

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

Source: British Air Commission.

Prepared February 26, 1941.

1/ Excludes spare parts and secondhand engines.

Table III

AIRPLANE ENGINES 1/

Location of Separate Engines Awaiting Export by the British Empire 2/

As of February 18, 1941

STRICTLY CONFIDENTIAL

Engine company and type of engine	Engines awaiting export	Analysis of engines awaiting export by location: At engine factory Patterson, N. J.	In transit	At port of embarkation
Engines for British airframes				
Wright Aeronautical Corp. GR2600-A5B.............1600 h.p.	165	132	33	-
Spare engines for American airframes				
None..............................	-	-	-	-

Office of the Secretary of the Treasury, Division of Research and Statistics. Prepared February 26, 1941.

Source: British Air Commission.

1/ Excludes spare parts and secondhand engines.
2/ Excludes engines installed in American airframes, which are covered in Airframes Table III.

Table I

AIRFRAMES 1/

Disposition of Airframes Inspected by the United Kingdom 2/

Week ended February 18, 1941

STRICTLY CONFIDENTIAL

Airframe company and type of airframe	Week ended February 18, 1941: Inspected airframes on hand beginning of week	Airframes inspected during week	Total inspected airframes to be accounted for	Exports during week: Number of airframes	Exports during week: Engine company and type of engine involved	Inspected airframes on hand end of week	Total to date: Airframes inspected	Total to date: Airframes exported
Bell Aircraft Corp.								
P-39 Airacobra pursuit..........	-	1	1	-		1	1	-
Brewster Aeronautical Corp.								
339 pursuit......................	16	-	16	-		16	86	70
339 B fighter....................	-	-	-	-		-	33	33
Total Brewster...................	16	-	16	-		16	119	103
Consolidated Aircraft Corp.								
28-5ME 2-engine bomber..........	3	2	5	3	Pratt & Whitney...R1830-S1C3-G...1200 h.p.	2	18	16
LB 30 4-engine bomber...........	6	-	6	-		6	6	-
Total Consolidated..............	9	2	11	3		8	24	16
Curtiss-Wright Corp.								
Hawk 75A-4 pursuit..............	-	-	-	-		-	204	204
Hawk 81A pursuit................	118	24	142	10	Allison..........V 1710-C15.....1000 h.p.	132	757	625
Total Curtiss-Wright............	118	24	142	10		132	961	829
Douglas Aircraft Co.								
DB-7 2-engine bomber............	-	-	-	-		-	138	138
DB-7A 2-engine bomber...........	13	4	17	9	Wright...........GR2600-A5B.....1600 h.p.	8	95	87
Total Douglas...................	13	4	17	9		8	233	225
Grumman Aircraft Engineering Corp.								
G-36A Navy fighter..............	-	-	-	-		-	81	81
Lockheed Aircraft Corp.								
214-40 2-engine recon. bomber...	-	-	-	-		-	100	100
414-08 2-engine recon. bomber...	7	-	7	2	Pratt & Whitney...R1830-SC3-G....1050 h.p.	5	30	25
414-13 2-engine recon. bomber...	-	26	26	-		26	26	-
414-40 2-engine recon. bomber...	-	-	-	-		-	20	20
414-56 2-engine recon. bomber...	75	-	75	-		75	149	74 3/
B-14 2-engine recon. bomber.....	-	-	-	-		-	250	250
18 Lodestar transport...........	1	2	3	-		3	5	2
Total Lockheed..................	83	28	111	2		109	580	471
Glenn L. Martin Co.								
167F 2-engine bomber............	38	12	50	10	Pratt & Whitney...R1830-SC3-G....1050 h.p.	40	147	107
North American Aviation, Inc.								
NA 40 trainer...................	-	-	-	-		-	400	400
NA 64 trainer...................	-	-	-	-		-	119	119
NA 66 trainer...................	26	28	54	26	Pratt & Whitney...R1340-S3H1......600 h.p.	28	454	426
NA 73 pursuit...................	-	1	1	-		1	1	-
Total North American............	26	29	55	26		29	974	945
TOTAL ALL COMPANIES.............	303	100	403	60		343	3,120	2,777

Office of the Secretary of the Treasury, Division of Research and Statistics. Source: British Air Commission. Prepared February 26, 1941.

1/ Excludes spare parts and secondhand airframes.
2/ Data on orders of the Dominions are not currently available.
3/ Includes 29 airframes without engines.

Table II

AIRFRAMES 1/

Status of Inspected Airframes of the United Kingdom on Hand in the United States 2/

As of February 18, 1941

STRICTLY CONFIDENTIAL

Airframe company and type of airframe	Engine company and type of engine involved		Total inspected airframes on hand	Airframes awaiting export	Analysis of inspected airframes on hand: Airframes at factory: Total	Engines being installed	Awaiting engines	Awaiting tests	Awaiting engine repairs
Bell Aircraft Corp.									
P-39 Airacobra pursuit....................	Allison	V 1710-E4..............1150 h.p.	1		1		1		
Brewster Aeronautical Corp.									
339 pursuit................................	Wright	GR1820-G105A...........1100 h.p.	16	16					
Consolidated Aircraft Corp.									
28-5ME 2-engine bomber....................	Pratt & Whitney	R1830-S1C3-G...........1200 h.p.	2	2					
LB 30 4-engine bomber.....................	Pratt & Whitney	R1830-S3C4-G...........1200 h.p.	6	1	5			5	
Total Consolidated........................			8	3	5			5	
Curtiss-Wright Corp.									
Hawk 81A pursuit..........................	Allison	V 1710-C15............1000 h.p.	132	126	1			1	5
Douglas Aircraft Co.									
DB-7A 2-engine bomber.....................	Wright	GR2600-A5B.............1600 h.p.	8	6	2			2	
Lockheed Aircraft Corp.									
414-08 2-engine recon. bomber............	Pratt & Whitney	R1830-SC3-G............1050 h.p.	5	5					
414-13 2-engine recon. bomber............	Pratt & Whitney	R1830-S3C4-G...........1200 h.p.	26	26					
414-56 2-engine recon. bomber............	Wright	GR1820-G205A...........1200 h.p.	75	13	57	56		1	5
18 Lodestar transport.....................	Pratt & Whitney	R1690-S1E3-G............875 h.p.	3	3					
Total Lockheed............................			109	47	57	56		1	5
Glenn L. Martin Co.									
167F 2-engine bomber......................	Pratt & Whitney	R1830-SC3-G............1050 h.p.	40	40					
North American Aviation, Inc.									
NA 66 trainer.............................	Pratt & Whitney	R1340-S3H1..............600 h.p.	28	28					
NA 73 pursuit.............................	Allison	V 1710-F3R.............1150 h.p.	1		1		1		
Total North American......................			29	28	1		1		
TOTAL ALL COMPANIES.......................			343	266	67	56	2	9	10

Office of the Secretary of the Treasury, Division of Research and Statistics. Source: British Air Commission. Prepared February 26, 1941.

1/ Excludes spare parts and secondhand airframes.
2/ Data on orders of the Dominions are not currently available.

Table III

AIRFRAMES 1/

Location of Airframes with Installed Engines Awaiting Export by the United Kingdom 2/

As of February 18, 1941

STRICTLY CONFIDENTIAL

Airframe company and type of airframe	Airframes awaiting export	Held at airframe factory					In transit	At port of embarkation		
		Total	Los Angeles	San Diego	Buffalo	Baltimore		Total	New York	New Orleans
Brewster Aeronautical Corp.										
339 pursuit....................	16	-	-	-	-	-	-	16	16	-
Consolidated Aircraft Corp.										
28-5ME 2-engine bomber.........	2	1	-	1	-	-	1	-	-	-
LB 30 4-engine bomber..........	1	-	-	-	-	-	1	-	-	-
Total Consolidated.............	3	1	-	1	-	-	2	-	-	-
Curtiss-Wright Corp.										
Hawk 81A pursuit...............	126	2	-	-	2	-	-	124	124	-
Douglas Aircraft Co.										
DB-7A 2-engine bomber..........	6	2	-	2	-	-	-	4	3	1
Lockheed Aircraft Corp.										
414-08 2-engine recon. bomber..	5	-	-	-	-	-	5	-	-	-
414-13 2-engine recon. bomber..	26	16	16	-	-	-	3	7	7	-
414-56 2-engine recon. bomber..	13	13	13	-	-	-	-	-	-	-
18 Lodestar transport..........	3	1	1	-	-	-	2	-	-	-
Total Lockheed.................	47	30	30	-	-	-	10	7	7	-
Glenn L. Martin Co.										
167F 2-engine bomber...........	40	5	-	-	-	5	5	30	30	-
North American Aviation, Inc.										
NA 66 trainer..................	28	28	28	-	-	-	-	-	-	-
TOTAL ALL COMPANIES............	266	68	58	3	2	5	17	181	180	1

Office of the Secretary of the Treasury, Division of Research and Statistics. Source: British Air Commission. Prepared February 26, 1941.

1/ Excludes spare parts and secondhand frames.
2/ Data on orders of the Dominions are not currently available.

British Embassy,

Washington, D. C.

February 26th, 1941

Dear Cochran,

Following on our recent talk, I have been in touch with London in connection with the French proposal that payments for any supplies which may be allowed to go to Morocco should be made out of the proceeds of the sale in New York of part of the French gold at present in Martinique. London agree that it would be preferable to use the gold in Martinique before using French balances in New York which are at present blocked. On the other hand, they would ask that free Moroccan funds in the United States should be used in the first instance, although they appreciate that there are probably not sufficient of such funds to pay for all the supplies which are contemplated and that part of those supplies would have to be paid for out of the Martinique gold. They feel, however, that for payment of all the supplies to be made out of the Martinique gold without touching the free Moroccan funds would be equivalent to giving to the French authorities the free disposal of the gold.

Yours sincerely,

/s/ R. J. Stopford

Mr. Merle Cochran,
Room 279,
U. S. Treasury Department,
Washington, D. C.

Copy:alm

Tree 112-A

CONFIDENTIAL

No. 757 Chungking, February 28, 1941.

SUBJECT: TRANSMITTING COPY OF MEMORANDUM CONCERNING EFFORTS TO IMPROVE COMMUNICATIONS BETWEEN CHINA AND INDIA.

AIR MAIL

CONFIDENTIAL

The Honorable

The Secretary of State,

Washington, D. C.

Sir:

1/ I have the honor to enclose, as of probable interest to the Department, a copy of a memorandum prepared by Mr. F. B. Lynch, American adviser to the Ministry of Finance of the Government of China, in regard to two trips which he recently made to India with a view to improving and developing all possible means of communication between China and India and to bringing about closer cooperation between China and India.

<u>Summary of memorandum</u>. Mr. Lynch expresses the belief that the Government of India will extend all possible help and facilities to China; that favorable consideration will be given to the assembly of military aircraft in India for China and to their flight to China. Mr. Lynch writes that representations relating to transportation routes between Assam and China were favorably received by the Indian authorities; that the Indian Government would permit a Chinese aviation company to conduct a service from China to Calcutta, subject to the granting by China of reciprocal rights to an Indian aviation company to conduct a similar service in China; that an air service between China

and

112-B

and Myitkyina , Burma, is to be started as soon as the field now under construction at Myitkyina is completed; and that aerial surveys have been conducted from points in Szechuan and Yunnan to Burma and India. Mr. Lynch proposes that an air freight service be established between Myitkyina and a point in Yunnan and that a caravan freight service be inaugurated between Bhamo and Myitkyina and China; and that the Chinese Government take steps to survey the land route through Sikang and Tibet to the Indian frontier near Sadiya, Assam, and take steps to develop land transport between Talifu or some other point in northern Yunnan and Chengtu or some other point in western Szechuan.

It is the Embassy's understanding that negotiations are still proceeding between the Government of China and the China National Aviation Corporation in regard to the inauguration by the latter firm of an aerial freight service between Myitkyina and a point yet to be determined in western Yunnan.* Not only will it be necessary to complete the air field at Myitkyina but also a suitable field must be constructed in western Yunnan before such a service can be inaugurated. Additionally, planes will have to be purchased in the United States. It therefore seems likely that some months must elapse before the projected service actually can be put into operation.

It is reassuring to note that steps apparently are to be taken to explore and utilize land routes other than the Burma road between China and Burma and India, including the old caravan routes which have been used for centuries. It is doubtful, however, whether these alternative routes will prove to be of more than auxiliary value at the best.

Respectfully yours,

Nelson Trusler Johnson

Enclosure:
1/ Copy of memorandum.

Original and two copies by air mail to the Department.
Two copies by air mail to Hong Kong.
Copy to Peiping (safe hand via Hong Kong).

870
EFD/wr

True copy
of signed original

* Embassy's despatch no. 779, February 13, 1941.

Chungking February 3, 1941.

Memorandum

Permit me to report upon my two recent trips to India which were undertaken with the desire to improve and develop all possible means of communication between China and India and to bring about the closest cooperation between India and China in respect to China's war effort. I would summarize the results as follows:-

1. A very friendly atmosphere of helpfulness and cooperation has been created between the Governments of India and China and I believe that the Government of India will extend all possible help and facilities to China.

2. It appears that, subject to a formal interchange of communications between His Majesty's Government, the Government of India and the Government of China, favourable consideration will be given to the assembly of military aircraft for China in India or Burma and to the flying of them over the frontier into China.

3. Representations relative to overland and air transport routes between Assam and China were sympathetically received by the officers of the Government of India and the matter will be the subject of a despatch from His Majesty's Government to the Chinese Government in the near future.

4. The Indian Government has expressed its willingness to enable a Chinese Aviation Company to conduct a service from China to Myitkyina, Chittagong and Calcutta and vice versa, subject to the granting by China of "reciprocal rights" to an Indian Aviation Company. A new airfield is now under construction at Myitkyina.

5. An air service between China and Myitkyina may be started as soon as the landing field at Myitkyina is completed.

6. Aerial surveys have been conducted as follows:-

A. Lashio-Myitkyina-Likiang-Ningyuan-Suifu-Chungking.

B. Lashio-Myitkyina-Talifu-Yunnanyi-Kunming.

C. Lashio-Myitkyina-Chittagong-Calcutta-New Delhi.

On 17th January 1941 I handed in a copy of my diary covering the period of my absence from Chungking from 29th November 1940 to 18th January 1941 inclusive. On 18th January I submitted a copy of the minutes, of a meeting held at the office of the Foreign Secretary to the Government of India at New Delhi on 31st December 1940. On 3rd February 1941 I handed in a copy of my diary

covering

112-D

covering the period of my absence from Chungking from 18th January to 27th January 1941 inclusive.

As may be recalled, a conversation was held late in August 1940, at which it was proposed that immediate steps be taken to explore the possibility of communication between China on the one hand and Burma and India on the other along a route north of the present "Burma Road" between Lashio and Kunming and using a sea-port on the bay of Bengal north of Rangoon.

I immediately communicated with His Excellency Sir Archibald Clark-Kerr H.B.M.'s Ambassador to China and after the exchange of several letters and after several conversations with Sir Archibald and Mr. Allen of the British Embassy I learned that His Majesty's Government in London and the Government of India had become interested in our proposal. Consequently I left Chungking on 27th November 1940 for India via Manila and Singapore, in the meantime Sir Archibald had very kindly wired to the authorities in India recommending that they talk things over with me. Prior to my departure I had advised Mr. Allen that any further developments should be communicated to Mr. K. K. Kwok of The Central Bank of China.

2. <u>Procedure</u> While in Manila, where I was delayed for a full week on account of "Typhoon weather" in the South Pacific, I received the following telegram, through the British Consulate General, from Sir Archibald Clark-Kerr dated Chungking 6th December 1940 and received by me on 7th December 1940.

> "Government of India advise you to go on to Delhi to discuss Chinese Government plans with interested departments"

to which I replied on the same day

> "Thanks wire shall proceed Delhi soonest"

I arrived in Calcutta on 25th December 1940, which being Christmas and the following day "Boxing Day" made it impossible for me to do anything until the 27th of December when I called upon Mr. E.N. Blandy, CSI, CIE, ICS, Chief Secretary to the Government of Bengal to whom I briefly stated my mission. Mr. Blandy was good enough to give me a letter of introduction to Mr. O. K. Caroe, CSI, CIE, ICS, Secretary for External Affairs to the Government of India at New Delhi and to wire Mr. Caroe that I was immediately proceeding to New Delhi and would call upon him.

On 27th December 1940 in Calcutta, I received a letter from Mr. K. K. Kwok enclosing a letter addressed by Mr. Allen of the British Embassy, Chungking, to Mr. K.K.Kwok dated 17th December 1940 which stated, among other things, that His Majesty's Government did not regard the proposed Sadiya-Likiang route as suitable but that the Governments of India and Burma has agreed to the conduct of survey flights as follows:

1.

112-E

1. Kunming (or Talifu or Likiang) - Myitkyina - Chittagong

2. Kunming (or Talifu or Likiang) - Lashio - Chittagong

and mentioning that also there was at present no landing ground at Myitkyina though an emergency field could be made ready on very short notice. Mr. Allen mentioned that a copy of his letter was being forwarded to Dr. Peng Hsueh-pei of the Ministry of Communications.

I called upon Mr. Caroe at the first opportunity after my arrival in New Delhi and he was good enough to arrange for a meeting on 31st December 1940. This meeting was attended by

Mr. O. K. Caroe	Foreign Secretary
Major General Molesworth	General Staff
Brigadier Dennys	Military Attache-Designate to Chungking
Air Commodore Wright, Group Captain Perry-Keene	Air Headquarters
Mr. Tymms	Director of Civil Aviation
Mr. Weightman	Deputy Foreign Secretary

and myself.

As may be observed from the minutes of this meeting His Majesty's Government and the Government of India continued to favour an air route into the Myitkyina sector rather than the more northerly one into Sadiya and that I agreed that it was desirable to concentrate thereon for the time being without however excluding a route through Sadiya from further consideration. I understand that the matter of the overland and air routes through Sadiya will be the subject of a despatch from His Majesty's Government to the Chinese Government in the near future, and that the interest of His Majesty's Government and the Government of India in the attitude of the Tibetan authorities will be mentioned. The matter of the "flying-in" to China of military aircraft assembled to India or Burma was also discussed. Throughout this and other conversations with officers of the Government of India I have endeavoured to stress that my idea is to open additional channels of communication between China and the outside world by whatever routes may be even remotely feasible and in spite of such difficulties as there may be.

