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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, July 1, 1941.
6/30/41

Press Service
No. 26-20

The Secretary of the Treasury announced last evening that the tenders for \$100,000,000, or thereabouts, of 91-day Treasury bills, to be dated July 2 and to mature October 1, 1941, which were offered on June 27, were opened at the Federal Reserve Banks on June 30.

The details of this issue are as follows:

Total applied for - \$281,145,000
Total accepted - 100,880,000

Range of accepted bids:

High - 99.990	Equivalent rate approximately	0.040 percent
Low - 99.975	" " "	0.099 "
Average price - 99.978	" " "	0.087 "

(35 percent of the amount bid for at the low price was accepted)

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July 2, 1941
8:53 a.m.

HMJr: I got a very mysterious call last night; somebody claimed he got - found some papers of yours.

Harry White: Oh, I left them in the Treasury car instead of taking them home and I called up this morning - I missed them last night, but I knew they were in the car so I didn't bother about them. I called up - called up early this morning and told them to have it in my desk.

HMJr: Well, somebody must have stolen them.

W: Is that so?

HMJr: Yeah. Because this fellow wanted a reward and everything else.

W: Well, that's what must have happened then.

HMJr: I think - you think I better put it on Secret Service?

W: Oh, yes, they were - must have - they were important papers in there because I just took all the papers out of my box that I had to look over yesterday - telegrams and whatnot. I came back late from the meeting and I said - I thought to myself that I would do them at night, so I don't know what's in there. I just took - lifted the - all the - the whole batch and put it in the bag with a newspaper.

HMJr: This fellow had a strong German accent, who called me.

W: Well, I don't know what he read. There may have - well have been something in there that he shouldn't have. I don't even - wouldn't even know what he took out until some time.

HMJr: Well, he had a strong German accent.

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W: (Laughs) Well, I hope it was Jewish.

HMJr: No, I think it was German.

W: Well, I - we certainly got to get right after it because there is bound to have been some important papers there, because it was a whole day's collection and I think more because there were some other papers that I hadn't even seen yesterday.

HMJr: Well, I'll turn it over to Chief Wilson.

W: Yes. All - have you got some clues?

HMJr: Well, I don't know. I'll tell them the time of the telephone call and everything and see whether they can trace it.

W: Yeah, I'll get right after - I'll find out from the chauffeur too, because I know it was in the car on my way home.

HMJr: Yeah.

W: And then I missed it at night when I was - wanted it to get....

HMJr: This man said, "You will hear from me again".

W: Uh huh. Well, all right, I'll get busy at my end and yes, I wish you would turn it right over to the Chief.

HMJr: Okay, Harry.

W: All right, sir. Thank you.

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MISS CHAUNCEY

Mr. Foley carried to 9:30 meeting
today - 7.1.41

MR. FOLEY

JUL 1 1941

Secretary Morgenthau

Mr. Foley

Subject Contractors' Profits

1. In accordance with your request at the Staff Meeting last Friday, I have obtained and attach a memorandum from Commissioner Helvering explaining the procedure of the Bureau of Internal Revenue in checking costs of government contractors.

2. The memorandum discloses that since the suspension of the Vinson Act the Treasury examines the accounts and records of Army and Navy contractors solely for the purpose of determining the correct income and excess profits tax liability. Such an investigation does not usually develop facts concerning the profit on any particular contract.

3. Prior to the suspension of the Vinson Act, the Treasury examined reports filed by those Army and Navy contractors subject to the Act. These contractors' reports showed the profits on contracts covered by the Vinson Act completed during the year. The procedure for determining their accuracy followed, in general, the procedure for the examination of income tax returns.

4. Even before the suspension of the Vinson Act, the Special Senate Committee on Investigation of the Munitions Industry reported that "the attempts to enforce profit limitation are being thwarted."

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The Special Senate Committee found that:

"There is absolutely no effective control of costs possible without a huge policing system of auditors and inspectors constantly on the premises."

It also concluded that:

"* * * the only way to prove that a company had not improperly allocated overheads from commercial jobs onto Navy jobs would be to audit all the commercial jobs being done by a private yard as well as the Navy work; in short to audit all the work done by the yard and to establish uniform accounting, * * *"

For example, it is not yet clear just how much of the fraud in the Falk Corporation case would have been discovered by the Internal Revenue auditors if there had not been an informer who was referred to the Bureau by Senator LaFollette.

(Initialed) E. H. F., Jr.

CLK.
7/1/41

C O P Y

JUN 30 1941

IT:P:CA
CAA

Memorandum to the General Counsel.

In re: Contractors' profits.

In response to your request of June 27, I am submitting information with respect to the Bureau procedure in the investigation of contractors' profits on government contracts:

Question 1. What is done about excessive profits such as disclosed in the matter of The Falk Corporation?

Answer. This determination in the matter of The Falk Corporation which has not yet been entirely completed, results from the examination of the reports filed by this contractor of profits on contracts completed in the calendar years 1938 and 1939, subject to the profit-limiting provisions of the Vinson-Trammell Act.

The procedure for the determination of the profit, and the excess profit, if any, and for the assessment and collection of any excess profits under the profit-limiting provisions of the Vinson-Trammell Act is, in general, the same as established procedure for the examination of income tax returns, and the determination of the tax liability, including opportunities for protests and conferences, except that reports of examinations shall be forwarded to the Bureau for review and approval before action is taken to close the case in the office of the internal revenue agent in charge. The contractor may appeal the case to the Technical Staff following action on the case by the internal revenue agent in charge and also has the right of appeal to the United States Board of Tax Appeals with respect to a determination of additional excess profit. Assessments and collections of excess profits and penalties are made in the same manner as in the case of income taxes.

Question 2. What do we do about reviewing the determinations?

- 2 -

Memorandum to the General Counsel.

In re: Contractors' profits.

Answer. As stated above, reports of examinations are forwarded to the Bureau by the internal revenue agents in charge for review and approval before action is taken to close the cases.

The reports of examinations are reviewed first in the appropriate Audit Review Division of the Income Tax Unit and then in the Coordinating and Advisory Section, Practice and Procedure Division. If the Bureau concurs in the conclusions found in the examining officer's report, it will take the action necessary to close the case. If the Bureau should not agree with the conclusions found in the examining officer's report, it will return the files to the internal revenue agent in charge with a memorandum setting forth clearly the exceptions taken and outlining such further field action as it may consider necessary to permit the closing of the case.

If the contractor, following action by the internal revenue agent in charge, appeals to the Technical Staff, the Staff proceeds to handle the case in the same manner as for income tax cases; review of the Staff action is made by Staff reviewers.

Question 3. Are we doing this systematically, and do we look into contracts of the Army and Navy any more?