I left New Delhi on 9th January 1941 accompanying Squadron Leader Burbury who had been appointed technical representative of the Government of India to accompany the survey flight from Chungking via Chittagong to Calcutta which had been agreed upon by the Indian Government. We arrived at Chungking on 15th January late in the evening.

On the flight from Calcutta here we took occasion to fly from Lashio to Myitkyina which we circled twice and noted that work was proceeding on the new air field there, and then over the mountains to Kunming via Talifu and Yunnanyi. From this survey flight it was clear that it is quite feasible to operate air freight services from Myit-

kina

kina to any given point in Yunnan Province, say, Likiang, Talifu or Yunnanyi and it appeared from the air that caravan routes were also quite practicable. Of course the old caravan route from Bhamo to Paoshan via Tengyueh has been in operation for centuries.

3. Proposals I propose that we immediately inaugurate an air freight service between Myitkyina and a point in Yunnan Province to be selected and for which service suitable aircraft must be immediately made available; also that we immediately inaugurate caravan services from both Myitkina and Bhamo into China. The inauguration of the foregoing air and land transportation services will:

1. bring into use the northern branch of the Burma railways thereby avoiding passing over the 500 ft. high Gokteik gorge bridge on the Burma railway between Mandalay and Lashio which bridge is of course vulnerable to sabotage or aerial bombing.

2. relieve congestion on the Mandalay - Lashio section of the Burma railways, congestion at Lashio, and any congestion that may occur on the Yunnan-Burma highway.

3. obviate to some extent inconveniences that may be caused by Japanese bombing attacks on the Yunnan-Burma highway particularly on the Salween and Mekong river bridges.

4. Open land transport by porters and pack animals over the old trails from Bhamo and Myitkyina into China which has the distinct advantage of not consuming gasoline in transport.

5. divert some cargo via the Irrawady river to Bhamo and possibly to Myitkyina. Transport by river is, of course, much cheaper than railway transportation and cannot be so easily disrupted by aerial attack.

6. make possible the flying of urgently required and/or valuable cargo in one short hop (not over one hour and a half) between Myitkyina and Likiang, Talifu or Yunnanyi which route should be relatively safe from Japanese aerial attack.

I further propose that we immediately take steps to ensure that His Majesty's Government and the Government of India will grant us permission to fly military aircraft from assembly bases in India and Burma into China.

Second trip to India:

1. Procedure The survey flight from Chungking to Calcutta took-off from Chungking at 1.30 p.m. on 18th January, the party consisted of Squadron Leader Burbury, Major McHugh, Mr. Bond, Dr. Sellett, Pilot Sharp, Co-Pilot Higgs

and

112-G

and myself. We flew to Lashio on the regular route via Kunming and after spending a night at Lashio conducted a survey flight from Lashio via Chittagong to Calcutta. The flight from Lashio to Chittagong (370 miles) was uneventful, the Chin hills west of the Irrawaddy being crossed at an altitude of about 10,000 feet. A landing was effected at Chittagong where the air field is reasonably good in dry weather but I understand rather soft during the rainy season. Calcutta was reached after a flight of about 5 hours from Lashio. There is clearly no technical difficulty in conducting regular air services between Lashio and/or Myitkyina and Calcutta.

The following morning we flew to New Delhi, where conversations were conducted from 20th to 23rd January, chiefly between Mr. Bond and Dr. Sellett on behalf of C.N.A.C. and Captain Tymms, Director of Civil Aviation in India and Sir Andrew Clow, Member for communications, on behalf of the Indian Government concerning certain technical aspects of extending C.N.A.C.'s service to India. I confined my discussions to the general thesis of developing air and land communications between China and India with particular reference to air and land routes via Sadiya, Assam, and met with even greater sympathetic consideration than on my first trip.

The return flight took-off from New Delhi at 1.30 pm. on 23rd January and, after spending one night at Agra and one night at Calcutta, took-off from the latter place at 12.15 noon on 25th January. A very rapid flight was made to Hongkong which was reached in 10 hours and 50 minutes after leaving Calcutta, including the time consumed in stops at Lashio and Kunming. I stayed but two hours in Hongkong, leaving there at 3.45 a.m. on 26th January and arriving in Chungking at 9.15 a.m. the same day, just 19 hours after leaving Calcutta.

2. Proposals The only additional proposal that resulted from my second visit is that the Chinese Government take steps to survey the land route through Sikang and Thibet to the frontier near Sadiya, Assam, and also take steps to develop land transport routes between Talifu, Likiang, Ningyuan and Chengtu or some point in western Szechuen.

For ready reference I enclose a map of China with portions of India and Burma on which I have indicated the proposed land and air routes.

In conclusion, permit me to record my appreciation of the many courtesies and the helpful consideration shown me by His Excellency Sir Archibald Clark-Kerr, H.B.M.'s Ambassador to China and by the Civil and Military officers of the Indian Government at Calcutta and New Delhi.

Approximate Distances

by overland routes

..diya	- Chengtu	- 1000 miles
..yitkyina	- Talifu	- 240 "
..yitkyina	- Paoshan (Tungshang)	-140 miles
..hamo	- Paoshan "	-180 "
..alifu	- Likiang	- 100 miles
..ikiang	- Ningyuanfu	- 240 "

by air

Sadiya	- Likiang	- 280 miles
Myitkyina	- Likiang	- 210 "
Myitkyina	- Talifu	- 180 "
Myitkyina	- Yunnanyi	- 220 "
Chungking	- Likiang	- 400 "
Chungking	- Myitkyina	-610 "

Ningyuanfu

112-H

Ningyuanfu-Chengtu - 400 miles
Lashio -Kunming - 750 "
(the "Burma Road")

Chungking - Chittagong - 1080 miles
Chungking - Calcutta - 1350 "
Lashio - Chittagong- 370 miles

END

True copy
~~of signed orig.~~
[illegible]

February 26, 1941

Memorandum

When McReynolds comes in today, I want to have a memo to ask him about the story, namely, that Jim Wright of the Buffalo News, at the President's press conference yesterday, said that there are a number of men drawing large salaries from the British Purchasing Commission and, at the same time, are on the O.P.M. staff. This story ought to be run down, and I would like to ask McReynolds about it. (memo given to St. Stephens)

Also bring this story to the attention of Phillip Young and tell him to inform Purvis about it so that Purvis also can investigate the story. I think this ought to be looked into right away for the sake of the British and also to protect our own interest.
(Young informed.)

February 26, 1941

Ed Foley

Secretary Morgenthau

I don't see why we should write A. A. Berle a letter on behalf of the British in connection with the transport of their big bombers. It seems to me that the request should come from the British Embassy to the State Department and not from the Treasury. Please speak to me about this as soon as possible.

(See 9:30 meeting on 2/26/41. Foley told HM Jr he thought it would be better if the letter came from Br Emb)

7

February 26, 1941

Chick Schwarz

Secretary Morgenthau

RUSH

If the Dow-Jones ticker has not carried our announcement that our offering for refunding closes tonight, please ask them to carry a statement to this effect before the market opens this morning.

Schwarz reported at 9:30 meeting on 2/26/41 that the announcement had been carried on the ticker before the market opened.

See President's reply 3/17.

FEB 26 1941

MEMORANDUM

To: The President

From: Secretary Morgenthau

Subject: Suggestion of Library of Congress To Take Books as One of the Benefits Under H.R. 1776.

I think that Mr. MacLeish's suggestion is definitely worth going into and keeping in mind in connection with the trade or financial terms to be worked out under the Lend-Lease Bill.

H.M.Jr

OSC:djb
2-26-41

By Messenger 5^x5

OSC 5th Fl.
Extra copies to Thompson

117

THE WHITE HOUSE

WASHINGTON

Foley

February 21, 1941.

MEMORANDUM FOR
THE SECRETARY OF THE TREASURY

What do you think?

F. D. R.

13756

THIS NO. ________ MUST
APPEAR ON GENERAL COUNSEL
PINK SLIP SHOWING "ACTION
TAKEN"

Orig returned to White House

COPY

THE LIBRARIAN OF CONGRESS
Washington, D. C.

February 19, 1941

My dear Mr. President:

This is a brief letter to lay before you a matter which I should be glad to report on at length should you wish me to do so.

It has occured to us that under Section 3-B of H. R. 1776 one of the "benefits to the United States" to be received by way of repayment might be books. Book dealers in the United Kingdom have been urgently pressing upon American purchasers stocks of great value. Private collectors might also be glad to sell their holdings. The total might easily amount to a very considerable sum. These books, if purchased by the National Government for its library, could be received without injurious effect upon the American book trade and without undue sacrifice on the part of the British. British library holdings would not be affected and the stocks of American dealers would, by virtue of the transfer of British supplies to American libraries where they would no longer be offered for sale, increase in value. The project would thus seem to offer a means of repayment involving a very considerable sum of money without producing economic dislocation. Of the tremendous cultural benefits which would ensue to this country, it is, of course, not necessary to speak.

Should the suggestion seem to you worthy of consideration, I should be, of course, only too happy to prepare a statement, presenting the proposal in detail both as regards method of procedure and as regards disposition of the materials in this library and of duplicates through this library to other libraries. It would also be possible, I think, to estimate the extent to which the plan, if carried out, might enrich the resources of American scholarship by adding books and manuscripts not now available in this country.

Very respectfully,

ARCHIE MACLEISH (Signed)

Archibald MacLeish
The Librarian of Congress

The President
The White House

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, (Paris) Vichy

DATE: February 26, 1941, 5 p.m.

NO.: 238

FOR THE TREASURY DEPARTMENT FROM MATTHEWS.

According to Rueff and DeBletry (Rueff is now turning over the Under Governorship of the Bank of France to DeBletry), note circulation is approximately 220 billion francs. They do not think that the near future will bring any further substantial rise. Apparently the possibility is under consideration at the Bank that its weekly statements might be resumed, since German financial officials are already releasing to the German press much of the data normally contained in the statements. We are told by DeBletry that neither Schaeffer (German Commissioner at the Bank) nor his assistant interfere unduly with the operations of the Bank. The same is true of the relations of most other banks in the occupied territory with the German Bank Supervision Office, according to Chadenet of the Société Génerale.

It would appear that the principal problems of the Bank of France are with the Devisenschutz Kommando, the personnel of which is decidedly mediocre, and which handles matters on exchange control, safe deposit box examination, and so on. This agency gets its orders from Berlin,

apparently,

apparently, and is not under the jurisdiction of the German Commissioner at the Bank.

The payment of 400,000,000 francs a day from the French Government to the Germans has now accumulated to the considerable total of 45,000,000,000 francs at the Bank of France. As yet there have been no definite indications as to how or when the Germans propose to utilize this amount. Buying into French industry continues, but apparently it is at a fairly small rate. It has not yet been possible for the Germans to get a 49 percent interest in Librairie Hachette, the important publishing house.

Note: A friendly agreement exists between French publishers in the occupied territory and the Germany authorities whereunder the approval of the Germans is a prerequisite for the publishing of any history books or similar texts.

Incidentally, we were told by Chadenet that the "success" of the New York branch of the Société Génerale is pleasing to them. They had operated slightly in the black in that agency in the past year, instead of having a loss as they anticipated. He said that this was partly because the agency played a part in handling the liquidation of raw material purchases by the French in the United States prior to the armistice (those which were not included in the items transferred last June to the British Purchasing Commission).

In French financial fields, under present circumstances there is not much of importance now. There is continued strong demand for variable revenue securities, but as yet there does not appear to be any alarming fear that inflation will come. Likewise, there is naturally a rise in the value of real estate. With a few exceptions, industry continues to operate at a rate between 10 and 20 percent of what it operated normally. This is due, for the most part, to a lack of raw materials, at least as far as the unoccupied zone is concerned. Some discussion is going on of the possible flotation of a long-term loan for the Government, - which the banks might easily be persuaded to take up, in view of their excess reserves.

Bank of France advances to the Government have not, except for the daily advance of 400,000,000 francs for German account, undergone any increase.

The recent appointment of Bouthillier to assume the duties of coordinating and controlling the Secretariats of Industrial Production and Communications, in addition to those of Finance Minister, does not augur too well for the future. In my opinion he is decidedly unreliable and weak, and willing to the utmost to play the German game. It would hardly seem that he can be given the highest mark for consistency or for moral integrity when it is remembered, too, that he has been able to hold his job through such differing regimes as Reynaud's, Laval's, and now Darlan's.

END OF MESSAGE. LEAHY.

TO: Mrs. Klotz 122

For your files, in accordance with our conversation this morning.

G

7/27

From: MR. GRAVES

2d Revise

February 26, 1941

Rough Draft

Mr. John Smith
44 Kay Street
Newton, N. J.

Dear Mr. Smith:

Our country's huge national defense program is now under full headway. Millions of man-hours and millions of dollars are needed daily to produce the weapons that will keep America safe and strong. You can safeguard your own money and your own future, while helping the defense program, by buying United States Savings Bonds now.

I am still able to offer you these bonds at the low discount prices which were in effect when they were first issued in 1935. To date, more than five billion dollars worth of these bonds have been bought by more than two million American men and women who know values. They are the most widely held bonds in America.

You know values, and the interest rate paid on these bonds will be of great weight when you buy them for yourself. But you may be asked to advise others, who do not know the best ways to save and invest the larger incomes they can earn this year. Will you tell such people, please, that every purchase of a United States Savings Bond is a safeguard against higher costs of living?

Some of the people whom you advise may not be able to pay $18.75, at one time, for a bond that will be worth $25 if held for ten years. They can buy such a bond on the easy-payment plan by buying Postal Savings Stamps. These are on sale at post offices for 10 cents, 25 cents, 50 cents, and $1, and when the buyer has $18.75 on his stamp card, it can be exchanged for a $25 Savings Bond.

I enclose a booklet and two order forms. One is for you. Will you kindly hand the other, for me, to some friend who ought to use it for his own sake, but who may not be on my mailing list? In this way, you will help to double public knowledge of Savings Bonds. With sincere thanks in advance,

Bob Jackson

Cordially yours,

Henry Morgenthau, Jr.

Secretary of the Treasury.

[illegible] the Slant from [illegible]

[illegible]

[illegible]

Suggestion for a substitute letter from the Secretary, in place of the letter now sent with the Savings Bond booklets:

THE SECRETARY OF THE TREASURY
WASHINGTON

Our country has now embarked on a huge defense program, with the approval of a united people. Billions of dollars will be needed to pay for the weapons that should keep America safe and strong. To help in financing this colossal effort, and to enable every citizen to share in the task, the Government is calling upon all Americans to save and to lend their savings. I am writing to ask that you take your part in the greatest of all causes, the preservation of our freedom.

The purchase of United States Savings Bonds is a simple and direct method of helping in the work of national defense. Every bond that you buy will help to strengthen the safety of the country, and at the same time safeguard your own and your family's future. These Savings Bonds have been on sale since 1935 in denominations of $25, $50, $100, $500 and $1000. Almost a million and a half Americans have already discovered the investment value of these securities, which can be bought for $18.75 and redeemed for $25 after ten years. It is my hope that many millions more will invest their savings in these bonds in 1941.

Our national income is rising and employment is expanding. At such a time it is all the more desirable and necessary to save. The greater the income, the greater the spending, and with such spending there ever rides the increased cost of living. Every time an investor buys a Savings Bond, and holds that bond to ten-year maturity, he is not only building individual security, but just as surely, for his own benefit, he is putting the brakes on the high cost of living. The enclosed booklet and leaflet will give you the details of the Savings Bonds, and will tell you how you can pay for them easily by means of postal savings stamps in denominations as low as ten cents.

Letters that have poured in to the Treasury in recent months have convinced me that there is an overwhelming desire throughout the country to be of service. The American people have shown that they are willing and eager to help. Savings Bonds point the way.

Sincerely,

Secretary of the Treasury.

41-I (Final OK'd copy for Inserts)
February 10, 1941.

THE SECRETARY OF THE TREASURY
WASHINGTON

Freeman

~~Mr. F. H. Gibson,~~
~~122 W. 2nd St.~~
~~Maysville, Ky.~~

Mailing began February 13
Going at rate of 200,000 daily
accompanied by Booklet
order form

~~Dear Mr. Gibson:~~

The strength of any government's credit rests in its ability to borrow from its citizens through the sale of securities. The greater number owning government securities, the greater is the national interest in the affairs of the government and the more secure is its credit. In the belief and the spirit of our people lie the real defenses of America against the chaos of the world.

Never in our history has the unquestioned credit of our Government among our own people and other peoples been so vital. Every Government issue is eagerly received and many times oversubscribed. Especially gratifying has been the acceptance of United States Savings Bonds. These bonds were first offered in 1935. To date more than sixteen million separate bonds in denominations of $25, $50, $100, $500 and $1000 have been purchased. Already they have become the most widely held single security in America.

Prior to the present great war, the trend of national income was sharply upward, and has so continued. The greater the income, the greater the spending, and with such spending there ever rides the increased cost of living. Every time an investor buys a Savings Bond, and holds that bond to ten-year maturity, he is not only building individual security, but just as surely, for his own benefit, he is putting the brakes on the high cost of living.

A number of companies are cooperating with their employees through salary allotments for the regular purchase of Savings Bonds. Many thousands of individuals on their own behalf have joined the Regular Purchase Plan offered by the Division of Savings Bonds and are buying these securities each month. I bespeak your cooperation in taking this message to your associates and any who may be under your direct supervision.

Sincerely,

H Morgenthau Jr.

Secretary of the Treasury

MEMORANDUM

February 26, 1941.

TO: Secretary Morgenthau

FROM: Mr. Sullivan

SUBJECT: Closing agreements with respect to proposed sale of copper to Metals Reserve Company by Mines Products Corporation.

The Mines Products Corporation and Braden Copper Company, wholly-owned domestic subsidiaries of the Kennecott Copper Company, have requested a ruling and closing agreement under the provisions of section 3760 of the Internal Revenue Code in the following matter:

The Mines Products Corporation has in the past purchased copper ore from the Braden Copper Company in Chile and has sold that ore in foreign countries, never having previously sold in the United States ore purchased from the Braden Copper Company. The contract under which the Mines Products Corporation acquires the commodity from the Braden Copper Company permits the Mines Products Corporation to realize only an established profit on the resale of that commodity to other parties. The Mines Products Corporation has a certain amount of copper ore in the United States which has been treated here and which, it was anticipated, would be sold abroad. The Metals Reserve Company has requested the Mines Products Corporation to sell this commodity to them. The Mines Products Corporation is willing to sell this commodity to the Metals Reserve Company provided it is definitely established before the sale, for income tax purposes, that the Mines Products Corporation will be recognized as the owner and vendor of the commodity, and that the gain realized upon the sale will be considered as have all sales in the past to foreign countries; that is, sales by the Mines Products Corporation and not the Braden Copper Company, with the exception, of course, that the gain from the sale by the Mines Products Corporation will be recognized as having been realized with the United States.

The Bureau has in the past, for income tax purposes, recognized the separate entity of the Mines Products Corporation and the validity of the sales between Braden Copper Company and that corporation, and there appears to be no reasonable basis for holding otherwise with respect to the sale now proposed in the United States to an agency of the United States Government at the request of the Government. The Bureau, therefore, has agreed, subject to your approval, to execute a closing agreement under section 3760 of the Internal Revenue Code, recognizing the Mines Products Corporation as the owner and vendor of the copper.

JLS

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 26, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£45,000
Purchased from commercial concerns	£18,000

Open market sterling was unchanged during the day at 4.03-1/2. Transactions of the reporting banks were as follows:

Sold to commercial concerns	£ 2,000
Purchased from commercial concerns	-0-

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

Canadian dollar	14-3/4% discount
Swiss franc (commercial)	.2323
Swedish krona	.2385-1/2
Reichsmark	.4005
Lira	.0505
Argentine peso (free)	.2365
Brazilian milreis (free)	.0505
Mexican peso	.2066
Cuban peso	6-31/32% discount

In Shanghai the U. S. equivalent of the yuan was off 1/32¢ at 5-17/32¢. Sterling was off 1¢ at 3.92-1/2¢. In Hong Kong both the H. K. dollar and sterling were again unchanged in terms of United States currency at 24-7/16¢ and 3.91 respectively.

There were no gold transactions consummated by us today.

The Federal Reserve Bank of New York reported that the Yokohama Specie Bank, probably Kobe, shipped gold valued at $3,049,000 to the Yokohama Specie Bank, San Francisco. The gold will be sold to the U. S. Mint in that city.

The Federal Reserve Bank of New York also reported that $5,600,000 in gold shipped from Valdivostok on the S. S. Tibbis arrived in San Francisco today. It is not known at the present time who shipped this gold or to whom it is consigned. This shipment is in addition to the one for a similar amount mentioned in the report of February 20, which arrived in San Francisco yesterday on the S. S. Transbalt.

The London price for spot silver was unchanged at 23-7/16d and for forward it was off 1/16d at 23-5/16d. The U. S. equivalents of these prices are 42.56¢ and 42.33¢.

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

We purchased 100,000 ounces of silver under the Silver Purchase Act. All of this silver consisted of new production from foreign countries, for forward delivery.

H.M.Jr.

CONFIDENTIAL

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE February 26, 1941

TO Secretary Morgenthau

FROM Mr. White

There is attached a list of memoranda and reports prepared in the Division of Monetary Research during October, November, and December, 1940.

Memoranda Prepared in the Division of Monetary Research during October, November and December, 1940.

Agenda for discussion on the question of extending foreign exchange controls to additional areas.

Summary of Nicholson's Reports received on Sept. 26, 1940.

Cuba's Current Economic Situation.

Comments on State Department memorandum on the German Petroleum Situation.

Speech prepared for former Senator A. Lonergan re finances of nation and gold.

Shipments of gasoline and scrap iron and steel to Japan.

Conversations regarding the Export-Import Bank loan to Argentina.

Report on octane rating of automobile gas and possibilities of arising that rating.

The food situation in Continental Europe.

Proposed French plan to obtain U. S. petroleum.

Foreign exchange assets and needs of Great Britain.

Proposed assistance to Argentina.

The Argentine Situation - Summarized.

Some of the problems calling for action or decision by the Secretary of the Treasury in the near future.

Conversations with British Trade Mission.

Digest of Johnson's Memorandum of October 11 on the British financial position after one year of war.

Recent Social Changes in England.

Information with respect to British sales of securities.

U. S. Exchange Control.

Memo on Inter-Departmental Committee on Prices.

Draft of an article on Budgetary Policy.

Comments on Bank Investment Plan of Mr. John Evans.

Re-examination of our Program of Purchases of Foreign Silver.

Memo re proposed radio speech by the Secretary.

Present status of Chilean negotiations.

British Empire direct investments in the United States. (Consisting of detailed studies of the most important companies under British control.)

British investments outside of the United States. (Consisting of detailed studies of British investments in Canada, Australia, New Zealand, India, British Africa, Argentina, Brazil, Chile, Uruguay, Peru, Cuba, Venezuela, and China.)

Importation of Etchings at less than fair value.

Request for information on Rayon Tissues.

Examination of material for Annual Report contributed by Bureau of the Mint.

Examination of Customs report and tables prepared for Annual Report.

United Kingdom Purchases of American Securities in July.

The Keynes Plan.

Proposal for Evaluation of British Investments in the U. S.

Foreign Exchange Assets that can be made quickly available to the United Kingdom for dollar expenditures.

Canadian Foreign Exchange Control.

Report on the Chinese Situation.

Digest of speech by Col. Maxwell on export control.

Answers to questions to Mr. Bell from the Federal Reserve Board.

Defense Expenditures and Inflation. (Draft)

Material on Fiscal Policy, for luncheon November 1.

Should our Purchases of Foreign Silver be continued under present conditions at the present price?

Greenland Exchange.

The Economic Position of Finland.

Inflation in England.

Status of American Assets in Germany, Italy, and Japan.

Bonds, Notes, and their effect on Reserve Position of the Banks.

Extension of freezing control to all foreign countries.

The effect of silver debasement in India.

The Present Silver Situation.

Notes on Recent Trade of the United States with Mexico.

The Domestic Silver Buying Program.

World Gold Production.

Australia: Information on war expenditures and taxes.

Selected Bibliography of Books and Articles on the Monetary Role of Gold, Jan. 1935 to Oct. 1940.

The proposed 2½ Cent Piece.

Issues Raised by Yokohama Specie Bank's Concealment of Figures.

State Department letter asking how they felt about freezing Hungary.

Partial list of American Corporations with German Interests.

Switzerland's economic independence vanishing.

Report of Conference of Mr. D'Arcy Cooper, of the British Trade Commission, Nov. 1, 1940.

Rockefeller Group's Dealings with the British.

Information desired by Foreign Funds Committee on Proposed Uruguayan railway survey.

Recommendations on Foreign Funds Statistics.

American assets in Germany, Italy and Japan.

Treatment of American property interests by Germany, Japan, Canada and Italy.

Lessons from Canadian Exchange Control.

Dollar Expenditures and Receipts of Sterling Area from Dec. 1, 1940 to Sept. 1, 1941.

Memoranda re Foreign Funds Control:
Possible Evasion through French American Banking Corp.
French American Banking Corporation.

Statement regarding Foreign Funds Control for Secretary's Annual Report.

Study of the Cuban Monetary System.

Proposal to tax increases in inventories.

Comment on Peterson's "A Means of Financing the Defense Program".

Comment on Dr. Pinedo's Plan.

Comment on Governor Eccles' speech.

Personal Remittances to Germany, Italy and Japan.

Adjustment of figures on German assets.

Translation of article "The Ultimate Aim of Fiscal Policy".

Why does Germany repatriate dollar claims?

Translation of Circular No. 104 - Special Arrangements for Immigrants.

Mr. Tirana's memorandum on Economic Organization of Nazi Germany.

Request for the release of blocked funds for the French West Indies.

Necessary Imports of the French West Indies.

Foreign Trade Needs of a German-dominated Europe.

Bill relating to Foreign Accounts in Federal Reserve banks and insured banks.

Possible financial manipulations by German agents on the New York stock market.

Statistical investigations relating to blocked funds.

The financing of French Rearmament and War Expenditures.

Swiss Foreign Trade.

Employment since 1933.

Release of blocked funds to pay the expenses of French consular and diplomatic officials in Latin America.

The Value to the United States of Sovereignty over British Possessions in the Americas.

Increased Italian grain prices.

Transfers of French blocked funds to Argentina.

The Financing of British Purchases in the United States.

The Price Stabilization Division's report on the Capital Issues Committee of 1918.

Statements made by Secretary Morgenthau relating to the use to be made of the Stabilization Fund.

German Exchange Control and American Interests.

German Financial Policies Injurious to American Interests.

Italian treatment of American property interests.

France - Spain; food and health.

The proposed loan to Spain.

The organization of studies with regard to continental Europe.

Review of "Italian Agriculture under Fascism and War", by N. W. Hazen.

Repatriation of German Dollar Bonds.

Conversation with Mr. Hickey, of Dept. of Justice, on transactions in German reimmigration marks.

British-owned Argentine Utilities.

Preliminary list of U.K. investments in Argentine land, pastoral, meat and financial trust companies.

Probable effect on the value of British direct investments in the United States of severance of U.K. affiliations.

U. K. direct investments in U. S. Insurance Companies.

Major Gold Mining Companies of South Africa.

British Ownership of African gold mines in relation to American monetary policy.

The Burma Route in the Transportation of Supplies to Free China.

British Shipping Situation.

Activities of H. A. Kollmar, and comments on the Kollmar memorandum.

American Corporations with German Interests.

Importation of Securities from German-Occupied Countries.

How Japan is Financing the War.

Preliminary Memorandum on Japanese Foreign Exchange Resources.

List of German firms operating in Switzerland.

List of Possible Activities in Field of Investigation of Subversive Activity.

Information on Shipping from Customs.

Background of Policy in Japan.

The problem of United States' securities held by nationals of the occupied countries.

Military Situation, November 27.

Meeting of sub-group on Japan, Nov. 26.

Adjustment of figures of British Investments in the United States.

Work being done on valuation of British investments.

Japanese Exchange Control and American Interests.

Description of the British lists of securities given to us.

Summary of Nicholson's despatches, October 23-30.

Cooperation of the Bank of America with the Japanese.

Canadian direct investments in U.S. insurance companies.

British direct investments in U.S. insurance companies.

Japanese direct investments in U.S. insurance companies.

Meeting of the Sub-Group on Japan, Dec. 20.

Chart on Import Tonnage Landed in England.

Comments on Lord Lothian's memorandum regarding the British Shipping Situation.

Current U. S. Holdings of German Dollar Bonds.

New Registration of Private Foreign Debts ordered in Germany.

Dr. Dickens' methods of estimating repatriation.

S.E.C. Study of Conversion 3s, 1946.

Norwegian Kroner Bonds held in the U. S.

Persons and firms active in the repatriation of German dollar bonds.

Possible financial manipulation by German agents on the New York stock market.

Memoranda covering the assets of 17 Countries in the U.S.

Operations of the Export-Import Bank during September.

European investments in the U.S., end of 1939.

National Income of the U.S. and other leading countries compared.

United States trade with the British Empire during the first year of war.

The functions and responsibilities of the Treasury with respect to the Export-Import Bank.

Official Canadian Optimism with respect to the Wheat Problem.

Canadian prohibition (or limitation) of imports from non-sterling countries.

Assets that Great Britain could muster as collateral against U.S. Government.

Conference on setting up of license system of exports and imports, Nov. 29.

Canadian Balance of International Payments on Current Accounts.

Canadian Gold and Dollar Exchange Assets, Nov. 1940.

Central Bank of the Argentine Republic.

Comment on "A Pan-American Trade Bloc" by Arthur R. Upgren.

Report on American Corporations in which foreigners have a controlling or substantial interest.

Information pertinent to seizure of Greece by Italy.

The need for a Treasury publication on gold.

Board of Trade for German-American Commerce, Inc.

Information regarding the Forestal Land, Tiber and Railways Co.

Inflation Pressure and the revaluation of Gold.

Meeting on Proposed Argentine Industrial Survey, Oct. 2.

Proposed Coffee Loan.

Mexican Balance of Payments.

Outline for Study of Haiti's Fiscal System.

Brazilian Study.

Memo to Subcommittee on Possibility of Economic Assistance to the Argentine Government.

Present Status of Chilean Negotiations.

Summary of National Foreign Trade Council Bulletin on Financial Aid to Argentina.

Digest of memorandum submitted by the Argentine mission regarding developmental projects which would reduce import requirements.

Export Credit insurance.

Import tax on copper when imported by the Metal Reserves Corp.

Latin American negotiations.

Summary of memorandum prepared by Mr. Pierson on balance sheet of the Bank of Paraguay.

Should Argentina peg the peso to the dollar?

Latin American Sugar Trade.

Economic cooperation between River Plate Countries.

Loan to Uruguay.

Effect on U.S.-Latin American relations of extending foreign funds control to Axis powers.

Exchange control and Latin American Relations.

German and Italian transactions through New York accounts of Latin America.

Peru's current trade and exchange position.

Exchange article in the proposed Argentine trade agreement.

British Purchases of Steel.

Imports of Manganese Ore from the U.S.S.R.

Export Control of Aviation Gasoline.

Exchange Control Provisions for Trade Agreements.

Rumors of improved United States-Soviet Relations.

U.S. Government Securities held by Commonwealth and Southern System, Dec. 31, 1939.

Prospective Copper Shortage.

Conference with Texas Oil Company officials.

Export Control - Shipments to Japan.

State Department comments on German Petroleum situation.

Meeting with Mr. Pinckard (California-Texas Oil Co.

Memorandum re: Oil.

Puerto Rico Sugar Proposal.

Export Control - Petroleum Products.

U. S. Shipments to Japan.

Marris Memorandum on German Aviation Gasoline and Oil.

Wholesale Prices in U.S., U.K., France and Japan, 1928-1940.

Wholesale Prices in U.K., France, Germany, and U.S., 1914-1924.

U.S. Money in Circulation, Demand Deposits and Excess Reserves, 1928-1940.

Capital Movements between the United States and Switzerland.

<u>Dumping cases completed:</u>

Safety pins from Czechoslovakia and England.

Ladies' Leather Handbags from Italy.

Drawing Instruments from France.

Fishing line dressing from England.

Diesel engines and parts from England.

Metal coated paper.

Surface coated paper.

Religious articles and religious cards from Germany and Italy.

Rubber tires and tubes from Canada.

Fresh tomatoes and cucumbers from Cuba.

Lastex yarn from Canada.

Cattle hides, calfskins, and sole leather from Italy.

Planimeters from Germany.

Earthen floor and wall tile from France and England.

Tennis racket frames from Canada and Australia.

Chocolate candy, licorice candy and caramels from Switzerland, Italy and England.

Tobacco pipes made from brier-wood or root from England.

Brass cymbals from Italy.

Imitation human eyes from Germany.

Rubber cattle boots from England.

Blown glass figures from France.

Tall oil from Sweden.

Cotton ladder tape from England.

Rayon woven fabrics from Italy.

Shoe fiber board from Canada.

Lapping fabric from United Kingdom.

Current reports: See previous reports.

Correspondence:

242 Letters replied to.

RESTRICTED

G-2/2657-220
No. 325

M.I.D., W.D.
February 26, 1941
12:00 M.

SITUATION REPORT

I. Western Theater of War.

Air: German. Light scattered attacks by day and night.

British. Normal offensive operations directed against the Invasion Ports and the Ruhr. A daylight raid was made yesterday against Flushing, Holland.

II. Greek Theater of War.

Ground: No change.

Air: British and Greek attacks resumed in the combat zone.

III. Mediterranean and African Theaters of War.

Ground: Libya. German armored units, strength undetermined, are reported to be in contact with British forces southeast of Agedabia.

Italian Somaliland. The port of Brava which is 160 miles north of Kismayu (Chisimaio) was captured by the British on February 24. It is reported in the press that Mogadiscio, the capital and chief port, was occupied on the evening of February 25.

Abyssinia (Ethiopia). Moyale on the Kenya-Ethiopia frontier has been captured by the British.

Air: Scattered operations by the R.A.F. over Ethiopia. Some activity against shipping by Axis bombers in the Mediterranean.

Otherwise no operations reported.

Note: 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.

RESTRICTED

Paraphrase of Code Radiogram
Received at the War Department
at 13:13, February 26, 1941.

London, filed 13:10, February 26, 1941.

1. On Tuesday, February 25, planes of the British Coastal Command attacked two German "mosquito fleet" vessels and two convoys of German merchant vessels off the coasts of France and Norway. The British bombers made no direct hits but four German fighter planes were shot down by British fighters on escort duty with the bombers. In addition, shipyards, airfields and oil storage facilities at Flushing, Helder and Borkum (?) were attacked by a large number of British medium bombers. Just before dusk a formation of British Spitfire fighters carried out an unopposed offensive sweep over the area surrounding Calais. During the preceding night a lone British bomber attacked the Boulogne harbor facilities with unobserved results and a total of 70 British heavy and medium bombers of both the Coastal and the Bomber Commands carried out raids on harbor facilities and the German cruiser of the ADMIRAL HIPPER class at the harbor of Brest. It is thought that this cruiser at Brest is the one which on February 12 attacked the British convoy 800 miles west of the Azores. German searchlights and heavy antiaircraft fire made the observation of results impossible although the targets were easily seen. During these operations the British lost one heavy bomber.

2. During the night of February 25-26 three German planes bombed the Southampton-Portsmouth area, ten German bombers were active

over the area between Flamborough Head and the Humber River and 30 other German bombers were plotted at widely scattered points in Lincolnshire, Norfolk and Suffolk. British night fighters destroyed one of the German bombers. A number of civilians were killed and private property suffered from fire damage but there was no damage to manufacturing facilities or military installations. During the preceding day the six German planes that were plotted over England caused no damage. However, the Germans maintained patrols of considerable size over the northwest French coast and over the Dover Straits.

3. A large number of Malta-based British bombers were engaged in an attack made on Tripoli, Libya. Docks, the electric plant and various vessels in port were hit directly. In other Middle Eastern theaters British ground troops were supported by planes of the Royal Air Force from Aden, Kenya and the Sudan. During operations in all these theaters the British lost one fighter plane and accounted for the destruction of nine Axis planes. In the Italian Somaliland sector the British have captured the coastal city of Brava and are now nearing Vittorio and Merka.