Answer. The work is being done systematically. Reports filed by contractors covering profits which are subject to the profits limitations are being investigated and acted upon as rapidly as possible. In cases where, by reason of the suspension of the profits limitations, the investigation is for purposes of the income and excess profits taxes the examination of the accounts and records follows the procedure which is necessary for such purposes, the objective differing somewhat from that involved in the determination of excess profits on some particular contract. Any unusual features coming to the notice of the examining officer are commented upon in his report.

Question 4. Who checks up to see whether there are other cases like The Falk Company?

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Memorandum to the General Counsel.

In re: Contractors' profits.

Answer. Investigations by the Bureau of contracts subject to the profits limitations develop the facts with respect to particular contracts. Investigations by the Bureau for purposes of the income and excess profits taxes develop the facts with respect to the entire gross income from all sources of the taxable year. In the latter case reports are not ordinarily made of the profits on particular contracts.

Question 5. Since the Vinson-Trammell Act died, have we stopped looking into illegal excessive profits, or does some other agency?

Answer. See answers to questions 3 and 4.

This office is not informed as to the present practice of the Navy and War Departments; prior to the emergency they made investigations in regard to contractors' costs and profits.

The reasons for the suspension of the profit limitations stated by committee report No. 2894 of August 28, 1940 to the House were as follows:

"Since the proposed excess-profits tax will apply to all corporations, including corporations now subject to the special profit-limiting provisions of the Vinson-Trammell Act, it is felt that such special provisions should not apply while the excess-profits tax is in force. Uniformity will thereby be achieved in the treatment for tax purposes of all abnormal profits resulting from the national defense program. It is not believed that the limited types of businesses affected by the Vinson-Trammell Act should be treated, during the period in which the excess-profits tax applies, differently from the way in which other businesses engaged in production for the national defense are treated."

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Memorandum to the General Counsel.

In re: Contractors' profits.

Question 6. Does anybody check up on the Army and Navy?

Answer. Other than the investigations of the remaining contract reports which are subject to the profits limitations, no investigations are made of practices of the Navy and War Departments, except that unusual features coming to the notice of the examining officer in the course of the tax investigation are, as stated in the answer to question 3, commented upon in the report of the examination.

(S) GUY T. HELVERING

Commissioner.

July 1, 1941
9:30 a.m.

GROUP MEETING

Present: Mr. Bell
Mr. Haas
Mr. Odegard
Mr. Blough
Mr. Foley
Mr. Johnson
Mr. Cochran
Mr. Kuhn
Mr. Kuhn
Admiral Waesche
Mr. Graves
Mr. Schwarz
Mr. Sullivan
Mr. Thompson
Mr. White
Mrs. Klotz

H.M.Jr: I hear we have got two ten o'clock fellows
this morning.

Foley: Yes.

H.M.Jr: Are you going up too, John?

Sullivan: Yes, sir.

Graves: I am a ten o'clock fellow this morning.

H.M.Jr: Good. I have got nothing to do. All right,
we will do the ten o'clock fellows.

Foley?

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Foley:

I haven't had a chance to clear this with Dan and with Harry, but I would like to mention it.

Now that the Stabilization Extension Act has been signed by the President, it will be necessary to amend the two outstanding agreements, the one with China and the one with Argentina. I think it is essential that they be dated as of the thirtieth of June before the powers went out of date.

Now, I have the agreements here, and I would like to turn them over to Dan and perhaps he could arrange to have the necessary people come in and sign them.

Bell:

All right.

Foley:

There has been a good deal of confusion about the forfeiture of the sabotaged vessels in our ports. As I understand it, the President centered the responsibility for getting the use of those boats in Admiral Land. The State Department went down on the Hill and said that the boats were not to be forfeited, but they were to be acquired and paid for. At the time they justified the reason for it as a desire on their part not to have retaliation against American property abroad.

Francis Shea, acting for Justice, has written us a letter and made a mealy-mouthed representation that there probably was evidence of sabotage and sort of put it up to us to go forward. I told Shea yesterday that we would not do anything about it until, (A) we had a letter from the State Department saying that it was the policy of the State Department that these vessels should be forfeited; and (B) a request either from Admiral Land or from the Attorney General to you (Secretary) to the effect that

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they wanted us to acquire the boats.

H.M.Jr: The reason I am looking at Bell is because I have been talking with Bell on this continuously. Did you know that?

Foley: No.

H.M.Jr: Well, I have.

Bell: Well, that is all right. What he is saying is all right because those are the same instructions that I gave Huntington Cairns. The letters that we got from State --

H.M.Jr: Where is it crossing?

Bell: I think Huntington has been talking with --

Foley: When Gaston went away he asked me if I would look after matters in his shop through Huntington Cairns, and I told him I would.

H.M.Jr: Well, Bell has been contacting me.

Foley: Well, Francis Shea came over yesterday for the meeting and it was after the meeting that we had this discussion.

H.M.Jr: Well, I can't help it.

Foley: There are two letters that have come over from --

H.M.Jr: I don't want to work with two people. I have worked continuously with Bell on this thing.

Bell: It is all right, I don't think there is any crossing except that probably Huntington has taken it up with Ed's staff meeting with him. I have been discussing it and started

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last Thursday with him on the matter, and the two letters which we got, one from State and one from Justice, certainly would not justify you taking the action, and I told Huntington to tell the two departments that we would not touch it until we got definite instructions.

H.M.Jr: You had better find out from Huntington why he doesn't let you (Foley) know that Bell has been handling it for the last two or three days.

Foley: Well, I wasn't here, you see, on Friday and Saturday and I assumed that that was why he was talking to Dan then. But I was back yesterday and Shea was over and talked to me about it. It was a matter between ourselves and Justice. I thought it was my baby.

H.M.Jr: Well, I don't want to work with more than one person. As long as I have been working with Bell when you were away, let me finish with Bell, Ed, you see.

Foley: O.K.

Bell: I think probably Huntington thought it was a decision of policy for the department. He came to me as Acting Secretary.

H.M.Jr: Which is perfectly proper, and I think that he should have told you. Didn't he know - he was in your room --

Bell: Oh yes, he was there with me.

H.M.Jr: When Bell talked with me two or three times he was there. He should have told you (Foley).

Bell: I just assumed that he was keeping Ed advised. I think he was.

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H.M.Jr: Now, where does it stand? Do you want me to read those?

Foley: Those are the replies to State and Justice saying just what I have said now.

H.M.Jr: Well, give Bell a chance to look at them.

Bell: I would like to, because I question whether we ought to put anything in writing at the present time, just tell them informally that we will not act on those letters.

Foley: I think we ought to reply to the letters, Dan, because I wouldn't want the record to appear that the next move was up to us and we were doing nothing about it. I think we had better get the letter back to them so that they will know clearly that the next step is theirs.

H.M.Jr: Ed, please tell Huntington when he knows that Bell is talking to me, sitting in Bell's room, that he should tell you about it and give Bell a chance to read this thing, you see, and I am available any time this morning. I mean, the only difference is that somebody has got to admit that the President told them to do this.