4. British shortages of antiaircraft guns and ammunition and of fighter-type planes at Benghazi coupled with the activities of the Axis Air Forces in this area have rendered the shipping situation there very difficult. However, antiaircraft fire from naval vessels has accounted for the destruction of six Axis planes.

5. The British War Office believes that the Far Eastern situation is now in a stage which can be described as politico-diplomatic.

the British have no information on the Far Eastern situation which has not been covered in the daily newspapers.

6. It is stated that the 5,[illegible]-ton British auxiliary cruiser [illegible] (converted merchant ship - G-2) was sunk on February [illegible]. On the same day the 7,[illegible]-ton British steamer [illegible] sank after having been bombed off the Libyan coast at Derna.

7. On February [illegible] a west-bound merchant convoy was attacked in the Northwest Approaches and three cargo boats were hit with torpedoes. It is thought that these boats might be salvaged.

[illegible]

Distribution:
- Secretary of War
- State Department
- Secretary of Treasury
- Asst. Secretary of War
- Chief of Staff
- War Plans Division
- Office of Naval Intelligence
- Air Corps
- G-3

CONFIDENTIAL

Paraphrase of Code Radiogram
Received at the War Department
at 8:37, February 27, 1941.

London, filed 13:05, February 27, 1941.

1. On Wednesday, February 26, British fighter planes carried out two offensive sweeps over the Calais area. Earlier in the day a small number of British medium bombers with a fighter plane escort carried out a raid against the harbor of this city and scored hits on harbor facilities. One British fighter plane was lost and two German fighters were shot down. During the preceding night airfields in northern France were the targets of 27 British medium bombers. In addition, the concentration of industrial plants at Dusseldorf was bombed by 80 British heavy bombers. While observation of results was difficult it is known that some fires were started. A number of fires were started at Boulogne, Le Havre, Dunkirk and Calais as a result of attacks by planes of both the Coastal and Bomber Commands against merchant shipping and harbor facilities at these points. Lone British planes raided industrial installations in the southwestern section of the Ruhr and in Duisburg and Essen. The attacks in the Ruhr area resulted in several explosions. During the above operations the British lost one bomber.

2. During the night of February 26-27 London was raided twice by small formations of German planes. There were some civilian casualties and some damage to private property. In addition, heavy raids of short duration were carried out in widely scattered areas of South Wales, southern England and Norfolk and Suffolk. No British planes were lost

CONFIDENTIAL

during these operations and British night fighter planes damaged two of the German attackers. During the preceding day the German Air Force engaged in a number of offensive fighter plane sweeps over Norfolk and Suffolk and maintained patrols over the Straits of Dover. One German plane was shot down during the day.

3. Royal Air Force activities in the Middle Eastern theaters were as follows: an Italian motor transport and troop concentrations near Tepeleni, Albania, was attacked by British bombers from Greece; east of Addis Ababa a railroad bridge was bombed and the Eritrean city of Assab was attacked by Aden-based British planes; fires were started and direct hits were made on harbor installations during an attack on Tripoli, Libya, by British planes based at Benina.

4. A report reached the War Office on February 26 indicating that hostile armored fighting vehicles which could not be identified were observed by air reconnaissance in the area west of Tripoli. British fliers on reconnaissance missions over Tripoli during that day observed a convoy of 27 Italian cargo boats entering the harbor with an escort of two Italian cruisers. These two reports indicate that German land forces may have been landed in Libya.

5. Kastel Orizo, one of the Dodecanese Islands in the Eastern Mediterranean, has been occupied by the British. The British warship which took part in the occupation of this island has been forced to withdraw by the activities of the Axis Air Forces.

6. During daylight hours of February 26 the airfield at Luqa, Malta, was the target of a heavy attack by German Junkers bombers with

an escort made up of Italian and German fighter planes. The airfield will be out of service for a number of days because of the severe damage to the runways. In addition, a considerable supply of gasoline was destroyed and hangars and barracks were severely damaged. There were four casualties among the military personnel at the airfield. There are no reports of the losses of British planes but German losses were seven confirmed and 11 probable. Antiaircraft fire was responsible for five of the confirmed and four of the probable German losses. British fighter planes were responsible for the other German aircraft losses.

7. Axis planes bombed and sank the 1,375 ton British destroyer DAINTY off the Libyan coast at Tobruk. A German "mosquito fleet" boat torpedoed and sank a British cargo vessel and the 900-ton naval escort EXMOOR off the British coast at Norfolk.

8. As a result of German raids during the night of February 25-26 the water and gas distributing systems at Norwich were severely damaged and fires caused extensive damage at Hull.

9. Merchant shipping off the south coast of Ireland is being attacked during daylight hours by the German air unit KG-27 which is made up of Heinkel 111 bombers. Previously this unit was used only in night bombing activities.

SCANLON

Distribution:
- Secretary of War
- State Department
- Secretary of Treasury
- Asst. Secretary of War
- Chief of Staff
- War Plans Division
- Office of Naval Intelligence
- Air Corps
- G-3

RESTRICTED

G-2/2657-220
No. 326

M.I.D., W.D.
February 27, 1941
12:00 M.

SITUATION REPORT

I. Western Theatre of War.

Air: German. Offensive operations over the British Isles were mostly by night. Raids were scattered but general intensity was fairly high.

British. Normal night offensive operations. The Cologne area was attacked heavily. Boulogne and airdromes in occupied France were also raided.

II. Greek Theatre of War.

Ground: No change.

Air: British and Greek aviation continued to bomb in the combat zone.

III. Mediterranean and African Theatres of War.

Ground: Italian Dodecanese Islands. British forces on February 25 occupied Castellorizzo. Otherwise no change.

Air-Naval: The British Monitor Terror sank after having been bombed by Axis bombers off the Libyan coast at Derna.

Air: Axis. Malta was heavily bombed. Offensive along the Libyan coast continues.

R.A.F. No reports of activity.

Note: 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.

RESTRICTED

February 27, 1941
10:55 a.m.

H.M.Jr: Hello.

Operator: Mr. Rouse.

Robert Rouse: Good morning, sir.

H.M.Jr: Hello, Rouse. Anything new today?

R: The market is appreciating your effort. There is a good solid bid now of 101-5/32s for the new bonds and the tax exempt bonds are still in demand but there is trading out of the tax exempts into the new bonds. The savings banks have been most helpful, not only during the subscription but again today. Apparently the savings bank trust companies sent out a letter to their members recommending the - saying that the spread was very satisfactory and recommending the switch out of tax exempts into the new taxables. Now that has been a very helpful influence yesterday and today. City Bank was a moderate buyer yesterday, I am told.

H.M.Jr: Would it be any use for you to send for Ralph Hendershot of the World-Telegram and talk to him? Did you see what he wrote last night?

R: No, I didn't.

H.M.Jr: "Experts insist Morgenthau pulled a boner. Wall Street wondering why the Treasury has lost its financial cunning or perhaps its courage."

R: Well, I'll get hold of the clipping and talk to Allan about it. I've just been in to the officers council meeting and one of the comments I made in respect to the financing was that the general tone of the press had been very satisfactory. They had told the truth and yet they had put the right and helpful interpretation on it.

H.M.Jr: All except this fellow Hendershot.

R: Well, I'll get hold of it and then talk to him and then talk with Allan and see if there is anything we can do with him.

H.M.Jr: Will you?

R: Yeah.

H.M.Jr: He may be just impossible but I'd really like you to take a try at it.

R: All right. We'll see what we can do.

H.M.Jr: He is the only fellow who had written that way.

R: Well, I think the rest are very helpful. For example, that editorial in the Times yesterday. Elliott Bell came in and talked with Allan and he gave him a pretty good story on it.

H.M.Jr: It's all been good. Tell Allan I'm very much pleased with the press with the exception of this one thing. There always has to be an exception, and if he could talk to Hendershot I'd appreciate it.

R: Oh, incidentally, our figures up to now are 780 - nearly 789 million, which is all we expected to get here.

H.M.Jr: Oh, really.

R: We figured about 800 million for this District.

H.M.Jr: Now what I'd like to have Tuesday morning .....

R: Tuesday?

H.M.Jr: ..... yeah, Tuesday, is a kind of a letter - giving you a breathing spell - of what did happen yesterday. You see?

R: Yeah.

H.M.Jr: A kind of summary.

R: All right, sir.

H.M.Jr: Could I have that, say, Tuesday?

R: I'll definitely try to get it for you.

H.M.Jr: Thank you.

R: Right, sir.

February 27, 1941
11:34 a.m.

H.M.Jr: Hello.

Operator: Walter Stewart.

Walter Stewart: Hello, Henry.

H.M.Jr: How are you?

S: Pretty good, sir.

H.M.Jr: Can you hear me?

S: Yes, sir. Can you hear me?

H.M.Jr: Fairly well. Walter, this English financial situation needs a little studying and a little help. I wondered if you could be down here Monday and Tuesday. They've sort of reached a crisis again.

S: Well, now I'll tell you, Henry. Can you hear me?

H.M.Jr: I hear you.

S: I'm just back and I've got a Monday date that I could break; I've got a Tuesday one that I couldn't very well break. Would Monday do?

H.M.Jr: Well, it would be helpful, yes.

S: I'll come down for Monday and I'll do what I can for Tuesday, but I've got a Tuesday date that would be pretty hard to fix.

H.M.Jr: Well, see what you can do. What time is your Tuesday date?

S: The Tuesday date is morning and afternoon, including a lunch, which I - no, I don't think I can change that. I'll be there Monday morning early.

H.M.Jr: Well, supposing you come Monday and we'll give you all the story and I'll save time and .....

S: I'll stay late on Monday.

H.M.Jr: It's coming to a head - you know.

S: Right. I'll be there Monday morning and stay as long on Monday as you want me to.

H.M.Jr: Thank you.

S: All right, Henry..

February 27, 1941
4:08 p.m.

H.M.Jr: Hello.

Harry L. Hopkins: Henry, this is Harry.

H.M.Jr: Hello, Harry. How are you?

H: Well, I'm here with Young and Colonel Burns and I want to ask you something.

H.M.Jr: Go ahead.

H: At that meeting tomorrow afternoon, do you understand that those dollar figures are to be confined to the stuff the Army and Navy - their own stuff on the one hand, plus the British stuff on the other that would go through their hands.

H.M.Jr: That's right.

H: Then there is this third list, you see, which is general, you know.

H.M.Jr: Which list, Harry?

H: Well, it might include anything from oil to ships. Now that list is not to be put on the hopper tomorrow, is it, because there has been no real discussion other than ships about what is to be included in that and they've got everything but the kitchen stove in it. I'd like to get - what's your understanding on what should be there tomorrow.

H.M.Jr: Well, I think that - it wasn't very clear - but I think that if you have the picture of what the Army needs, what the Navy needs and put that alongside and then - I don't see when you get, say, like strategic materials .....

H: Well, that's what is in the third list. There's machine tools, there's aluminum, there's canned beef .....

H.M.Jr: Well, an agricultural product, that would all have to go, I think, into the lump sum which is going directly to the President.

H: Well, that would be part of the billion we talked about.

H.M.Jr: That's right.

H; And tomorrow we'd get into nothing more than a general discussion about that, would we.

H.M.Jr: Well, I should think so. I don't see how anybody could expect you to have the other thing ready.

H: I'm going to get a list, but I know, from the talk that I just had with Purvis, that it doesn't mean anything and Purvis is not submitting it on the basis that this is something the British are asking for. He's merely submitting all the stuff that he's got from the Ministrys in England, and there has been no consideration as to whether those are the things - there has been much more consideration given to the Army and Navy stuff and ships, and nothing else has been given real consideration.

H.M.Jr: That's right. I think if you have the others and had it ready you'd be doing a swell job.

H: Now, Henry, here's the difficulty about the others. Have you got a minute?

H.M.Jr: I've got all the time you need.

H: All right. Here's the difficulty about the others.

H.M.Jr: I was up with Speaker Rayburn; that's where I was.

H: Yeah. I hope you're sober.

H.M.Jr: Who?

H: You.

H.M.Jr: Me?

H: You've been up there on the Hill you've probably been drinking?

H.M.Jr: With Sam?

H: Yeah.

H.M.Jr: Why I even had to give him a cigarette; I didn't get anything.

H: Did he have a gal up there?

H.M.Jr: Not while I was there.

H: Huh.

H.M.Jr: Maybe he treats you differently.

H: No, he wouldn't. His tastes and mine are different.

H.M.Jr: I see.

H: Henry, have you seen the list, the dollar figure, that the Army and Navy want?

H.M.Jr: Have I seen that?

H: Yeah.

H.M.Jr: No, I have not.

H: Who has got that?

H.M.Jr: Well, nobody has it ......

H: I mean, the Army and Navy for themselves not counting the British.

H.M.Jr: You mean U.S. Army, U.S. Navy?

H: Yes.

H.M.Jr: I've never seen it.

H: Well, now that list is to be put on the hopper tomorrow on a dollar figure, isn't it?

H.M.Jr: I would hold them to it, yes.

H: And then the Navy, plus the British.

H.M.Jr: That's right.

H: And they are to be comparable figures. Here's the point .....

H.M.Jr: So they can look along the same line and see U.S. Army, U.S. Navy plus the British.

H: Here's the point: we won't have a comparable figure if the Army figure includes the figure of everything the Army wants and then the Navy everything the Navy wants, and then if the Army and Navy take the British figure and cut that down from what they want to what they think the British can get, you won't have a comparable figure, will you.

H.M.Jr: No, you will not.

H: Now, I'm just wondering whether what we don't want tomorrow is the figure of what the British say they want even though we know they can't get it all.

H.M.Jr: Well, if you're asking me, I would put down the figure that came over here from the British Government the top of the whole figure and I wouldn't cut it down and then find out how much afterwards O.P.M. says they can - well, they say we can only get 50 or 75%, but I think we ought to give them the whole figure.

H: You mean tomorrow?

H.M.Jr: Yes.

H: Yeah, so do I.

H.M.Jr: And not kid ourselves.

H: All right, fine.

H.M.Jr: Now is that everything that you want?

H: Yeah, that's fine, Henry.

H.M.Jr: How are you getting along with Phil?

H: Grand.
H.M.Jr: You like him?
H: Yes, sir.
H.M.Jr: Good.
H: All right.

February 27, 1941
4:28 p.m.

H.M.Jr: Hello.

Operator: Secretary Jones.

H.M.Jr: Hello, Jesse.

Jesse Jones: Yeah.

H.M.Jr: What happened on the State of Arkansas?

J: Didn't you see my release?

H.M.Jr: I've been on the Hill so I didn't see it.

J: We bought them all, Henry.

H.M.Jr: You did, and what did you finally pay?

J: I paid an average of 3.20. They wanted 3.47 or .49 or .50 and they were - I'll see if this hasn't gone to you. I made a pretty complete release because .....

H.M.Jr: Well, I'll get it. That's enough.

J: Yeah.

H.M.Jr: I just came back, I've been up there for a couple of hours and I wanted .....

J: Just a second. (Talks aside - Did you send this to Secretary Morgenthau?) It ought to be over there now, Henry.

H.M.Jr: Thank you, Jesse. Hope you make a little money on it.

J: Well, anyway we're not going to lose any and I think you'll like the way we handled it.

H.M.Jr: I'm sure I will.

J: O.K., thanks.

IMMEDIATE RELEASE

FLA-83

FEDERAL LOAN AGENCY

WASHINGTON

February 27, 1941

STATEMENT BY JESSE JONES, FEDERAL LOAN ADMINISTRATOR

The RFC has today bought $136,330,557.29 State of Arkansas tax exempt highway refunding bonds. $118,330,557.29 of the issue will bear interest at the rate of 3¼% and $18,000,000 at 3%. The bonds that are to be refunded bear an average rate of approximately 4.4%. This refunding will save the State of Arkansas approximately $28,000,000 over the life of the bonds.

Governor Adkins and his associates had expected to make this refunding at a 3% rate, but it could not be accomplished at this particular time, even with cooperation between the bankers syndicate and the RFC.

RFC officials have been conferring with the underwriting syndicate for several weeks. The syndicate expected to bid for approximately $90,000,000 of the issue, which is the amount of bonds necessary to be called for payment on April 1st. The RFC had been requested to buy the $46,000,000 callable for payment on July 1st.

In our several conferences with the bankers the last few days, they indicated to us that they would not bid for as much as $90,000,000 and that the interest rate would have to be 3½%. We have thought this rate too high for a tax exempt bond of a sovereign state, and offered to join the bankers by taking one-half or even more if the issue carried a lower rate.

Yesterday the bankers seemed more uncertain as to what they would do, and, as it was necessary to call the outstanding bonds March 1st, unless the refunding issue is to be delayed until October, we decided to offer to buy the entire issue, and at a substantially lower rate than the bankers would make at this time.

The average rate of interest on the new issue, on the basis of our purchase, is approximately, but slightly less than, 3.2%, which, by comparison with the yield on outstanding bonds of other states, is still a high rate.

We will allow the Governor to place the $18,000,000 3% bonds with Arkansas and other interested investors at par. The remainder of the issue will be available to the market when conditions appear to warrant.

February 27, 1941
5:03 p.m.

H.M.Jr: Hello.

Operator: Mr. Sproul.

Allan Sproul: Hello, Mr. Secretary, Allan Sproul.

H.M.Jr: Yes, sir.

S: I got your message about Mr. Hendershot and the World Telegram - had trouble with him before.

H.M.Jr: I see.

S: I don't know that there is anything can be done about it but there is this saving feature that neither he nor his financial page are considered to be much. It doesn't amount to anything among the papers in New York.

H.M.Jr: Well, did you try to do anything?

S: I haven't tried to do anything with him because from past experience I don't think it gets anywhere.

H.M.Jr: Well, I'll take your advice.

S: I think that is the thing to do on it.

H.M.Jr: O.K. Well, we got by nicely today, didn't we?

S: We got by very well and I want to say this that while I think we can do a better job and we're going ahead to try to do it, I think both our people and yours looking at it now came about as close to the answer as it was possible to come in view of all the doubts and uncertainties.

H.M.Jr: No, I'm very much pleased at the service I got from your organization. I compliment you.

S: I think the market was more confused and in doubt than I've ever seen it. They on the first day just didn't know where they were and now they've been sharpening their pencils a little and begin to see this more as we saw it before it came out, I think.

H.M.Jr: I don't think that they've done their home work.

S: No, they had their pencils very dull on that first day.

H.M.Jr: Yeah. Let me ask you a question which has - do you know the president of the bank of Richmond - Federal Reserve of Richmond?

S: Yes, I do, quite well.

H.M.J.: What's your opinion of him?

S: I think he's a very able fellow. He's a little slow in speech and appearance and he's not forceful nor aggressive but he has a good head and a lot of stability.

H.M.Jr: Yeah, because outside of your bank he was the only fellow that - he said 7 to 9 years. He hit it.

S: Well, he's a thoughtful, able fellow. As I say, he's not forceful nor aggressive, he's a little slow and a little drawling but he has a head on him.

H.M.Jr: Well, he seemed to. Right.

S: All right, sir. We're passing the fifth floor on the way down and we're doing all right.

H.M.Jr: O. K.

S: All right. Good-bye.

February 27, 1941
5:14 p.m.

H.M.Jr: Hello.

Operator: Mr. Hopkins coming on.

H.M.Jr: Hello.

Harry Hopkins: Hello.

H.M.Jr: How do you like my Treasury service?

H: Wonderful.

H.M.Jr: Is that what you wanted?

H: Yeah.

H.M.Jr: Everything lovely?

H: No.

H.M.Jr: Why not? What do you want now?

H: Well, I want something from Army and Navy now.

H.M.Jr: Oh, but you're all right with me?

H: Absolutely, Henry.

H.M.Jr: We're coming to the White House for supper tonight. Are you going to be there?

H: I'm not sure yet. I may go out to the Navy tonight for dinner.

H.M.Jr: Navy what?

H: I may go to Admiral Stark's for dinner tonight.

H.M.Jr: Oh. Well, good luck.

H: All right, old boy.

BRITISH EMBASSY,
WASHINGTON, D.C.

27th February 1941.

Dear Merle,

At a recent interview which Mr. Purvis had with the Secretary, the latter asked to be supplied with a copy of the announcement which was published by the British Government on the subject of our direct investments and of Sir Edward Peacock's visit to the United States. I enclose copies herewith of the announcement as actually issued in the British press.

Yours ever,

Terry Pinsent

Mr. H. Merle Cochran,
U.S. Treasury,
Washington.

TEXT OF ANNOUNCEMENT PUBLISHED IN THE ENGLISH PRESS
ON 31st JANUARY, 1941.

In the light of material assistance already supplied and contemplated by the U.S.A., it may now be freely published that H.M. Government have realised and disposed of a very great proportion of their gold holdings and are steadily realising the American securities owned by their nationals at every opportunity. A more difficult problem is presented by investments such as businesses in the United States and United States companies controlled by companies in this country whose shares are not quoted on the Stock Exchange. The Government are resolved to make the best possible use of these investments and with this end in view they have requested Sir Edward Peacock who has great experience in such matters to go over to the United States and examine the possibilities on the spot. Sir Edward Peacock will reach America very shortly.

British Embassy,
Washington.

27th February 1941.

MEMORANDUM

February 27, 1942

TO: Secretary Morgenthau

FROM: Mr. Sullivan

SUBJECT: Conference in the Office of Speaker Rayburn. Present:

Secretary Morgenthau, Speaker Rayburn, House Leader McCormack, Chairman Doughton, Mr. Cooper of House Ways and Means, Messrs. Bell, Foley and Sullivan.

The conference started with the Secretary stating that he wished to discuss with the group two proposals. Proposal I called for the elimination of tax exempt State and municipal securities. He stated that he would like to know from the group when they thought this proposal should be brought to the Congress. Congressman Doughton fenced for a while, Congressman Cooper hoped that such a measure would not be introduced until after the General Revenue Bill was passed for fear of splitting the Committee and the Congress, Congressman McCormack questioned whether or not it should be introduced at such a time as the present when every effort is being devoted toward national unity. It was apparent from the conversation about the strength of the Conference of Mayors, the State Defense Group and the Attorney General's organization, that all four believe that the pressure from home on the members of Congress would probably prevent the passage of the measure in the House. Mr. Doughton and Mr. Cooper agreed that all ten Republican members of the House Ways and Means Committee would vote against the measure because Mr. Treadway the Minority Leader, had sometime ago introduced a resolution calling for a constitutional amendment, and that three to five Democratic members would undoubtedly join him. Mr. Cooper stated that he was not at all sure that he could vote for the measure himself. Later on in the conference Mr. McCormack reverted to this topic and suggested the Glass Plan be included in the General Revenue Act.

The Secretary then went on to Proposal II: that Congress direct the Appropriations Committee and the House Ways and Means Committee to make some effort to get a general picture of the probable expenditures and receipts, and in support of his request spoke of the difficulty he had had with the recent financing which he attributed to three things: a lack of knowledge on the part of potential investors as to the extent of our

MEMORANDUM

February 27, 1941.

TO: Secretary Morgenthau

FROM: Mr. Sullivan

SUBJECT: Conference in the Office of Speaker Rayburn. Present:

Secretary Morgenthau, Speaker Rayburn, House Leader McCormack, Chairman Doughton, Mr. Cooper of House Ways and Means, Messrs. Bell, Foley and Sullivan.

The conference started with the Secretary stating that he wished to discuss with the group two proposals. Proposal I called for the elimination of tax exempt State and municipal securities. He stated that he would like to know from the group when they thought this proposal should be brought to the Congress. Congressman Doughton fenced for a while, Congressman Cooper hoped that such a measure would not be introduced until after the General Revenue Bill was passed for fear of splitting the Committee and the Congress, Congressman McCormack questioned whether or not it should be introduced at such a time as the present when every effort is being devoted toward national unity. It was apparent from the conversation about the strength of the Conference of Mayors, the State Defense Group and the Attorney General's organization, that all four believe that the pressure from home on the members of Congress would probably prevent the passage of the measure in the House. Mr. Doughton and Mr. Cooper agreed that all ten Republican members of the House Ways and Means Committee would vote against the measure because Mr. Treadway the Minority Leader, had sometime ago introduced a resolution calling for a constitutional amendment, and that three to five Democratic members would undoubtedly join him. Mr. Cooper stated that he was not at all sure that he could vote for the measure himself. Later on in the conference Mr. McCormack reverted to this topic and suggested the Glass Plan be included in the General Revenue Act.

The Secretary then went on to Proposal II: that Congress direct the Appropriations Committee and the House Ways and Means Committee to make some effort to get a general picture of the probable expenditures and receipts, and in support of his request spoke of the difficulty he had had with the recent financing which he attributed to three things: a lack of knowledge on the part of potential investors as to the extent of our expenditure program, the fact that this was the first financing after the removal of the tax-exempt feature, and the Federal Reserve Bank statement of last month. Mr. Cooper immediately inquired how much in additional financing charge the removal of the tax exemption cost us. Mr. Bell said that the differential in yield rates on the bond offered and comparable tax-exempt securities in the market is about .0045 but that not all of this was attributable to the removal of the tax exemption. He stated that other factors entered into this such as the amount of shifting out of tax-exempts on the part of people who were not primarily interested in the tax-exempt feature, the differing terms in the securities and other uncertainties such as the whole Government program. When pressed by Mr. Cooper, Mr. Bell stated that he thought that part of the increase due to removal of the tax exemption would not be more than .0025.

The Secretary then referred to his conversation with Secretary Jones in which Secretary Jones advised him that the strongest syndicate of bankers he had ever known, representing 250 banks had gotten cold feet on a refinancing for the State of Arkansas and Secretary Jones discussed with Secretary Morgenthau the advisability of the RFC taking the entire issue because the bankers didn't want it at any price although it was entirely tax exempt. Secretary Morgenthau and Secretary Jones agreed that in view of the adverse effect that would result from the State of Arkansas being obliged to postpone this refinancing would be so unfavorable that the RFC should take the entire issue. There then ensued a long discussion about the possible economies and who should take the initiative to bring this about. The Secretary said that he and Mr. Bell believed at least 500 million dollars could be eliminated from the budget and he referred specifically to CCC, NYA and WPA. He stated that he believed that if the country saw there was a return of sanity to Washington and that a real effort was being made to economize in non-essential expenditures it would restore the confidence of potential investors in Government securities and make future financing very much less difficult.

Speaker Rayburn spoke with feeling and with apparent knowledge of the small amount of good the CCC was doing in soil conservation in Texas. All of the members of Congress present, however, felt that any move to reduce the Budget would have to come from the Executive. The Secretary said that he had told the President he was going to meet with this group today and had told the President what he was going to say. Speaker Rayburn said that the President would have to make himself far more available to the members of Congress than he now was if the present splendid relationship between the Hill and the White House was to continue. He referred to Congressman Woodrum's experience yesterday afternoon in being asked if he couldn't deliver his message to General Watson and then being told that he would be put on a waiting list.

The general conversation then revolved around the possibility of a broad statement to the people through the Congress of our over-all program of expenditures and the manner in which we expected to finance it. Congressman Doughton reported that he had seen the President this morning and the President had spoken about Mr. Baruch's plan of an additional percentage of all taxes which would yield a million and a half a year. There then followed more general conversation about the effect upon the country of raising a substantial additional amount by new taxes and a serious attempt to economize. There were no general conclusions agreed to during the meeting. Congressman Doughton left for an appointment at the War Department and Secretary Morgenthau asked the Speaker to leave the door open on these questions, stating that he would be back in a month or so to discuss them again.

As the conference ended Congressman McCormack said he thought we would have to come to a general sales tax which he had for a long time favored and which would raise a great deal of money easily.

JLS

February 27, 1941

George Haas

Secretary Morgenthau

Please bring to Leon Henderson's attention the fact that there is a tremendous rise in imported commodities. What are they doing about it? I want to hear from them. Have they brought it to the President's attention? If not, do they want me to bring it to the President's attention? Please let me know by Friday morning. (See letter from Mr. Hamm dated 2/27/41)

February 27, 1941

Present: Mr. Young
Mrs. Klotz

H.M.Jr: I am so glad to see you, Mr. Young, and I hope you will still shake hands with me now that you have been to the White House.

(Laughter)

Won't you sit down, Mr. Young? I made him blush.

Klotz: How funny the two of you are.

Young: I didn't know you were trailing me this morning, though.

Klotz: We have our spies.

H.M.Jr: I come into the White House and say, "What can I do for you, Mr. Young," and he says, "Where have I seen you before."

I have just dictated my conference with the President. Do you want to tell me?

Young: I have just been dictating mine. It was quite an interesting discussion. We talked about the scope --

H.M.Jr: He being 'arry 'opkins.

Young: Harry Hopkins.

H.M.Jr: No, 'arry 'opkins. That is what the newspapermen in London call him. One of the newspapermen says, "How is 'arry 'opkins?"

Young: We talked about the scope of the activity, as to what he thought the Board would do, as to what he thought he himself would do, as to what he thought the people working with him would do. We also talked about the future potentialities as to what he thought the Board might do in the future, as to relations with the British, as to what countries might be included, as to the type of purchasing operations which we can cover and as to the specific organization which he visualizes as working with him in the preparation and administration of the various recommendations and policies. He was very complimentary to you.

H.M.Jr: Was he?

Young: Very.

H.M.Jr: What did he say?

Young: Two things stuck out in my mind particularly. One was that there wouldn't be any secrets between you, and him, and me.

Klotz: Smart boy. He knows you would tell anyway.

(Laughter)

H.M.Jr: Yes? Well, that isn't especially complimentary to me. I don't get it.

All right, what else?

Young: The other one - the other thing was, if it hadn't been for what you had done, the British wouldn't have gotten anything. He was perfectly convinced of that, that you had taken hold of the thing and pitched in and done a whale of a job, whereas all of the other various Cabinet officers had not done very much from his point of view.

The Board - he emphasized that point - would serve solely in an advisory capacity to the President, so he says, making its recommendations to him, as he is going to exercise the various powers under the Lend-Lease Act personally.

H.M.Jr: He is?

Young: The President.

H.M.Jr: Oh, the President is.

Young: That he is going to feel himself free, in addition to presenting the recommendations of the Board to the President, to present his own personal opinions, feelings, and reactions on whatever specific matter is at hand.

He talked about what Sumner Welles had said about dividing up the purchasing operations in two different ways, one from a political division point of view, by countries; in other words, confining the operations of the Board solely to those countries with which there are no foreign relations questions whatsoever; I mean, where the countries already have stated or proved the policy of going ahead and helping them under the Lease-Lend, Britain, Greece, and China, that other countries, which would involve foreign relations or State Department policy, should be handled separately.

H.M.Jr: Not so dumb, is it?

Young: It isn't so dumb if you have still got your finger on it and keep it coordinated.

H.M.Jr: Well, go ahead.

Young: We also talked about the other thing of separating the commercial purchasing from the military purchasing operations. I don't think he made the distinction clear in his own mind about those two different types of splits, the commercial versus military, and geographical or politically approved countries.

He asked me what I thought about that, and I told him I didn't agree with him on it, and I didn't think he could separate the commercial purchasing entirely from the military purchasing and that you couldn't separate it on the geographical basis for two reasons, one being that at some one point in Washington you have got to have an over-all survey of what the impact of total foreign purchasing operations is on the United States economy if you are going to plan production or do anything of that sort.

Secondly, that in certain instances, knowing what the other foreign countries have been doing has been of help to those countries in which we are immediately interested; whereupon he asked for an example and I mentioned the case of the Siamese planes as being an example, where Siam we are not interested in, but those planes could have been made available to China, which we were interested in, and which we wouldn't have known about if we hadn't had those records.

Another case was the diversion of the Finnish ammunition to the British and then to some of the South American countries where they had - couldn't get it to Finland. On the - that was about all he said on the scope of the act, with the added thought they considered this Board would broaden its scope, would have no limits upon the field in which it would work, with the implication that it would take over whatever economic defense functions might be politic, making recommendations to the President so that the President could issue directives in those fields, defense fields in which he had the power to regulate them, over which he had the power to regulate them; and also, I gathered, over those fields which he didn't have the power to regulate.

On the particular organization, he considers himself as doing the full-time job of running around talking to the members of the Board, including such people as Stark and Marshall and Bob Jackson and Wickard and so on. The Liaison of Public Relations, internal and external. Working with him, he thinks of having six or seven people, presumably one from the Treasury, one from the War Department, and one from the Navy Department, and a lawyer from Justice, a shipping man, State Department man - I don't know whether he includes Maritime or not, that is indefinite at this point.

He is extremely anxious and insistent that the Treasury do the statistical job for him. Evidently Harriman had a long talk with him about our reports and sold him on that. I didn't give him a demonstration of them this morning, but he said he would like to see them this afternoon. He and Burns and I are meeting at three. Burns is the only other person that has been designated.

He says he doesn't think he will have anything to say about the State Department, but that he doesn't think it will make any difference because he doesn't visualize the State Department as having any particular effect or influence in this situation.

H.M.Jr: He has been reading PM.

Young: From the Navy he is thinking of Stanley and Yarnell as two possibilities and is quite insistent that the Navy representative be a line officer rather than a supply officer, in which he is probably right.

With his six or seven immediate colleagues, he figures on having some sort of a statistical unit because he says life is too short either to set up a new statistical unit, which you can't do in a hurry, or to try to coordinate the various statistical units in Washington, which is probably an impossibility, and he feels quite sure that the best in town is here. He inquired into that a little bit, and said he had heard about it from other sources other than Harriman. He is going also into the field, I gather, of compiling statistical information or reports or charts for the use of the President on our own situation, Army and Navy production figures and that sort of thing, where it ties in with the whole program, so that I suppose he visualizes the possibility of having one central focusing point where he can get stuff together and put it in a decent package.

He says everyone has told him around town that he has no idea of the size of the job. Stimson evidently impressed him with that. He says frankly he doesn't know. He is trying to learn what it is all about, and think it over and wants me to give him a lecture on what we have done in the past, which I told him I would be glad to do.

We didn't get into what operations had been carried on here in any detail at all. He evidently has the idea that his immediate organization and his statistical organization should be a physical unit on someone's part outside of the various departmental agencies. That was not developed in the course of conversation.

H.M.Jr: Well, how could he expect the Treasury to do it and then have it somewhere else besides?

Young: Well, you just can't do it on the statistical end. It can't be done. Now on this question of geographical distinction or political distinction between the countries handled by the Lend-Lease Board and the other purchasing operations, he suggested the possibility as being a good idea that I should keep on with the same job I am doing now, with all those countries, say with the exception of Britain, Greece, and China, which would be the immediate operations or immediate interests of the Lend-Lease people. I could do that with my left hand, with your cooperation as we have been doing it all along, and with my right hand, hold his hand on the Lend-Lease.

H.M.Jr: As long as your left hand is nearest your heart, I will accept that. (Laughter)

Young: He said he wanted some sort of organization in mind for a meeting on Friday of the Board or Committee, as he calls it, which would make sense; and he seems to be fully aware of the fact that whatever is done by this particular group has got to be done darned well and on a reasonable and common sense basis, I mean a very thorough study and assembly of factual material.

He said he was going to see Purvis this afternoon some time and make two comments, one with respect to your position, that he visualized Purvis talking with him direct and that from his office the various information and so on would flow out to the members of the Board.

H.M.Jr: That is Hopkins?

Young: That is Hopkins.

Secondly, that he wanted to go over with Purvis their requirements, list of requirements; as he thinks Purvis has a lot of requirements there which are not approved by the higher-ups in London, which he has received from down the line.

H.M.Jr: In other words, he wants to see Purvis rather than have me see him.

Young: That is right, that is what he said point blank. He wanted a very thorough understanding with Purvis as to just what the situation was.

H.M.Jr: You mean he is very sure of that, Hopkins is?

Young: He stated it as a fact, that he would be talking with Purvis instead of you, he put it that way.

H.M.Jr: You mean Purvis would talk to him rather than me?

Young: That is right. He seemed to think he might have a little difficulty with that to begin with, principally on Purvis' account.

H.M.Jr: Well, how would you sum up your reactions to your first interview?

Young: Well, it is pretty hard to tell on that sort of a disjointed conference, because he hasn't any clear ideas as to what is involved, as to what he is going to do or what anybody else is going to do. I certainly didn't come away with the impression that he could do the job the way it ought to be done as an individual. If he has got the proper help, the job can be done if he doesn't throw too many monkey wrenches into it. I don't know whether he will or not. I don't know anything about him. I haven't seen him before.