Foley: That is right.

H.M.Jr: And they were going to get the President to tell me. Well, the President didn't tell me anything. He had a chance to yesterday. So that is the only - I don't know --

Foley: We are all together.

H.M.Jr: We are all together. The only mistake that I can see is that Huntington should have told you that Bell had it.

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Foley: Well, I knew that he had talked with Dan on Friday and Saturday. I wouldn't blame Huntington. If anybody is at fault, I am at fault.

H.M.Jr: All right. Next.

Bell: My fear on answering these letters was that we might say that we would take no action on these letters and then the President might come along and say to the Secretary, "I would like to have you take that action," and then you have got a record in the file that you said you wouldn't take any action.

Foley: But we said unless the request comes from the proper authority, Dan, leaving it open for a memorandum from the President.

Bell: That is all right.

Foley: For a memorandum from the President as being the proper authority.

H.M.Jr: Why can't I sign this thing for Judy Garland, "With love and kisses"? Everything is so formal.

Bell: She is married, isn't she?

H.M.Jr: Judy Garland?

Bell: Going to be soon.

H.M.Jr: You are so puritanic.

Bell: It would lose all the glamour. (Laughter)

Schwarz: All the more reason.

H.M.Jr: All right, Ed, have you got anything else?

Foley: Here is a memorandum on the --

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H.M.Jr: I read your story in the Times. They gave you a nice play.

Foley: Probably Ferdie had something to do with that.

H.M.Jr: Maybe Mr. Sulzberger did.

Foley: Maybe. Ferdie and Chick.

H.M.Jr: Anyway, it read very well. A little bit highbrow for me, though, but it read very well.

Foley: Thank you.

Here is a memorandum on the investigating under the freeze control powers. You had better talk with John Pehle about it.

H.M.Jr: Freeze control powers on what?

Foley: You asked that we have a memorandum as to how the investigating was to be handled in connection with the freezing of those properties. You said you wanted to see it and approve it before we gave it to the committee.

H.M.Jr: That is right. And in this thing is one letter from the great Sammy, in which J. Edgar Hoover writes a letter to me, attention of John Wiley, saying that in view of the freezing, from now on he will withdraw his investigators.

Foley: That is right.

H.M.Jr: And Sammy says he must keep on.

Foley: No, that is right, and that is what you wanted.

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H.M.Jr: Yes.

Foley: Sure.

H.M.Jr: Well, let me leave it this way. Who all is in on this?

Foley: Well, Herbert and John Pehle and I have been doing it up to now, and I think --

H.M.Jr: Well, whenever you are free if you will tell - arrange a meeting with Stephens and I will read it at that time, whenever you are free.

Foley: All right.

You asked for a memorandum at the staff meeting on Friday in regard to contractors' profits now that the Vinson-Trammell Act has been repealed. There is a summary of a memorandum which Helvering has sent over.

Here is an agenda of the meeting with the Federal Reserve representatives and the District Comptroller's Examiners for this morning, and there are going to be about forty people there. Meetings are to be today and tomorrow in the Elizabeth Room of the Raleigh Hotel.

Dean Acheson is coming over this morning at ten o'clock and Preston Delano is going to be there to say a few words, and I think if you could arrange your schedule --

H.M.Jr: Well --

Foley: Well, I think it is air-cooled over there.

H.M.Jr: Yes, but the streets aren't. I will see.

- 8a -

Foley: All right.

H.M.Jr: I doubt if you are going to see me.

Foley: O.K.

H.M.Jr: What else?

Foley: That is all.

H.M.Jr: Mr. Foley and Mr. White, material requested by Secretary Ickes on octane gas. Have you got that?

White: I have got the note and we looked up the material. I don't think we have what you - I don't have what you referred to.

Foley: I have it, Mr. Secretary, and I thought I had it with me. I don't know why I didn't bring it in.

H.M.Jr: Maybe you are sitting on it.

Foley: I guess they didn't hand it to me.

H.M.Jr: Would you mind getting it.

Foley: I put it with the material I was going to bring in.

H.M.Jr: Will you get it?

Foley: Yes.

H.M.Jr: Who is Ray Block?

Kuhn: I will have to find out.

H.M.Jr: You get a demerit. (Laughter)

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Graves: Isn't that an orchestra leader?

Haas: Yes.

Kuhn: Is he an orchestra leader?

Graves: I think he is.

Odegard: He has a choir, I think.

Graves: He is the leader of the choir on this thing Wednesday.

H.M.Jr: Lynn Murray is the leader of the choir. You are all flunked. Lynn Murray is the leader of the choir, unless we have two choirs.

Sullivan: Three billion three hundred thirty-seven million nine hundred thousand when we - at the close of business yesterday afternoon.

H.M.Jr: Wonderful.

Sullivan: With a hundred sixty-seven million more to go. Nothing on tobacco, nothing on beer, nothing on gasoline.

H.M.Jr: Wonderful. That leaves us plenty, doesn't it?

Sullivan: And the check tax lost by one vote.

H.M.Jr: No.

Sullivan: I am telling you it was the nearest thing to apoplexy you ever saw. Doughton got talking so fast one sentence ran into the other.

H.M.Jr: It came within one vote?

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Sullivan: Yes.

H.M.Jr: What else?

Sullivan: You recall we issued instructions that there were to be no more extensions of time on the filing of excess profits. All of the accountants are descending on the Commissioner and they have filed a formal protest and he is denying the protest and he wanted to let us know, because he is very sure they are coming over here and put the heat on us. He seems to think that they had better preserve the general rule of no more extensions, and then if a very, very tough case comes along, he can grant an extension in that one case, and he alone will be able to do it.

H.M.Jr: How about if Ed Flynn asks for one?

Sullivan: Oh, he can take care of Ed, too.

H.M.Jr: He wouldn't grant it?

Sullivan: No, he would stand the heat all right.

H.M.Jr: How is the deficit of the National Democratic Party?

Sullivan: I beg your pardon?

H.M.Jr: How is the deficit of the National Democratic Party?

Sullivan: I don't know. There was a complaint on alleged political activities of Paul Maloney, the Collector of Internal Revenue in New Orleans, and an investigation was made which failed to substantiate the charges. Birmingham, the proposed new collector in Iowa, has been investigated in accordance with your request and --

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H.M.Jr: In accordance with the President's request.

Sullivan: And the investigation shows that he is all right. Shall we prepare the papers?

H.M.Jr: Prepare the papers.

Sullivan: That is all I have, sir.

H.M.Jr: You are excused, you and your partner, Blough.

(Mr. Sullivan and Mr. Blough left the conference.)

H.M.Jr: Now, Edward, would our original one take care of the gas situation?

Foley: Oh sure, and all petroleum products.

White: That is what has come in.

H.M.Jr: Now, wait a minute.

Foley: I was just going to show you the enclosures there that --

H.M.Jr: What is that, Ed?

Foley: I was just going to show you the enclosures to show how the thing had changed.

H.M.Jr: It is all in there?

Foley: It is all in there, and it is marked with a red pencil.

White: It shows we got four or five times as much high test gas and lubricating oil - we sent four or five times as much as we did in the whole of the previous year.

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H.M.Jr: And that is in there?

White: No, that is that separate table, merely for your own information.

H.M.Jr: You say twelve months' breakdown. I see. O.K. Anything else, Ed? You want to be excused?

Foley: Yes.

(Mr. Foley left the conference.)

H.M.Jr: Who comes next on the excuse list? Harold?

Graves: I have a ten o'clock meeting.

H.M.Jr: Who are you meeting with, Harold?

Graves: We have the collectors of internal revenue here from Idaho, Nevada, Colorado, New Mexico, Arizona, Wisconsin, and Rhode Island, and we are starting them off in those states as Administrators for our organization.

H.M.Jr: Anything on New York?

Graves: I am to see Mr. Patterson this afternoon at two.

H.M.Jr: You and I have got to have a - I want a heart to heart talk with you some time. But you are all tied up today, are you?

Graves: Well, I am not beyond, I would say, four.

H.M.Jr: Well, maybe I can get together with you the first thing in the morning. I will see how I feel.

Graves: Fine.

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H.M.Jr: They get you easily, don't they?

Graves: Oh yes. I was with Professor Odegard and one other of our group at Philadelphia yesterday, and we had a meeting with Dr. Gates, the President of the University of Pennsylvania, who is heading up a local division of the Office of Production Management.

H.M.Jr: I know Dr. Gates. He used to be head of the Near East College, I think, or his father was.

Odegard: This man had been a banker.

H.M.Jr: Which Gates was it? Was it his father that was head of that college?

Odegard: I have forgotten.

H.M.Jr: How old a man is this?

Odegard: This man?

Graves: I would say about sixty.

H.M.Jr: That must be the same man.

Bell: He is quite old.

Graves: The suggestion had been made by Sinclair, the president of the Federal Reserve Bank, that we might utilize that organization for our work in Pennsylvania. I think that was badly misconceived and I believe that at our conference yesterday it was agreed by everyone that we should have our own separate organization in Pennsylvania.

We had given to us the name of Mr. John Stephenson, the president of the Penn

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Mutual Life Insurance Company, as the best available man for state chairman. I think if that strikes you as being all right, we will make an approach to Mr. Stephenson.

H.M.Jr: I will leave it with you. I want to make a suggestion. It may not be worth a darn. But this United Service Drive --

(Secretary speaks on White House phone.)

H.M.Jr: Hello.....

Hello, Hassett?.....

Two things. Thank you for letting me know that the President had signed the bill and the other thing is this, Hassett. At noon today the Vice-President is opening what we call "Treasury House" in the park opposite the Willard Hotel, and in conjunction with Standard Oil of New Jersey they are going to broadcast Esso every hour and the Army, Navy, and Marine Corps and Coast Guard have all got exhibits, you see, so we say, "Buy a Defense Savings Bond" and you have got to buy so many for an airplane or a tank and so forth and so on.

The Marine Corps have got people there, the Army, they have all come through. It is quite impressive. I wondered whether the President on his way up from the station would care to stop for five minutes and take a look at it.....

Hello.....

That is number one. And if he did look at it, would he care to stop; and the other

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thing, would he care to permit himself to be photographed before he looked at it, you see.....

That is right.....

I mean, he has got to drive right by it. It is that square between the Willard and the street which goes to the White House. It is called Treasury House. It will be in the papers tomorrow, and the Vice-President is opening it today.....

And it is to promote the sales of savings bonds.....

And he is going to drive right by it. Now, he can do one of two things. If we knew he was going to stop, we could make - you could tell Secret Service to make the arrangements and they could have a ramp, they could let him drive up there. He could look at it. He could or could not have his picture taken, as he wanted.....

But he will see a tank and he will see a gun and the Navy has got a - a shelter with men living on the place, and the Army has got a recruiting station and Coast Guard have got - it is quite an idea, and if it works, then we propose - and Esso broadcasts every hour from there on the hour. And then they are giving these glass savings banks - the house is made of glass savings banks. They are going to give them away at eighteen thousand service stations, you see. It is quite a thing. Esso is back of it to the extent that they make the banks and give them away. You see, we have no money. All of these things that we do, we do where a company comes and makes an offer, you see, but they make the banks and they give them away at their stations to save, and it is

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tied up with a pink ribbon but it is commercial to that extent, but we are doing it that way because all of our stuff is contributed by somebody.....

I mean, it is all contributed by somebody. We don't pay for anything. Some company - it is like we start tomorrow night on the Texaco Hour. They have given us thirteen weeks of their hour, and it cost them two hundred twenty-five thousand dollars.....

But I mean, there is no sign out, Esso, or Standard Oil of New Jersey, except on the little glass brick. You would have to look at it closely. You can't see anywhere a sign saying Standard Oil of New Jersey, because I went there and looked it over.....

And you let me know. Thank you.

H.M.Jr: That is cooperation. That is Hassett. I was very much impressed. I drove by there. It is all right. I don't know why - Dan got an invitation last night to the opening at the Willard for two hours, Treasury House. Did you (Klotz) get an invitation? I didn't get one. I guess it was a stag party.

Bell: No, it wasn't. There were some ladies there, too.

H.M.Jr: Well, what was it all, anyway? Dan calls me up and he says, "It is respectable, may I go?" He says, "I don't know as Undersecretary or Acting Secretary whether I should go." What are you fellows all doing, anyway?

Graves: I haven't much idea.

H.M.Jr: Did you go?

Graves: No.

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H.M.Jr: You didn't go?

Graves: I didn't get to town until late.

Kuhn: It was a newspaper party, Mr. Secretary.
It was put on for newspapermen from
Washington and out of town.

H.M.Jr: Did you go?

Kuhn: No, sir. (Laughter)

Bell: It was a press preview of the house.

H.M.Jr: Raise their hands, who went besides Bell.
(Mr. Johnson and Mr. Odegard raised their
hands.)

H.M.Jr: Who paid for it?

Graves: Standard Oil of New Jersey.

H.M.Jr: Oh, I see. (Laughter)

Bell: Gene Sloan and Callahan and a great many of
the force over in the Defense Savings staff,
Kilby and --

H.M.Jr: From six - what was it, from six to eight?

Bell: Six to eight. The house warming party was
preceded - it preceded the preview. They
had drinks and a buffet supper, and then
they went over to the house afterward. I
didn't stay for that part. I just went in
to say hello. I thought somebody from
Treasury ought to be present as long as
they were giving this big party.