H.M.Jr: Because I agree with you that if he is going to be the operating man of the Lend-Lease, he should see Purvis.

Klotz: Definitely.

H.M.Jr: I am glad that he was forthright enough to say that there wouldn't be any secrets between you, himself, and myself, because it would be very unpleasant.

Young: He was very frank about that, and I told him I certainly wouldn't consider it on any other basis, and he said, "It couldn't be on any other basis."

H.M.Jr: I must say, Philip, from the way you have put it, because you have given a very good report, I am encouraged.

Young: You are?

H.M.Jr: Yes, I am.

Young: I was encouraged with his concrete approach as to how actual cases would be handled because probably I am thinking along the same line, it is the only practical way in which we can do it. But I think probably the thing that scares me most about it is that he has got to have awfully good people to do the job, and you have got to keep interdepartmental politics out of it and you have got to keep national politics out of it. There is a job there that can be done and done well.

H.M.Jr: I think from your first report, I am encouraged. Aren't you?

Klotz: Very. You have given a marvelous report.

H.M.Jr: Aren't you encouraged?

Klotz: Well, as Philip says, if he has good people he will be able to run the show. If he hasn't, he is just going to make a mess of it.

H.M.Jr: Are you through?

Young: Just one other thing. The success of it is going to depend on whether he has got a strong enough organization to do the actual work on a sensible basis and keep it together. I don't know whether he can hold it together or not. Maybe it can hold itself together.

And secondly, it has got to be done, Hopkins or no, because of the support the Lend-Lease has on the part of the American people, and the desire to help the British has got to go through and go through right. You can't fool around and botch it up for the next year after you get this act passed.

H.M.Jr: O.K. Haas - I saw Haas and I am having that thing photostated. It is excellent, just what I wanted.

Young: Good. I talked to Meigs.

H.M.Jr: You told him what I had in mind?

Young: I told him generally what you had in mind, and he wanted to know if he could also mention the subject of this Joint Aircraft Committee, and I said, "Of course, that ties right in with this," because it is their job to work out these things.

H.M.Jr: Could somebody in your office when you come in at one o'clock or a few minutes before get from the Buick Company how many different models they are selling today, '41, you see, and call up Procurement. How many models are there but how many different kinds of engines. I think they only make one engine. You call up Procurement, Cliff Mack over there. He will get it for you. How many different models of the '41 car are there and how many different kinds of engines. I think you will find they only make one. Certainly not more than two, but I think it is only one engine. Maybe two, but I want to use that as an argument. I am amazed when I see there are practically no 2,000 horse engines.

Young: Meigs was delighted.

H.M.Jr: Was he?

Young: Perfectly delighted that you could or would take the time to talk about this problem.

H.M.Jr: He didn't --

Young: No, I said pointblank to him - I know him pretty well at this stage - I said, you have no desire to interfere with their business at all, but that you had some ideas and you had some information presented in such a way that it looked interesting and wanted to pass it on, and he was delighted. He thought it was wonderful that you could and would take the time to pass on an idea.

H.M.Jr: Well, just remember this, Phil, on this thing. I am old enough to be your father, not quite. I could do it. I got married in 19 -- You are going to have very hard sledding to begin with, see, but the thing that we are working for is worthwhile and I don't think that I am overstating it to say that you have had an extremely interesting and enjoyable time for the last year or so.

Young: No doubt about it.

H.M.Jr: So the next month or two may be very, very difficult; but I know that you have got enough character to take it and you will come out all right, and it is worth trying.

Young: You think I ought to do it?

H.M.Jr: I think you should do it. It is worth trying. It is going to be hard, and you can come any time to see the old man for encouragement; but it is worth doing, Phil, because you have got to carry on with the experience that you have accumulated here and get this - and the momentum that we have and give it to Hopkins to carry on. The President of the United States has selected Hopkins to do this thing.

Now, we as good soldiers, wanting the time to prepare for ourselves - the only way we can get it, as Mr. Stimson said, divide the materials to keep the English going.

Now, through this Lend-Lease Bill that is the mechanism, and we have got to give Hopkins everything we can and take all of the disagreeable things, because it will be quite different working with him than it was here.

Young: Yes.

H.M.Jr: But it is worth the try, and I would like you to do it.

Young: O.K. Thank you.

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

February 27, 1941

MEMORANDUM TO SECRETARY MORGENTHAU
Attention: George Haas

From: John E. Hamm

Re: Ocean Freight Rates

We have been disturbed about the influence of increasing ocean freight rates on prices for some months. As a matter of fact, in January I wrote to Henry Dennison, who was on the Shipping Board during the last war, asking that he lend his help on the problems that we were facing. Unfortunately he was unable to come down until this week. Meanwhile the President sent a letter to the Maritime Commission, released on February 12, asking that they look into the problem of providing bottoms to move the materials which we shall need in the defense program. Although nothing was said about rates in the President's letter, Mr. Dennison told me today that the Maritime Commission is considering the rate aspects of the problem and intends to prevent shipping costs from getting out of control.

In addition, I have written to Admiral Land calling attention to certain specific instances where shipping rates had an adverse influence on our domestic prices, and I have also discussed the problem at some length with Harold Smith in the Bureau of the Budget.

I am told that the Maritime Commission probably has authority to cope with the problem. They will be through their organizational phase in a few weeks, and at that time should be in a position to handle the program adequately.

2/27/41

Mr. Bell wrote a telegram in accordance with HM Jr's suggestions in this memorandum, and submitted it to the Secretary for approval. After reading and considering the telegram, it was decided not to send any.

C O P Y

TREASURY DEPARTMENT

OFFICE OF THE UNDER SECRETARY

To The Secretary

(In DWB's handwriting)

Doubt if we will get satisfactory reports because of difficulty of getting original holders to tell what they actually did.

If it is spread around that we were dissatisfied with result we might get an unfavorable reaction. If a telegram goes, I prefer that you send it rather than Board.

Exchanges now 950M in bonds; 30M in votes.

ey decided
not to send any
wire DWB 2/27/41

DWB
Under Secretary.

2/27, 1941

U. S. GOVERNMENT PRINTING OFFICE 124651

February 27, 1941

Mr. D. W. Bell

Secretary Morgenthau

If you think well of the following suggestion, please ask the Federal Reserve Board to send out telegrams this morning to the twelve Presidents of the twelve Federal Reserve Districts, and tell them I would like to have a report, not later than Tuesday morning, from each District, showing just what the financial community did in regard to our recent finances. In other words, did they sell their rights or did they convert their rights? I want to know what happened.

It seems to me in view of the very bad advice and service which the Federal Reserve System has just given me, I ought to give them another chance to show whether they can be of some service to the Treasury in sounding out the financial market. Maybe they will be able to come through with this report and tell me just what the banks and insurance companies did in their respective communities.

As I said, if you think well of this, please ask the Federal Reserve Board to get out telegrams this morning. I would like to have the answer by Tuesday morning.

TREASURY DEPARTMENT **186**
Office of the Secretary
Technical Assistant to the Secretary

Date February 27, 1941

TO:

Secretary Morgenthau

Room

In the attached memorandum I have purposely omitted the references made in the conversation to the alternatives of "pinching" Belgian gold or Great Britain defaulting on the $16,000,000 payment to France.

H. M. C.

From: MR. COCHRAN

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 27, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

At 11:00 yesterday Mr. Playfair asked if I would obtain an appointment for the Secretary to receive Sir Frederick Phillips during the afternoon or today in order that he might explain the British cash position. After speaking with the Secretary at 11:30 I telephoned Playfair that the Secretary would receive Sir Frederick this morning at 11:30. Last night at 9:45 the Secretary telephoned me to change the appointment to 9:00 this morning, since the Secretary was seeing the President at 9:30 and desired any information which Phillips might submit prior to that appointment.

At 9:00 this morning the Secretary received Sir Frederick Phillips, accompanied by Mr. Playfair. Mrs. Klotz and Mr. Cochran were present. Sir Frederick stated that as of March 1 the British cash position would stand at just about $69,000,000. (This includes official dollar balances on deposit with the Federal Reserve Bank at New York and immediately realizable gold.) Phillips stated that this sum would be exhausted within a few days from the beginning of March unless there was some relief. His question was what they could do if the Lease-Lend Bill and the appropriation bill necessary thereto were not both completed shortly after the first of March. He felt that there was little room for cutting down their current dollar expenditures. He mentioned that he was submitting certain contracts to the Secretary under their "rationing" system therefor, but the Secretary agreed that these were commitments only and did not involve immediate dollar expenditures.

The Secretary explained that he was going to the White House to present Sir Edward Peacock's memorandum in regard to British direct investments in this country and had wanted to see what Sir Frederick Phillips had to say in order that one visit might take care of his problems as well as those of Sir Edward Peacock. Phillips explained that the British position the four months of March, April, May and June will be particularly difficult. After that time it should begin to improve. At present he figures that by June 30 he will have a deficit position of $460,000,000, after calculating the income that he may have from gold and security sales. In answer to the Secretary's question as to whether Sir Edward Peacock could be expected to report results shortly, Phillips stated that Peacock had since his arrival been quite busy in studying the Viscose proposition and in making evaluations of various properties. The Viscose had been the biggest prospect, but the proposed consummation of a loan thereon had not been approved of by this Government. Phillips agreed with the Secretary's position, stating that if dollars had to be raised he preferred an out-and-out sale rather than a mortgaging. The Secretary said that they were in agreement in principle, although perhaps for different reasons. Phillips said that if hard pressed Peacock could raise a few small loans in a comparatively short time.

Secretary Morgenthau explained that it would be extremely difficult for him to go before Congress at this time and endeavor to arrange to make cash available to the British. He was sure that Congress would recall his testimony that the British had $900,000,000 of direct investments in this country and that the Secretary had indicated their readiness to dispose thereof when he appeared before the Congressional Committees some weeks ago. He felt that he would be immediately questioned as to why nothing had been done in the premises. The Secretary thought that his appeal to Congress now for any action on cash would definitely prejudice the chance of the Lease-Lend Bill. He suggested that both the British and ourselves give our best thought to solving the immediate cash problem. He intimated very directly, however, that it would have to be the British who would look after their own cash position until after the bill had passed. Then the Secretary would see what he could do. Phillips explained that the figure of $460,000,000 for the deficit expected as of June 30 did not take into account Canadian help. He said that he could not give the Secretary a final picture until he had consulted with the Canadian officials, and that, with this in mind, he had asked Mr. Clark, the Deputy Minister of Finance of Canada, to come down. The Secretary approved thoroughly of this plan and asked that arrangements be made for a meeting between the representatives of our three Treasuries on Monday next. Phillips said he would attend to this.

H. M. Jr.

ADDRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON, D. C.

DEPARTMENT OF STATE
WASHINGTON

In reply refer to
EA 840.51 Frozen
Credits/1345

February 27, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a paraphrase of telegram no. 30 dated February 26, 11 a.m., from the American Consulate in Saigon, French Indochina, regarding funds of the Bank of Indochina, together with a departmental memorandum, outlining questions concerning the said funds, as outlined by Baron James Baeyens, First Secretary of the French Embassy, and Mr. Robert Soliva, representing the Bank of Indochina.

Enclosures:

1. No. 30, February 26, from Saigon.
2. Memorandum.

JL

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate, Saigon. French Indochina.

DATE: February 26, 1941, 11 a.m.

NO. : 30.

This is in reference to telegram no. 2, sent by the Department on the 11th of February, at 8 p.m., particularly to the last paragraph concerning the matter of the Government General's free use of the proceeds resulting from rubber sales to the United States Government.

There has been received a letter from the Inspector General of the Banque de L'Indochine in which/it is cited that the Treasury Department's refusals to grant the licenses requested on the 17th of February (to permit the transfer of (a) $50,000 to the Bank of Manhattan Company for credit to the account in the name of the Netherlands Trading Society, of Batavia, for the purpose of tobacco purchases and the payment of petroleum products, and (b) $30,000 to the Banque de L'Indochine at Singapore, for payment to the French Legation at Bangkok to cover expenses for the six months just ended) indicate that the provision of the rubber contract, which was signed on the second of December, 1940, wherein the proceeds of sales which were covered in the contract were to be credited to the Banque de L'Indochine's "free and unrestricted" account, is being disregarded.

It is stated by the Inspector General that the remaining

rubber

rubber which is covered in this contract is to be shipped about the third of March on the steamship ENSLEY; and, further, that the Banque de L'Indochine has selected Messrs. J. Morin and R. Soliva, who are now in New York, to take up the matter of the use of the proceeds, although, unless "a minimum of reciprocity may be maintained in our commercial relations", their efforts would avail nothing.

This telegram despatched to Cavite to be repeated to the Department, Shanghai, Peiping, Chungking and Hong Kong.

FLOOD

JRL

LMS

EA:VCL

February 27, 1941

FUNDS OF THE BANK OF INDOCHINA

The following summary of information was prepared at a meeting between Baron Baeyens, Mr. Robert Soliva and Mr. Livesey.

The funds in the United States of all branches of the Bank of Indochina were blocked by the immediate effects of Executive Order No. 8446 of June 17, 1940. As a result of negotiations with the Treasury Department, an arrangement was made June 27 whereby 75 percent of the balances of all branches, excluding Jibuti and continental France, remained blocked and 25 percent were partially freed and made workable by a blanket license, renewable every month, which also provided that all amounts received thereafter in these accounts should be freed to the same extent. The blanket license was cancelled on February 12, 1941. Up to that time it had been renewed monthly but only after discussions each month and with an interim during which the blanket license was ineffective, thus causing much inconvenience to the Bank.

The Bank appears for some time not to have been fully informed as to the technical effects of a blanket license

and

and the limitations left thereby on the utilization of its funds in the United States, such as the requirement of a license for "all transfers" withdrawals or exportations of, or dealings in, any evidences of indebtedness or evidences of ownership of property by any person within the United States." In spite of these limitations, the funds covered by the blanket license were commonly designated as "free funds" and thereby distinguished from the 75 percent of June 17 balances which were commonly designated as "blocked funds". The first evidence available here of a realization by the Saigon Bank of the difference between a so-called "free account" and a really free and unrestricted account is in a letter of October 27, 1940 from the Bank of Indochina, Saigon, to the French American Banking Corporation, New York.

During this period the Rubber Reserve Company, established by the United States Government pursuant to the Act of Congress approved June 25, 1940 (Public 661), purchased several consignments of rubber from the Government of Indochina under proposals made through the American Consul at Saigon. Contracts covering these transactions were signed in French Indochina July 19 for 10,000 tons, August 26 for 8,000 tons, October 22 for 7,000 tons and December 2, 1940 for 8,000 tons.

The three first mentioned contracts contained the following payment provision:

"Ninety

"Ninety percent (90%) of the total invoice amount will be paid to the seller or his representative by the purchaser in cash against documents at New York, and the balance when inspection at New York has been completed."

Sums payable under these contracts have been paid to the account of the Bank of Indochina, Saigon, with the French American Banking Corporation. The total amount involved in these contracts was about $10,000,000, of which 90 percent has been paid and 10 percent remains still to be paid.

The contract executed on December 2, 1940 by the Consul of the United States of America at Saigon, and the Chief of the Economic Department of Indochina, covering the purchase of 8,000 tons of rubber, contained the above-quoted payment provision as found in the earlier contracts and the following additional provision:

"The proceeds of the sale are to be placed in the 'free and unrestricted account' of the Bank of Indochina by arrangement with the Treasury Department of the United States."

Mr. Seliva's statement in this regard in his note of February 18 is as follows:

"It is true that it has not been mentioned in the first three contracts dated July 19, August 26 and October 22, relating to a total of 25,000 tons, but if it has not been expressly mentioned, it is because the Government of Indochina believed in the good faith of the United States Government and did not expect any difficulty. When difficulties were experienced later, the Government of Indochina has requested in the last contract, dated December 2, relating to 8,000 tons of rubber that it should be mentioned in writing, that the funds had to be put in a '<u>free and unrestricted account</u>'."

As

As has been stated, it was on October 27, 1940 that mention was made in correspondence of the Bank of an apparent distinction between so-called "free account" (blanket license) and "free and unrestricted account". It is the present understanding of the French authorities that $2,126,216.30 of funds in the account of the Saigon branch of the Bank of Indochina are to be regarded as free and unrestricted account by virtue of the specific clause in the agreement of December 2, 1940. They believe that the earlier payments under the first three accounts should enjoy the same treatment.

Shipment from French Indochina of the rubber covered by the contract of December 2 is not yet completed. 2,300 tons of rubber under that contract are to be shipped from Saigon on March 10 by the steamer Ensley.

Desiderata

The Bank of Indochina asks:

1. That its branches in the British Empire (Singapore, Hong Kong), in French colonies under British control (Papeetee, Noumea and Pondicherry), in independent China (Yunnanfu or Kunming), in foreign countries (China and Siam) (Shanghai, Tientsin, Peking, Hankow, Canton and Bangkok) shall have free and unrestricted accounts, owing to the difficulty and uncertainty of the blanket license regime.

2. For

2. For French Indochina, that all the sums which have originated from and which will originate from sales of rubber shall be placed in a free and unrestricted account.

3. That licenses should be granted to the Bank of Indochina for exports which are in suspense and which were supposed to be the counterpart of the shipments of rubber to the United States during the last six months. This matter is particularly urgent for the normal requirements of Indochina.

4. The Bank of Indochina suggests besides that an agreement should be made regarding the export of American goods to Indochina in the future.

5. There are also certain questions concerning the supply of arms.

EA:FL:MSG:VCL

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 27, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Mr. Pinsent told me yesterday afternoon that Mr. Gifford had inquired as to how the Secretary of the Treasury felt in regard to the issuance by Mr. Gifford on March 1 of a further list of United States securities which have been completely liquidated by the British. It will be recalled that Gifford has issued such a list as of January 3 and February 1. The British are anxious to do whatever the Secretary desires in the premises, only making the observation that if this policy is continued every month an embarrassing point may be reached later when the market can by a process of elimination know what securities remain in the British portfolio to be sold. Mr. Gifford awaits our reaction.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 27, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

At 12:25 today Sir Frederick Phillips telephoned me that he had been in touch with Ottawa and that Deputy Minister of Finance Clark will arrive in Washington at 12:00 noon on Friday. Phillips said that Clark would, therefore, be available for consultation in the Treasury after a little preliminary visit with the British officials here. When Phillips asked whether I thought the Secretary might have Mr. Clark come in on Saturday, I told him that I doubted it. I thought the Secretary would prefer to have the meeting on Monday, but that I would let the Secretary know of Mr. Clark's hour of arrival.