H.M.Jr: Was it a big party?

Bell: Oh yes, they had the big ballroom downstairs.
It was quite a party.

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H.M.Jr: Is there any writeup in the paper about it?

Schwarz: There were several stories this morning.

Bell: The Standard Oil officials all came down last night.

H.M.Jr: Do I have to give them a citation like this? Do I do this at every broadcast?

Graves: Yes, you do.

H.M.Jr: Is that so? (Laughter)

Klotz: Oh, that is marvelous.

H.M.Jr: At least I know where I stand, anyway.

Bell: He has been eating raw meat.

Klotz: That is fine.

H.M.Jr: All right.

Graves: I have one or two other items. We are on the verge of appointing John McSweeney as State Administrator in Ohio.

H.M.Jr: No you are not. Nathan Straus beat us to the gun. He is going to work for Nathan Straus.

Thompson: I asked Mr. Straus if he preferred to wait for Treasury.

H.M.Jr: I thought you didn't want McSweeney?

Graves: We didn't know whether we wanted him or not, and when he had that offer from Straus he came and told me he much preferred to work for us.

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H.M.Jr: And you fell for that?

Graves: I told him that we couldn't definitely promise him our job in Ohio, but that we would know within a very few days; and I suggested that he tell Straus that he couldn't accept or decline that job until he knew about ours. Mr. Boyd Fisher phoned me last night from Chicago that he had seen McSweeney in Ohio and that he liked him. He thought he was well qualified for our work. He checked with the man that we are thinking of having as State Chairman, the president of Ohio State University, Bevis, and Bevis thinks very highly of McSweeney and would want him; so as I told Norman last night, we will probably tender him that appointment and I am sure he will take it in preference to the Straus appointment.

We are also, I hope, within a day or so of coming to a choice on a State Chairman for Illinois. Mr. Fisher is there now.

H.M.Jr: Anything else?

Graves: That is all.

H.M.Jr: I have got a couple of things. You asked me to have an extension until Wednesday or Thursday on Wrigley's, which was it?

Graves: He wants an extension. Wednesday, tomorrow.

H.M.Jr: I am not familiar on outlets. Do we or don't we let chain stores and department stores sell stamps?

Graves: We had a conference at Detroit on Tuesday of last week at which Mr. Sloan was present and representatives of all of the chain stores, and the decision was made that there

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stores, and the decision was made that there would be an experimental installation of stamp badges, as they call it, in all of the chain stores in Michigan and following that experiment, the plan is to extend out to the whole country as rapidly as feasible.

H.M.Jr:

Now, I am --

Graves:

That was attended by all the chain people.

H.M.Jr:

I have got a suggestion to make. I think the company that has done the best job on getting their stuff on display is Life Savers, and if you would ask the president of Life Savers, who is Undersecretary of Commerce, Ed Noble, who is the man in his organization who contacts the chain stores, the drug stores and so forth, and arranges their displays. Their displays are always next to the cashier's drawer, and they do the nicest job of anybody.

I know they have got A & P and I know they have got everybody. If you called up Ed Noble or had somebody call up Ed Noble and say, "Who is your man who does that - who gets your displays and makes the contacts with A & P and so forth and so on, could we borrow him," you see. Because they do about as nice a job as anybody that I know of. And don't forget, their stuff is always next to the cash drawer.

Graves:

Yes.

H.M.Jr:

Now, the other thing, there is a man by the name of Biow, who is the advertising agency for one of the big cigarettes, not Camel, not Lucky.

Klots:

Pall Mall?

H.M.Jr:

Pall Mall. He is a friend of Judge Rosenman's, who is going to call up. He would be willing to come down for nothing. He is a man, they tell me, of considerable wealth.

Bell:

He has been in. He was in early in the game.

Graves:

They have been in touch with us.

Bell:

He is an attractive fellow and full of pep.

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H.M.Jr:

The thing that attracted me was, the whole basis for the President's fireside chat to South America was based on a memorandum written by Biow. That whole thing of getting to the common people, in answer to Lindberg. He thought that whole thing out and that is what attracted me to him. Sam said that the whole thing - the method of answering Lindberg and getting the ordinary man and grass roots and all was Biow's idea and the speech was built around a memorandum which he wrote. That is the kind of fellow we are looking for, and I thought he might come down and you two men and myself might - he is going to call Mrs. Klotz.

Sam says he is very unusual and doesn't want anything other than that he is crazy to help somebody lick Hitler, and he can't find a place to go. But he has got the radio experience. He has got two other companies. But evidently he just takes one or two. He doesn't spread himself around.

You say you have met him, Dan?

Bell:

Yes, he was in early in the game, Harold, and I sent him to you, and I think he helped out a great deal on the Democratic campaign. He was very active in that.

R.M.Jr:

Well, I would like to have a look at him.

Now, I have got something else. I have got this thing here, your suggestion of sending somebody to Senators and Representatives.

Graves:

Yes. You will remember you and I had a talk about that, and I think we agreed that in any case we should postpone action on that until our bill was out of the way.

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H.M.Jr: Yes.

Graves: Our bill, I guess, is before the Senate now, isn't it, Dan?

Bell: Appropriation bill?

Graves: Yes.

Bell: Yes. I don't know whether it went through last night, but it is in the Appropriations Committee.

Graves: But we will be clear so that we can do that.

H.M.Jr: And the other thing, have you been able to get any additional information on foreign born groups, people preferring to have Federal Reserve handle their Defense Bonds for them instead of local banks?

Graves: Well, from time to time I think I have reported to you about that and told you, I believe, about that county in Ohio that the Secretary of Agriculture was interested in, also about the Yorkville community in New York. We haven't got an answer yet on that.

H.M.Jr: Well, could you do that, Dan?

Bell: I thought Irey was doing some investigating on that.

Graves: He has investigated a good many cases about the attitude of foreign born--

H.M.Jr: Just the bank part.

Graves: Communities. The general result of Mr. Irey's investigations has been that there is nothing wrong with the attitude of these foreign population communities.

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H.M.Jr: But that isn't the point. The point - is it a general thing that the foreign population prefer the Federal Reserve banks as a custodian to their own bank in their community, that is the point. But Dan can take care of that.

Bell: We can find out from the Federal as to whether they have got a lot of foreigners depositing their bonds there.

H.M.Jr: Would you?

Bell: Yes.

H.M.Jr: Anything else, Harold?

Graves: Nothing else.

(Mr. Graves left the conference.)

Thompson: The three Arthurdale School girls showed up yesterday, so we put them to work. The boy didn't show up. Mrs. Roosevelt had wired him that June 30 was the last day to report. The girls told me he was working in a Hot Shoppe.

H.M.Jr: Let Mrs. Roosevelt know that.

Thompson: Mr. Graber resigned Sunday as Assistant Commissioner of Internal Revenue.

H.M.Jr: Of Kansas?