H. M. C.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

For Miss Chauncey

DATE February 27, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Mr. Ganson Purcell telephoned me at 3 o'clock today wanting to know how many shares the British hold in Creole Petroleum. When I inquired as to the reason for the question, Mr. Purcell said that certain Curb brokers interested in assisting with the distribution of this stock had requested the advice of the S.E.C. thereon. The S.E.C. did not want such information for the purpose of passing it on to the operators, but merely for their own guidance in formulating the advice which they should give. I told Mr. Purcell that I would look into the matter and call him back. He told me that he had first addressed his inquiry to Mr. Harry White, who had referred him to me.

I telephoned Mr. Gifford in New York at 3:15 and explained the nature of the inquiry. Mr. Gifford asked that I tell Purcell that he had at least half a dozen parties ready to take over the Creole Petroleum and that the S.E.C. need not be worried by any inquiries thereon. Mr. Gifford thanked me for the policy which we have uniformly followed of not giving out such information; said that he likewise held such information strictly confidential; and asked that the figures should not be passed on in this instance. For my own confidential information, he stated that the Creole Petroleum holdings were quite small, although he is awaiting the receipt of some of these shares which have not yet arrived from the people who had registered them. I gave the substance of the above message to Mr. Purcell by telephone at 3:22 p.m.

H. M. C.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 27, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Mr. Pinsent spoke with me by telephone at 4 p.m. on February 25. He stated that a further cablegram had now been received from London reporting that the shipment of $25,000,000 of gold from Canada to New York for the account of the British Government represented a "switch". Sir Frederick Phillips had lunch with me on February 25 and confirmed that it was his recommendation that such "switches" be resorted to as far as possible in meeting the present emergency.

Pinsent called on me yesterday afternoon at 3:30. He made an inquiry in behalf of Mr. Gifford which I have made the subject of a separate memorandum.

Referring to the gold question, Mr. Pinsent stated that he thought the British could still switch before the end of the month approximately $16,000,000 of gold.

In my conversations with the British Treasury officials, including Playfair, I have mentioned that around $20,000,000 of gold was being shipped by the Bank of Canada to the Federal Reserve Bank at New York on account of the Royal Netherlands Government. I have been informed by my friends that this probably comes from gold which had been deposited with the Bank of England in London. It had first been put under Trading With the Enemy rules when the Netherlands were invaded, but has since been moved to Canada with no restrictions thereon. The British stated that this shipment was not under any arrangement whereby proceeds are to be made available to the British.

H.M.C.

February 27, 1941.

MEMORANDUM FOR THE SECRETARY'S DIARY

There was a conference in Mr. Foley's office on February 25, 1941, attended by Messrs. Acheson and Pasvolsky of the State Department and Messrs. Foley, White, Pehle and Bernstein of the Treasury. The subject for discussion was the memorandum received on the prior day which had been prepared by Acheson and Pasvolsky.

Mr. Foley made clear that we had all gone over the memorandum very carefully, and that we felt it expressed the point of view of someone who was unsympathetic to extension of freezing control on a geographic basis, and that it did not seem worthwhile to attempt to go over the memorandum to make word by word changes. The discussion nevertheless went on for well over an hour, and the Treasury representatives pointed out a goodly number of omissions and defects in the memorandum and in the approach taken therein. Mr. Acheson nevertheless insisted that the memorandum was an attempt to state impartially all the considerations involved in extending the control. The possibility was considered of having the Treasury prepare its own draft of the memorandum. It was finally concluded that it would not be worthwhile to do this; that the conferences had had the value of educating the participants on the pros and cons; and that the Treasury would have the Executive Order and other related papers ready should the call come at any time for issuing the Order.

S.. 76

OFFICE OF PRODUCTION MANAGEMENT
SOCIAL SECURITY BUILDING
WASHINGTON, D. C.

Thursday
February 27, 1941

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

Dear Mr. Secretary:

I appreciated your invitation yesterday afternoon in the President's office to come to see you and talk over my report on the adequacy of the steel industry.

The President asked me to tell the newspapermen outside that he would release the report at his press conference Friday morning. On this account I endeavored to get an appointment with you today.

On account of your full calendar Lieutenant Stevens has made it for me at 10:30 Monday morning, when I will bring with me your copy of the report and go over it with you.

Very sincerely yours,

Gano Dunn

Gano Dunn
Senior Consultant
Production Division

several times granted but Dunn had hearing before SEC and as a result no contact was made.
3/5/41
J.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE February 27, 1941

TO Secretary Morgenthau

FROM H. D. White

Subject: Proposal for an Inter-Democratic Bank to Finance British War Purchases.

1. The gist of the memo Mr. Boettiger submitted is:

(a) The members of the British Empire and the countries of the Western Hemisphere are to set up an Inter-Democratic Bank which will issue $75 billion of "joint defense" per capita currency.

(b) This entire currency issue will immediately be made available to the U. K. Government for making all its purchases in the Western Hemisphere during the War.

(c) Such usable material as the U. K. had purchased would revert after the War to the countries of the Western Hemisphere in proportion as they had each participated in the Bank's issue, this proportion being determined by the ratio of its population to the total population of all the participants.

(d) The $75 billion currency issue would be backed solely by the obligation of each participant to retire each year 1/100 of its prorata share of the issue after the War, the money to be raised by a per capita tax of $1.00 per year. The cost would thus be $500 million per annum for the Empire, $140 million for the U. S., and $110 million for Latin America.

(e) The Bank's currency would always be acceptable in each country "on the same basis as might currently prevail for its own currency".

2. The scheme has serious disadvantages. The following are some of its more glaring faults:

(a) Since the proposed currency would be equivalent to dollar exchange, and since the U. S. is the chief market for war material, the bulk of the $75 billion would be spent here with gigantic inflationary effects.

(b) It would encourage the British to buy all sorts of goods they might not otherwise buy, would enable them to buy a disproportionately large share of our current flow of production, and seriously interfere with our own domestic effort.

(c) Canada would presumably be counted as a member of the British Empire and not as one of the American democracies. In that case very large inflationary purchases could be made from the Western Hemisphere on Canadian account too.

(d) After a few years we would be left with most of the currency which other countries could redeem only at greatly depreciated rates.

(e) If United States acquired large amounts of sterling and Latin American currencies, those currencies would be used instead of dollars to pay for future imports. Unless we again accepted them in payment for our exports, where will the other countries get adequate amounts of dollars with which to buy our goods?

(f) A per capita tax of $1.00 per year would not be a serious burden on countries like the U. S., Canada, Argentina, U. K. and the Dominions but would involve a severe strain on India and many of the Latin American countries.

(g) The Lend-Lease Bill provides a simpler and much less expensive way of giving Britain all the aid that our economy can permit.

February 11, 1941.

Dear John:

I have just returned from a brief vacation and find your letter of February 4th awaiting me. Thank you very much for it and for the memorandum which you enclosed. I have read this with a great deal of interest, and I am having the matter looked into for my further information.

Both Elinor and I also greatly enjoyed your visit East, and we too only wish that these get-togethers might occur more often. I hope that you and Anna will plan to make these trips at least a semiannual affair. We also hope that some day we may be able to visit the Pacific Northwest.

With cordial regards to you both.

Sincerely,

Henry

Mr. John Boettiger,
Publisher, Seattle Post-Intelligencer,
Seattle, Washington.

[illegible]

SEATTLE POST-INTELLIGENCER
1863 78th year 1941

OFFICE OF THE PUBLISHER

(Personal)

February 4, 1941

Dear Henry:

The attached was given to me in Chicago by one of the very high officials of Sears, Roebuck & Company. He asked not to have his name disclosed, but wanted me to put the suggestion before the proper person. You are the proper person!

I don't pretend to be the sort of international economist who knows anything about such things. If you are at all interested, I would be glad to pursue the matter further with the said Sears, Roebuck official.

Anna and I got home in excellent shape, considering the strenuous character of our trip. It was by far the most interesting and pleasuresome trip we ever made, and I think also produced excellent results from the advertisers we visited.

Our visits with you and Eleanor are highlights in the trip. I only wish we could get together more often.

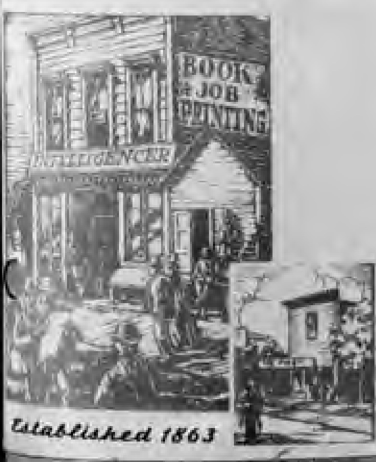
When you are taking holidays, why don't you come to God's country in the Pacific Northwest!

Our best to you always.

Sincerely,

John

John Boettiger.



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

It is recommended that a convention of representatives of the British Empire and all the American Democracies be called and that a this convention plans be formulated for the organization of an Inter-Democratic Bank. The purpose of this bank being to arrange for the issuance of 75 billion dollars worth of joint defense per capita currency. This currency to be backed solely by the obligation of each participating nation to retire each year after the end of the present war 1/100 of its prorata share of the entire issue, based upon its proportion of population to the entire population of all the participating nations, and with the further understanding that each participating nation would impose a per capita tax of $1.00 per year on all of its inhabitants to provide for the retirements of its prorata share of the issue. It would be further understood that each nation would agree to at all times accept per capita currency on the same basis as might currently prevail for its own currency. The entire issue of 75 billion dollars would be made immediately available to the British Government for the purpose of purchasing in the non-British Democracies munitions, shipping, sustenance, factories, or anything else necessary for the successful prosecution of the war against the Dictators. It would be further understood that upon the conclusion of the war such usable materials of all kinds as might be available would revert to the contributing nations on the basis of their original participation in the issuance of the proposed currency.

It is believed that the adoption of such a plan would make immediately available to the British Government sufficient funds to enable them to prosecute the war without the involvement of American manpower in actual combat. It is further believed that the adoption of this planwould tend to promote and perpetuate friendly relationships between the Democracies, stabilize current business, make excessive talks unnecessary, avoid post-war depressions, minimize the chance of internal inflation, and through the elimination of interest minimize the cost of defending democratic ideals. It is still further believed that this plan, if adopted, would bring home to the great majority of the inhabitants of each of the Democracies a sense of personal responsibility for contributing his share to the defense of the form of government for which he has expressed a preference.

On the basis of the latest population figures available to the writer, the annual expense involved if this plan were adopted would be 500 million dollars per year for the British Empire, 140 million dollars for the United States, and 110 million dollars for Mexico, Central and South America.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE February 27, 1941

TO Secretary Morgenthau

FROM H. D. White

1. Appended is a chart of the reorganization of the British Government machinery for war effort as of January 1941.

2. The War Cabinet consists of 7 (out of about 30) Cabinet Members as follows:

Anthony Eden (Conservative)	Foreign Office
Sir Kingsley Wood (Conservative)	Treasury
Lord Beaverbrook (Conservative)	Aircraft Production
Sir John Anderson (Conservative)	Lord President of the Council
Major Atlee (Labor)	Lord Privy Seal
Ernest Bevin (Labor)	Labor
Arthur Greenwood (Labor)	Minister without Portfolio

Sir John Anderson is a distinguished civil servant with a wide range of administrative experience. Atlee and Greenwood were included to represent the Labor Party; Atlee relieves the Prime Minister of much routine Parliamentary work, but Greenwood is a lightweight, who, as is obvious from the chart, has only a "front" job.

REORGANIZATION OF BRITISH GOVERNMENTAL MACHINERY FOR ECONOMIC COORDINATION

The Prime Minister

The War Cabinet

Anderson Committee
(Former Economic Policy Committee)

ir John Anderson * (Chairman)
ajor Atlee*
r. Greenwood*
ancellor of the Exchequer *
inister of Labour *
me Secretary
inister of Supply **

nctions: To correlate and
irect the work of the Production
d Import Executives with the
ittees of:
a) Civil Defense
b) Home Policy
c) Food Policy
ill advise War Cabinet in gen-
al on economic policy.

Production Executive
(Replaces Production Council)

Minister of Labour *(Chairman)
Minister of Aircraft Production*
First Lord of the Admiralty
President of Board of Trade**
Minister of Supply **

Functions: General policy of War Cabinet put to effect. Allocation of available resources of raw materials, production capacity and labour, together with fixing of priorities where necessary

Import Executive

Minister of Supply **(Chairman)
Minister of Aircraft Production *
First Lord of Admiralty
President of Board of Trade**
Minister of Food**

Aided by: Ministers of Transport, Shipping, Merchant Shipbuilding and Repair Branch, Admiralty & other Munitions and Depts. Ministry of Agriculture will have ready access.
Functions: Animate and regulate whole business of importation

Executive to Study Post-War Reconstruction

Mr. Greenwood *(Chairman)
Other Ministers (?)
Later to be formed into a new Ministry

Functions: Study of Reconstructions and post-war problems. To find practical solutions for transition problem from war to peace, etc.

North American Purchases Committee of the 3 Supply Ministries

Functions: Will continue its separate work to regulate and concert purchases in North America. Its members are members of the Production and Importation Executives.

* Denotes membership in War Cabinet
** Denotes membership on North American Purchases Committee

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE February 27, 1941

TO Secretary Morgenthau

FROM H. D. White

Subject: Conversation with Miss Strong about China.

Miss Strong, just back from China where she had conferences with the Generalissimo and most of the leaders, stressed the danger of civil war between the Kuomintang and the Communists. She said that the pro-German and pro-Japanese elements in the Kuomintang were encouraging the attacks on the Communists in the hope of starting civil war and facilitating a peace with Japan. According to her the Communists are still in favor of resistance to the Japanese, but a repitition of the recent attacks, in which several thousand of the New Fourth Route Army were killed, was entirely possible unless the pro-Fascist Generals in the Kuomintang were checked. She said that she had evidence that the Japanese Army had made approaches to the Kuomintang offering to make no attacks on the Kuomintang forces but to accelerate their attacks on the Eighth and Fourth Route Armies.

Miss Strong thought that some Kuomintang leaders were under the mistaken impression that the United States Government would look with favor on this reopening of the civil war. She thought that high officials, including perhaps the Generalissimo, grossly under-estimated the difficulties of eliminating the Communists. According to her Communist armed forces amounted to about 500,000, and although they were poorly armed she thought that an intensification of recent attacks would be disastrous to China and result in the end of effective resistance to the Japanese.

Miss Strong said that there was general agreement in China that the recent American loans had saved a desperate situation. She thought that the danger of capitulation to the Japanese would continue to be great. The strongest factors making for capitulation were in her opinion: (1) the pro-Japanese and pro-German groups in the Kuomintang and in the army, (2) civil war, (3) rising prices, (4) disappointment concerning aid from the United States and Great Britain.

ABRAHAM LINCOLN CENTRE

700 OAKWOOD BOULEVARD
CHICAGO

TELEPHONES
OFFICE
DREXEL 8800
DREXEL 8801
RESIDENTS'
KENWOOD 10160
DEAN'S RESIDENCE
ATLANTIC 0131

White

February 12, 1941

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

Dear Mr. Morgenthau:

When I went to Washington about ten days ago to lunch with Mrs. Roosevelt, she told me that I ought to pass on to you some of my information about China. She suggested that I arrange the appointment through my acquaintances in the State Department. Mr. John Davies took up the matter with your office but you were just leaving for a week's vacation, as I learned that same evening when I dined with T.V. Soong.

I enclose a clipping from the New York Times which will give you a brief indication of my point of view. I spent December in Chungking, reaching it from Moscow by the overland airplane route. I had rather unusual contacts with leaders who do not normally see foreign correspondents but who invited me to their homes for dinners and weekends because they were curious about the USSR. General Pai Chung-Hsi, for instance, alluded rather indiscreetly to the coming "punitive expedition". Carson Chang called together twelve heads of the various "minor parties" to discuss with me their worry about internal dissension. There was a lot of such worry in Chungking which our embassy -- located on the south bank -- seemed to me to be ignoring. Sir Archibald Clark-Kerr took it more seriously in the two talks that I had with him. The Soviet ambassador with whom I dined told me that China was strong enough now to expel the Japanese if it were not for all these internal troubles.

From Chou En-Lai, the Communist representative in Chungking, I obtained in a series of conferences a fairly complete resumé of the armed clashes that had been going on during the past year. I am not certain how much of this has reached this country but I doubt very much whether our embassy has had it. Unlike Sir Archibald, we never confer with the Communists. I also doubt whether the Chungking government has been sending it through to T.V. Soong. I obtained it on the understanding that I would not publish all of it at the present moment, unless civil war on a large scale actually broke out. Chou wished it used not to intensify or exaggerate conflict but only to explain it if and when it should break out. There seems some indication that some generals in the occupied area have been working simultaneously under Ho Ying-Chin and the Japanese...You may be interested to know that Chou mentioned you personally with considerable respect. He based his opinion on your designation of K.P. Chen in connection with the handling of the loan; he said it was a very good choice and that if more such people began to dictate policies it would be much better in China.

ABRAHAM LINCOLN CENTRE
700 OAKWOOD BOULEVARD
CHICAGO

TELEPHONES
OFFICE
DREXEL 6600
DREXEL 6601
RESIDENTS'
KENWOOD 10160
DEAN'S RESIDENCE
ATLANTIC 0131

If you have time to see me I shall be in Washington next week from Tuesday through Thursday. You can reach me either at Abraham Lincoln Centre any time up to this Friday evening, or at Lee House in Washington sometime Tuesday.

Very truly yours,
Anna Louise Strong

ALS:LTF

Anna Louise Strong

CHUNGKING AWAITS ROOSEVELT ADVICE

Civil War in China Is Held to Depend on Visit of Currie, the President's Envoy

CHIANG IS CURBING REDS

Britain and Russia Warned of Peril in Effort to Disarm the Communists Now

The question whether civil war will immobilize China's war against Japan is examined here, in the light of recent internal clashes in China, by an American writer who has just returned to the United States after spending several weeks in Chungking and other parts of China.