Thompson: Yes.

He was taking a new job yesterday for Housing Authority. We had to rush it through so he could take his new job which will become subject to Civil Service today.

H.M.Jr: I know all about it.

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Thompson: Our space situation is probably in the most critical stage we have had. Mr. Pehle is just right up against it for space, and we can't get anything in the city of Washington. I would like to recommend we buy the Raleigh Hotel through the RFC.

H.M.Jr: It is all right with me.

Thompson: If RFC will do just as they did on the Sloan Building, that will be our best bet.

H.M.Jr: It is all right with me.

Mr. Bell?

Bell: You asked Mr. Foley and Admiral Waesche and myself to reply to a letter which Hopkins sent to you on the Lend-Lease. I never got a copy of the letter and Foley said he didn't. You remember he sent it to you last week and asked if Treasury had any materials to deliver.

H.M.Jr: Did you ask the girls for it?

Bell: No, I didn't. I didn't know whether you--

H.M.Jr: Sure. It was a letter from Hopkins asking what we could do after July 1 under the billion three.

Bell: Yes. Well, that was it.

H.M.Jr: I don't know why. It may be on my desk.

Klotz: I think that is where it is.

Bell: This is a memorandum of--

H.M.Jr: That is a weak excuse for not having a report.

Bell: We had other things to do, also.

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This is a memorandum of a telephone conversation (June 28) Mr. Cairns had with Acheson on that German property going to Chile. It is just for your files.

- H.M.Jr: Oh! Well, what was in the trunk?
- Johnson: The final outcome of that, Mr. Secretary, the State Department having tipped them off, they withheld the cases from the dock and our people have discovered that they are now on their way, or will be on their way, to the German Embassy in Washington.
- H.M.Jr: Well, that was dumbest piece of business that I ever saw. Why did he have to call up the German Embassy?
- Bell: It looks suspicious then, doesn't it?
- H.M.Jr: I never heard of such a dumb thing in my life. You didn't have the stuff already - evidently the packing boxes were not in your possession?
- Johnson: No. We had a letter from the forwarding company stating that they were to be sent, and I may say that Dean Acheson did call me before he called the German Embassy as to the nature of the communication he would make to them. That is, the advice that goods shipped elsewhere than to Germany would be subject to inspection and goods shipped to Germany would not be subject to inspection.
- H.M.Jr: What has he got to call up the German Embassy for?
- Bell: I suppose they are entitled to immunity.
- Johnson: I think his purpose was to give them a chance

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to divert them to Germany. That was my understanding of his purpose.

Bell: I think that was the purpose.

H.M.Jr: Well, our purpose was to see what was in the box.

All right.

Bell: You asked for a report on instalment buying, as to whether or not anything was being done in Washington about it and, if so, by whom. I have a memorandum on it (June 30). I can give you a rough sketch of it. Dr. Carl Parry of the Federal Reserve Board has been studying Consumer Credit for the last year, and Mr. Ralph Nugent of Mr. Henderson's office studied it - studied the subject some time before he came into the Government and has studied it ever since he has been in the Government for the past few months, particularly in its relation to the National Defense Program. About three months ago Henderson and the governors of the Federal Reserve Board got together and went over what the two offices had done up to that time, and then told Dr. Parry and Nugent to work together and prepare a memorandum so that the Board and Henderson could go over it later and see what recommendations should be made to the President on it.

That is now being done. I think the two men are pretty well in agreement on the problem; but just how the controls should operate, I am not so sure that they are together. We had one discussion of the subject in our Friday luncheon group about two weeks ago. Mr. Eddy, of Dr. White's office, studied it some and he gave us a little talk. I have made arrangements for both Dr. Parry and Mr. Nugent to come over to luncheon on Friday,

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July 11, and discuss the subject, and we would be glad to have you attend, if you would like to.

H.M.Jr: Thank you. I will come.

Bell: You also asked for a report on the matter of establishing Treasury offices at Army posts.

H.M.Jr: Yes.

Bell: This is a memorandum on that also (June 30).

You asked me to see what could be done about fixing up Addressograph plates for the fifteen million people who filed income tax returns. We already have Addressograph plates for four million seven hundred sixty-five thousand persons who filed income tax returns in 1939. We have about a million eight of other plates representing customer lists of the Savings Bonds. There may be some duplications in those two lists, but they have tried to eliminate the duplications. To make plates for the fifteen million names would cost between seven hundred and fifty and probably eight hundred thousand dollars. In making up our estimates for the 1942 appropriations for the Savings Division Staff and the Public Debt, we eliminated practically all of the money for making Addressograph plates. That is, the Division decided that they did not want to go into that. We can, at the present time, make about five or six hundred thousand plates within our present money. We have got enough metal on order to take care of that.

H.M.Jr: What would those be? Any particular ones? Are they selected ones?

Bell: It could be selected ones. These files are

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arranged so that we could pick out the people above five thousand and the ones below.

H.M.Jr: Could you do it by states?

Bell: By states or estates?

H.M.Jr: By states.

Bell: No, that is - that would be quite difficult. The only way we would have of separating them would be the 1040-A returns.

H.M.Jr: I think I would keep that money for some special thing we might want.

Bell: All right.

As a matter of interest, the unallocated balance on June 27 of the Lend-Lease Appropriation was only a billion eight sixty. I should think that they might begin to give consideration to another appropriation pretty soon. Not wait until the last minute.

This is a letter to Congressman Tinkham. I went over it with Dr. Viner and Foley. Foley initialed it and some of his boys thought that the shorter letter was better. Dr. Viner thought the longer letter gave him better information.

H.M.Jr: O.K.

Bell: That is all I have.

H.M.Jr: Harry?

White: In pursuance of your inquiry with respect to ferrying of the planes, I spoke to the Legal Division. They investigated the matter and concluded that there were no legal obstacles.

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I then spoke to Cox. He also felt that there were no legal obstacles and said that it might be a matter of policy, and he was going to take it up with you when he came today if he gets an opportunity of seeing you before the meeting, unless you want to raise it at the meeting. You have a meeting scheduled.

H.M.Jr: I would just as lief raise it at the meeting. Now, this meeting - are you coming this afternoon?

Bell: I will if you want me to. It is a bad time. I am trying to get out a statement for tomorrow morning's paper on the year end.

H.M.Jr: It is not necessary.

Bell: I have got to work tonight on that thing.

H.M.Jr: It is not necessary.

White: We have scheduled a meeting at eleven o'clock from the last time, Dan, at your office, at which the various members who have been in the past meetings are coming to prepare an agenda and go over some more material in anticipation of the afternoon meeting.

Bell: You mean you have scheduled it for my office?

White: At eleven o'clock.

H.M.Jr: Do you want to be excused?

Bell: Well, I haven't written yet what I will say at twelve fifteen.