By ANNA LOUISE STRONG

North American Newspaper Alliance

The forcible disarming of the rear guard of the Chinese New Fourth Army by General Chiang Kai-shek, with 4,000 of the New Fourth Army killed, 2,000 wounded and their famous General Yeh Ting held for court martial, may be the beginning of civil strife that might alter the balance of the present world war.

The deciding dice may be thrown by an American now flying above the Pacific in the China Clipper, who hardly realizes how all China hangs on his words. Lauchlin Currie is going out as President Roosevelt's envoy to discuss the Chinese loan, a plain matter of banking. But, because America's slightest nod is world-important, what the Chinese think that Mr. Currie thinks that Mr. Roosevelt thinks will decide other things as well.

For more than a year armed clashes have been increasing between the Communist-led Chinese armies and other Chungking troops. Both sides—not only the Chungking censorship—concealed their full extent from outsiders because they shrank from a final split. This made it possible to write off each clash as "local friction," which Chungking was, presumably, trying to mediate.

World's Reaction Is Sought

The publicizing of the present clash by General Chiang as his own action is thus more ominous than the actual battle. It indicates that he thinks the time is ripe for a showdown and is seeking Chinese and international reactions before deciding whether to execute Yeh Ting and disarm all Communist-led troops.

The present action is far from finished. The larger Eighth Route Army is still intact and the greater part of the New Fourth Army is not yet disarmed. Only the rear guard and the army staff were caught as they tried to cross the Yangtze River. Most of the army is in contact with the Eighth Route Army's general staff farther north.

If General Chiang decides to disarm the rest of the Communist-led armies, and if these resist as the New Fourth Army rear guard did, there will be large-scale civil war. This will set Japan free from the "China incident" and allow her to throw her main force against the British, French and Netherland possessions in the South Seas, leaving only a few naval stations behind her on the China coast, behind which the rival Chinese factions would battle to exhaustion.

This is so clearly the German policy for Japan that most foreign observers in China told me in December that the Kuomintang-Communist clashes must all be viewed in the light of Japanese plus German intrigue.

"Japan's fifth-column work has improved greatly," they said, "since German advisers went to Tokyo."

A high Chinese military official in Chungking also told me that the whole friction was desired neither by the Communists nor by General Chiang, but was stimulated by hidden pro-Japanese elements.

"Wang Ching-wei [head of the Nanking puppet government] is gone, but his secret supporters remain," this official said.

Reds' Expansion Is Stressed

"Unruly expansion" of the Communist armies was given to me as the chief cause of complaint by many Chungking leaders, including Sun Fo, chief of the Legislative Yuan, and Pai Chung-hsi, Vice Minister of War. The Communist armies have expanded to at least five times the strength they had in 1937, when the Generalissimo accepted their allegiance, allowed them to organize the Eighth Route Army in North China, and the New Fourth Army on the lower Yangtze, assigning to them guerrilla operations in territories held by Japan.

The Communists received pay for only 45,000 men, but most military observers agree they have more than 500,000 through the organization of local peasant troops. Using their hit-and-run tactics, made necessary because they are surrounded by Japanese and without large-scale arms, they have fought from Manchuria south to the Yangtze and from the Mongolian deserts east to the sea.

They break railways on all sides of Peiping and put up posters inside the city walls. Once they entered Manchuria to within 100 miles of Mukden, making contact with 100,000 poorly organized Manchurian volunteers.

They took Chefoo in Shantung and held the port long enough to run in several shiploads of war supplies. Lately the Eighth Route Army has penetrated southward far enough to make contact with the New Fourth Army moving north. The latter has operated in the Yangtze Valley from below Nanking upstream almost to Hankow.

The Communists do not hold all these areas continuously but hold relatively permanent bases from which they harry the Japanese. They have never operated in "free China"; even their permanent bases are behind Japanese lines.

If the Communists would stay in their original areas there would be no trouble, Sun Fo and many others assured me in Chungking. The court martial charge against Yeh Ting at present is that he "plotted" to take "the whole China seacoast from Shanghai to Northern Shantung."

If the charge seems curious, since this would be taking areas now held by Japan, it should be remembered that if the Japanese are driven from this richest region in China, Chungking does not want to find a Communist peasantry.

So a new slogan was surreptitiously whispered in Chungking during my visit: "Japanese are only lice on the body of China, but communism is a disease of the heart." It is reminiscent of the old civil war slogan: "Fight Communists first and then Japan."

Till now General Chiang has frowned on such slogans. Ninety per cent of the Chinese want to avoid civil war. Whence, then, come the slogans? Is this typical fifth-column intrigue?

General Chiang is assumed in Chungking to want to check the Communists as much as possible without causing civil war. All the Chinese I met there assumed that this was America's desire. But they all said that every type of pressure and intrigue was working on China and that if General Chiang started "disarming Communists" he might find it hard to stop.

Hence the trial balloon of the public announcement. General Chiang wants to know how the Chinese, Britain, the Soviet Union and America react.

The Soviet Union understood his question and answered at once. Their Tass news agency dispatch on the "serious threat of civil war" was a notice that General Chiang understood: "Will we continue to give you munitions to fight the Communists? The answer is 'No'."

Chinese are also answering. Scores of them told me in December how they were "urging patience," "trying to mediate," striving to avoid civil war. Britain reacts through Sir Archibald Clark Kerr, their Ambassador, whom I saw twice in Chungking and who is known to be telling the Chinese that civil strife would be a major catastrophe for the world.

America's answer is now awaited. America's slightest gesture affects the whole world today. That is why all Chinese are attaching to Mr. Currie's visit an importance greater perhaps than he himself knows.

February 28, 1941.

CONFIDENTIAL

Mr. William S. Knudsen,
Director General,
Office of Production Management,
Washington, D. C.

Dear Sir:

By direction of the Secretary, I am sending you copy of a report received from a Treasury representative in Shanghai.

Very truly yours,

Herbert E. Gaston,
Assistant Secretary of the Treasury.

Enclosure.

February 28, 1941.

CONFIDENTIAL

The Director,
Naval Intelligence,
Navy Department,
Washington, D. C.

Dear Sir:

By direction of the Secretary, I am sending you copy of a report received from a Treasury representative in Shanghai.

Very truly yours,

Herbert E. Gaston,
Assistant Secretary of the Treasury.

Enclosure.

HEG:ds

February 28, 1941.

CONFIDENTIAL

The Assistant Chief of Staff, G-2,
Military Intelligence,
War Department,
Washington, D. C.

Dear Sir:

By direction of the Secretary, I am sending you copy of a report received from a Treasury representative in Shanghai.

Very truly yours,

Herbert E. Gaston,
Assistant Secretary of the Treasury.

Enclosure.

HEG:ds

SHANGHAI

February 26 1941

From Campbell

For Nicholson

En route to Singapore a French aviation engineer of high standing just past through Hongkong after seven years work in Japanese aviation factories He gave Y U O L E (?) following data which is considered most reliable The Japanese have in Japan about 3000 bombers and pursuit planes in excellent fighting condition plus 2000 poorly conditioned planes In addition at the end of January they recalled to Tokyo all the good planes they had in North China and Manchukuo The Japanese aviation industry is geared to produce between 700 and 900 planes monthly and sufficient materials are on hand to last eight months All anticraft defense in Japan is in exceedingly poor condition due to faulty manufacturing Air pilots are sufficient to man the planes on hand but they are very slow in turning out new men for such service From what he has seen this engineer is of the opinion the Japanese navy is in fine shape and should not be underrated Japanese are said to greatly fear initial attack on their merchant fleet due to their dire need of securing supplies

JACOBSON

No. 798 Chungking, February 27, 1941.

SUBJECT: EXPORT OF COMMODITIES FROM UNOCCUPIED CHINA TO GERMANY.

STRICTLY CONFIDENTIAL

AIR MAIL

The Honorable

The Secretary of State,

Washington, D. C.

Sir:

I have the honor to refer to the Department's telegram no. 24, January 13, 9 p.m., to Shanghai and to my telegram no. 24, dated January 17, 11 a.m. and to report that upon additional investigation there is no evidence of American goods being reexported from unoccupied China to Germany. It is possible that very few American products destined to Germany from unoccupied China are smuggled through the Japanese lines but no American firms are known to be engaged in such trade.

With regard to Chinese products, however, there is a certain amount of trade with Germany via Russia. An official of the Foreign Trade Commission stated the other day that Russia is very insistent on the prompt delivery of Chinese products in fulfilment of the Sino-Russian trade agreements which provide for barter in practically all cases. According to this official the Russians are especially insistent that deliveries of silk and wool be made on time. The Russian authorities freely admit the fact that they are particularly anxious to obtain silk for manufacturing parachutes. The Chinese official mentioned above claims that a large portion of the Chinese silk and wool going to Russia is for Germany. He believes that the only reason Russia is so insistent that the Chinese don't lag in keeping their contracts for delivery of wool and silk is due to German pressure on the former country.

It might be mentioned also that wolfram is smuggled out of unoccupied China and eventually finds its way to Shanghai from where it is transported to Vladivostok for trans-shipment to Germany. The extent of this illegal traffic is not known and there are no estimates available here of the amount that finally reaches Germany. Local officials, however, state that they believe the volume is not inconsiderable.

Respectfully yours,

Nelson Trusler Johnson

Original and one copy by air mail to the Department.
Three copies by ordinary mail to the Department.
One copy by safe hand to Peiping.
One copy by safe hand to Shanghai.

610.22
JJM/wr

eh:copy

DES

GRAY

Berlin

Dated February 27, 1941

Rec'd 9:45 p.m.

Secretary of State,

Washington.

726, February 27, Noon.

The German press announces the conclusion on Wednesday in Rome of commercial negotiations which have lasted for several weeks between representatives of Italy led by Ambassador Giannini and of the Reich led by Minister Clodius. The new agreement is said to cover trade and clearings and to provide for an increase in the exchanges between the two countries for the year 1941. It is reported that in order not to hamper the delivery of merchandise vital to the conduct of the war there shall be no limitation of exports from either country irrespective of the balance of trade or clearing debt.

Dr. Clodius is quoted as having said that since the outbreak of the war Italy has been able constantly to increase its shipments of raw materials to the (*). He added that there had been no place in the recent negotiations for sharp bargaining and that the one preoccupation had been the furtherance of useful exchanges. The Minister pointed out that Italian shipments are not limited to fruit, oranges, tangerines and fresh vegetables, although one must emphasize the fact that for Germany such products are of vital importance for the nourishment of the population and for the vitamin ration but extend to important raw materials such as raw silk, mercury, sulphur and pyrites. Italian rice deliveries he added come especially into consideration at present as part of the army diet. Over 90% of the Italian shipments, Clodius revealed,

are

are vital to the very life of the Reich while a good three fourths are of immediate military importance in the narrowest sense of the term.

The raw material deliveries from the German side, according to the Minister are primarily coal and iron and steel. Although the so-called coal agreement of March 1940 called for shipments which were at the time characterized by the outside world as impossible though high and which it may parenthetically be remarked were set at 1,000,000 tons a month the German shipments, Dr. Clodius asserted, have not only maintained the stipulated level but have in the meantime actually been increased by a good 5%. The Minister implied that a feature in transportation has been accomplished by the German railway while on their side the Italian railways have satisfactorily met their task.

Since the Italian entry into the war German deliveries of iron and steel to the peninsula have been doubled a fact which demonstrates in the opinion of Dr. Clodius not only that the German metal and iron producing and iron working industries but also the Italian armament plants have still further increased their capacity and output.

Although the new trade agreement is announced as for the full year 1941 Minister Clodius states that at the beginning of June negotiations will be renewed in order to settle details regarding the further execution of the program upon which fundamental agreement has already been reached.

Quite apart from the question of raw materials consideration has had to be given to exchanges in finished products, petty exports and cash payments which have also increased in volume according to the Minister in spite of the more essential character of the raw materials shipments.

For the year 1941 German-Italian commerce is said by the Minister to be five times greater than it was four or five years ago and to be worth nearly

a

a billion reichsmarks.

Labor imported from Italy for work in industry and on the land, Dr. Clodius concluded, serves also as an important factor in effecting a clearings balance the two countries.

Inform Commerce, Treasury.

MORRIS

HR
DDM (*) apparent omission

mg COPY

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 27, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns.................£61,000
Purchased from commercial concerns..........£12,000

The Federal Reserve Bank of New York sold £10,000 in registered sterling to a non-reporting bank.

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

Sold to commercial concerns.................£ 3,000
Purchased from commercial concerns..........£ 1,000

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

Canadian dollar	14-7/8% discount
Swiss franc (commercial)	.2323
Swedish krona	.2385
Reichsmark	.4005
Lira	.0505
Argentine peso (free)	.2360
Brazilian milreis (free)	.0505
Mexican peso	.2066
Cuban peso	6-27/32% discount

In Shanghai, the U.S. equivalent of the yuan was 5-19/32¢, up 1/16¢. Sterling was 3.91¢, off 1-1/2¢. In Hong Kong, both the H. K. dollar and sterling were higher in terms of United States currency at 24-5/8¢, up 3/16¢ and 3.94, up 3¢, respectively.

There were no gold transactions consummated by us today.

No new gold engagements were reported.

In the report of February 24 mention was made of a shipment of gold valued at $21,010,000 from the Bank of Canada for the account of the Royal Netherland's Government. The Federal Reserve Bank of New York informed us today that this gold was sold and that the proceeds will be credited to the account of the Royal Netherland's Government.

The Federal also informed us that the shipment of $5,600,000 in gold from Vladivostok, which we reported yesterday, was shipped by the State Bank of the U.S.S.R. to the Chase National Bank, San Francisco, for sale to the U.S. Mint.

The London fixing prices for both spot and forward silver were unchanged at 23-7/16d and 23-5/16d, respectively. The U. S. equivalents of these prices are 42.56¢ and 42.33¢.

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

We purchased 100,000 ounces of silver under the Silver Purchase Act. All of this silver consisted of new production from foreign countries, for forward delivery.

H.M.Jr.

CONFIDENTIAL

ar Miss Chauncey

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 27, 1941.

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

The Federal Reserve Bank of New York reported the following transactions in which Hungarian accounts are involved.

First National Bank of Boston, Boston

Date	Account Debited	Amount Debited	Paid To
February 26	Central Corporation of Banking Companies, Budapest	$750,000	Guaranty Trust Company of New York for account of Central Corporation of Banking Companies, Budapest

National City Bank of New York

Date	Account Debited	Amount Debited	Paid To
February 26	Hermes General Hungarian Exchange Office, Budapest	$ 25,000	Chase National Bank of the City of New York in favor of National Bank of Argentina by order of Banque Solonique, Istanbul

Guaranty Trust Company of New York

Date	Account Debited	Amount Debited	Paid To
February 27	Central Corporation of Banking Companies, Budapest	$675,000	Chase National Bank of the City of New York for account of Banque Commerciale de Bale, Switzerland
February 27	Central Corporation of Banking Companies, Budapest	$ 50,000	Chase National Bank of the City of New York for account of Credit Suisse, Zurich

February 27, 1941.

To: Secretary Morgenthau

From: Mr. Gaston

The discontent of Senator Guffey, mentioned to you on the phone yesterday by Senator Barkley, undoubtedly relates to the Collectorship of Internal Revenue at Pittsburgh.

William Driscoll, the Collector, was appointed in February 1936 on recommendation of Guffey. Both he and Leo A. Ivory, who was appointed Collector of Customs at about the same time, were adherents of Dave Lawrence, the Pittsburgh Democratic leader, who was then in harmony with Guffey. Lawrence later split with Guffey and on the expiration of Ivory's term as Collector of Customs Guffey declined to recommend him for reappointment. He recommended Dennis A. Phelan, who was commissioned on May 29, 1940, and assumed office July 1.

On February 13 we received the letter which I am attaching hereto from former Senator Sherman Minton, now Administrative Assistant to the President. Since I have no instructions to recognize direction by Minton in political matters, I consulted Democratic headquarters. Chairman Flynn was in California (and still is) but I sent to his assistant, Mathews, at his request, a copy of the letter from Minton and the memorandum also attached. Mathews forwarded this by airmail to Flynn. Mathews said last evening that he would be telephoning to Flynn this morning and would mention the matter again to him.

Collectors of Internal Revenue hold office at the pleasure of the President. Driscoll is an efficient Collector.

Encl.

HG

Henry — Would you fire Driscoll for me and let Barkley & Guffey know. Thank you [illegible]

THE WHITE HOUSE
WASHINGTON

February 13, 1941

Opdto Feb/36

Dear Mr. Secretary:

Senator Guffey has recommended the change of the Collector of Internal Revenue for the Twenty-third District, with headquarters in Pittsburgh. The present Collector is William Driscoll.

Senator Guffey has recommended for this position Stanley Granger, Waynesburg, Pennsylvania. The President would like to go along with Senator Guffey's recommendation if Mr. Granger measures up.

I hope you will find Senator Guffey's suggestion agreeable and order the necessary investigation to determine Mr. Granger's fitness.

Very sincerely yours,

Sherman Minton

SHERMAN MINTON
Administrative Assistant
to the President

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

COPY

February 15, 1941.

TO: Mr. Mathews
FROM: Mr. Gaston

William Driscoll was appointed collector of internal revenue at Pittsburgh (23rd Pennsylvania District) in February 1936 on recommendation of Senator Guffey. Terms of collectors of internal revenue are indeterminate; that is, at the pleasure of the President. Mr. Driscoll entered the internal revenue service as deputy collector on December 27, 1917 (Wilson administration) and continued in the service until November 22, 1928, when he resigned and reentered the contracting business. We are informed that he had attained such intimate knowledge of the work of the office and displayed such ability that he would have been chief deputy under a Republican administration except for the fact that he was an acknowledged and outspoken Democrat. Mr. Driscoll reentered the internal revenue service on August 3, 1933, as chief of the field division in the collector's office at Pittsburgh.

I stated to Mr. Flynn when I saw him several days ago our point of view with respect to the replacement of competent officers. Mr. Driscoll is regarded by the Commissioner as competent.

There is the further consideration that the filing date for income tax returns is only four weeks away. It would be very unwise to make any change in this important office prior to and for some weeks following March 15, and I am sure that the Secretary would resist any proposed change strongly.

HEG:ds
Enclosure: Copy of letter to the Secretary, dated 2-3-41 from Sherman Minton.

Copy to:
Miss Chauncey
Mr. Sullivan