H.M.Jr: Have it at your office, Harry. And, Harry, this afternoon at my office I am going to cut this town meeting stuff out, you see.

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Phillips and Maynard Keynes, somebody to represent Arthur Purvis - he won't be here. One person. And they can bring Childs, their lawyer, and the Canadians can have--

White: Coyne has been here up until now.

H.M.Jr: Well, you can tell Coyne that I have changed - this meeting is just going to be with the English this afternoon, so I don't want him.

Cochran: I think he is still up in Canada. He isn't due back until tomorrow.

H.M.Jr: Well, I don't want him today, fortunately. And yourself, Harry, and Merle.

White: Cox.

H.M.Jr: Cox and somebody from Foley's office. Foley, if he wants to come.

White: O'Connell is the man who has been attending the meetings.

H.M.Jr: And Foley if he wants to come, but I want to keep it down to that. I don't want any more of these town meetings. I will look for you at a quarter of three.

White: There were some tables that you had wanted to see before.

H.M.Jr: I say I will look for you at a quarter of three; and, if Cox can be here, I will look for him.

White: You asked me to examine this book of Baruch's, American Industry in the War. I have read part of it and skimmed through the rest of it. It is a deadly bore. There is very little to be learned except in his discussion

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on priorities, which is good. I had one of the boys make a digest, and I think the digest is worth reading. But his own book is very eulogistic, very uncritical, and highly justified by the way they carried it on.

H.M.Jr: Very critical?

White: Very uncritical. There are a few other things that you sent, asking me to speak to you about them sometime.

H.M.Jr: We are running kind of late now. You will get a chance.

White: That is all.

H.M.Jr: Chick?

Schwarz: Cliff Mack said that he would prefer, rather than send a letter to Chairman May of Military Affairs, to send a memorandum to you so that you could determine whether you wanted to answer the report of the Committee.

H.M.Jr: Norman, will you get it? I want the copy of that report of the May Committee. Will you get it and give it to Mrs. Klotz? I would like it today.

Schwarz: The full report hasn't yet been made. The summary was given out Saturday night.

H.M.Jr: I want the full report.

Schwarz: Arthur Krock apologized for including us on the Joint Aircraft Board and promised - he says he got the information from high up in OPM, and he promised at the first opportunity to straighten the record.

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Bell: There was an article this morning on that May report.

Schwartz: I wanted to take up one matter with you for a couple of minutes when you have time.

H.M.Jr: George, those statistics you gave me on the bonds are all right. I would like you to let me have it again. Can I?

Haas: Yes, sir. How frequently?

H.M.Jr: Well, I would like to have it the next time - I mean so that it would be - would cover all of June. But the only thing that isn't in there, George, is the number of people that are buying the bonds.

Haas: Yes. I can give you today an estimate on that, but it will be much better if you would give me a few more days on it because those stubs that come in to the people in Public Debt - they are working on them and it is a tremendous job.

H.M.Jr: Have you got it in your head now?

Haas: No, I would have to go back and make an estimate on some old ratios which we got from the Federal Reserve banks, but I am skeptical that they are out of line.

H.M.Jr: When you are not skeptical, let me have it.

George gave me a report through June 21 or 23, what was it, something like that.

Haas: Twenty-three, I think.

H.M.Jr: And the E Bonds in dollars were running a little bit ahead in June for the same number

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of days over May, the E Bond. A little bit more in dollars. Did you men know that?

Kuhn: Yes.

(Secretary held telephone conversation with Mr. Forster.)

H.M.Jr: Will you take care of it, Norman?

Thompson: Yes.

H.M.Jr: The plane was still up there this morning on account of that thunderstorm.

George, write Allison and tell them, "Thank you very much, but every two weeks from now on will be enough." They come through the regular way from now on, George.

Haas: All right.

H.M.Jr: Thank them very much for their services, will you?

Haas: I will do that.

H.M.Jr: Anything else, George?

Haas: I have nothing.

H.M.Jr: But just as soon as you can, give me something on June and the other thing, will you please compare May and June of this year with May and June of last year on United States Savings Bonds?

Haas: Yes, sir.

H.M.Jr: And I am particularly--

Ball: All of them or just Series E?

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H.M.Jr: Just Series E.

And I am particularly interested, George, in the number of people.

Haas: Fine. I will get that just as soon as I can.

Kuhn: The radio people are working on your idea of the round table, and it should go very well, and I hope to have something definite tomorrow.

H.M.Jr: Tell the people about it.

Kuhn: The Secretary suggested on Sunday that we ought to have a round table of Philip Murray, William Green, and the Railroad Brotherhoods man with the president of the AAM and the president of the United States Chamber of Commerce. The Secretary said, "If you could get those five men, I will be willing to sit down as the sixth and be interlocated." Everybody thought it was a good idea, and Houghteling particularly was delighted with it and thought there would be no trouble in arranging it at all.

H.M.Jr: It would be very unique.

Kuhn: I am going to get this morning the script for tomorrow night, the revised script. Would you like to see it before it goes in?

H.M.Jr: If possible.

Kuhn: Sometime today?

H.M.Jr: Yes. You haven't got it now?

Kuhn: I was awaiting it this morning.

H.M.Jr: When you have it, tell Stephens and tell him what it is.

White: Is that round table extemporaneous?

Kuhn: The round table would have a script prepared just as we did for the Senators and Congressmen on Saturday night.

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H.M.Jr: And if anybody - I wish you would get what Senator Capper said about defense, peace and all that, and circulate it around. It is quite amazing.

Kuhn: Apropos of Saturday night, the Vice President has been a very good soldier. He has gone on the air Saturday night and again today for us. I think it would be nice if you could give a citation in the form of a phone call.

Mr. Geer of the Life Saver organization is here and is working and - on ways and means of putting a lot of these ideas into execution.

H.M.Jr: When do you want me to sit down and have a chin-chin with him?

Kuhn: I think it would be nice sometime before the Fourth of July. Let him absorb--

H.M.Jr: The only night I could do it would be tonight.

Kuhn: Tonight?

H.M.Jr: Yes. Are you busy tonight?

Kuhn: I can fix that up.

H.M.Jr: Well, it will be the only night I would be free.

Kuhn: What time?

H.M.Jr: Seven-thirty at the house. You and Geer and Peter Odegard.

Kuhn: I will let you know.

H.M.Jr: Let Mrs. Klotz know. Could you let her know

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before one o'clock?

Kuhn: Yes, sir. You wanted me to mention this morning Norman Bentwich of England who wanted to see you when you want to Mississippi and you changed your appointment.

H.M.Jr: Do you really want me to see him?

Kuhn: I have a letter from him to you which may be enough. Suppose I send that in to you.

H.M.Jr: If you want me to see him, I will see him.

(Secretary held a telephone conversation with Vice President Wallace.)

H.M.Jr: Who contacted him?

Kuhn: Young Gilchrist of the radio staff, who is very good.

I spoke myself to the Speaker yesterday, to pass on your thanks.

H.M.Jr: You are writing letters, aren't you?

Kuhn: Yes.

H.M.Jr: Good.

Bell: Did you notice the quiz this morning in the paper? They were getting on to the economics of the Savings Bond Program, and it didn't sound so hot to me.

Haas: No.

H.M.Jr: I didn't see it.

Bell: I am wondering if they should go into that without very careful consideration.

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H.M.Jr: I didn't see it.

Haas: It said the excessive taxation might ruin the country.

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

Haas: That may be--

H.M.Jr: I can't do it all. I should think that if there is something on taxation, Roy Blough ought to O.K. it.

Bell: Well, things of that kind ought to be given very careful consideration before they are given out of the Treasury, I should think.

H.M.Jr: Who does that anyway?

Kuhn: Those were all done over there in the Washington Building. I think somebody might very well have seen them before they went out, somebody here in the Treasury, but they did go out to all the papers and they have got them now.

H.M.Jr: I don't see those people. I see you. Harold is so mixed up with his organization thing. Will you arrange before the next batch goes out, that the thing goes the regular rounds?

Kuhn: Yes, I think it should be done.

H.M.Jr: Talk it over with Norman Thompson, who should see that. Then have them get it and see it and go over it. If it is finance, somebody should check it, and if it is taxes, Roy Blough, and so forth. Before the next batch goes out.

Bell: I think the man in charge could come over and talk to me about it.

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H.M.Jr: Well, tell Sloan. Sloan should come over. He knows enough. He has been in the Treasury two years. He knows enough.

Bell: You see that everybody is so busy over there that the people at the top like Sloan and Harold can't go over those things, and each section head, I think, is on his own.

H.M.Jr: Well, Sloan should come over. Will you do that?

Kuhn: I am not sure that the second batch hasn't gone out, but I will find out right away and try to stop it. That is all, sir.

Johnson: The Chief of the Visa Division in the State Department and Mr. Alexander from that Department are coming to see me this morning to discuss some new control of aliens coming in and going out of the country. I know nothing more about it, but I think I ought to get somebody from Ed Foley's office who has been working on this German and Italian matter with us.

H.M.Jr: All right.

Johnson: That is all, sir.

Waesche: I have a letter here, Mr. Secretary, for your signature to the Secretary of State asking if he can enter into negotiations with the Russians to buy one or more of their ice breakers. We have the money now from Congress to build these ice breakers, but it will take about a year and a half or two years, and it seems to me that Russia might not have much use for their ice breakers in a few more months. They might be willing to sell one or two if they can get them out of the country

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in time. They have them in the Arctic Ocean and the Baltic. Anything that is up there in the Gulf of Riga or the Gulf of Finland we will not be able to get out, but those up around Archangel, if they want to get rid of them and get a little credit in this country, probably they could come out either by way of the Bering Sea or around the northern end of Norway. I have prepared a letter here to the Secretary of State asking whether it is all right to - asking them to enter negotiations with the Russian Government.

H.M.Jr: For me to sign?

Waesche: Yes.

White: I wonder if you should not make some study of their desire to sell it, because they can probably use the ice breaker a whole lot quicker than they can any money. If you can appropriately direct some preliminary inquiry without exposing yourself.

Waesche: That was my thought, that the State Department would take it up informally with the Russian Embassy here and sound them out. And I also have a second letter here, just a routine letter to the Secretary of War in regard a transfer of that property at Puerto Rico.

H.M.Jr: Just a minute, please. I will tell you what you do, Mrs. Klotz. I won't sign this letter to the Secretary of State, but send it over with an accompanying letter to Dean Acheson and say that does he think this is a wise move, and if he does think so, I would sign it, but I don't want to sign it until he has a chance to think it over.

Waesche: That is just a routine letter to the Secretary

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of War with regard to the property the War Department is transferring to us down in Puerto Rico. The Bureau of the Budget advised me last night, Mr. Secretary, that this Lease-Lend money was going pretty fast, and we ought to get in our request today for the thirteen millions of dollars to make up the forty-seven millions of dollars for the transfer of those cutters to Great Britain, and with your permission - I understand there is a regular form or whatnot asking for that money, and I will take it up with Mr. Young today and try to get that request through.

H.M.Jr: Please do that.

Waesche: Thank you.

Just as a matter of interest, they had a very interesting blackout in the Hawaiian Islands about five weeks ago. We just got the detailed report. All the whole Hawaiian Islands were blacked out. Our part of it came in putting out all light houses and lighted buoys and all aids to navigation. The officers in charge of it thanked the people for such a successful blackout. I think we handled our part very well. We put hoods over all lighted buoys, and there were various methods of putting out the different lights, electric lights and gas lights and so forth.

Cochran: I prepared the usual cablegram extending that Chinese Stabilization. Bell and Harry have initialed it and if you want to sign it.

Bell: It is all right.

Cochran: On the question of publicity, I think we can decide that after we extend the other, whether we might want to give notice about the two of

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them.

You gave me an hour just a while ago for Alphand. I haven't been able to get hold of him, so I don't know whether we could get him at eleven-thirty or not. I would like to see you for about five minutes. Shall I stay afterward?

H.M.Jr: Not now. Tell Stephens, will you?

Cochran: If I can come in at eleven-thirty, if he isn't here.

H.M.Jr: All right.

ended to Mr. White in meeting at his office, 7/1/41, 10 AM

MEMORANDUM ON CERTAIN TYPES OF CASH EXPENDITURES.

I. BRITISH AIR COMMISSION

1. The day to day progress of the air programme is accompanied by a series of unforeseen and largely unforeseeable demands for services entailing almost invariably immediate commitment to cash liabilities against U.K. Government funds if the programme is to advance as it should do.

2. These demands fall into a number of categories:-

- (a) Supply of parts to meet urgent cabled demands from the various theatres of war for items without which airplanes are grounded. In spite of every precaution to provide a full range of spares, these demands cannot be avoided.
- (b) Supply of parts and/or labour costs to repair minor damages sustained during delivery from plants to points of departure from the North American continent. In some cases parts can be diverted from existing contracts but not always.
- (c) Materialization of existing contingent liabilities, e.g. we have been confronted by a shortage of Allison engines accompanied by some acceleration of the airplane delivery programme, the joint effect of which has made it necessary to store airplanes pending receipt of engines.
- (d) Demands from U.K. for services in England of contractors personnel.
- (e) Modification to design (this matter is dealt with separately in Paragraph 4 below).

3. As regards categories (a) to (d), it is felt that a practical solution might lie along the lines that a money limit be set for individual cases with an over-riding maximum beyond which the total of such individual cases should not be

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allowed to go within a specified period. It is suggested for consideration that a limit of \$5,000 should be imposed for individual cases, with an over-riding maximum for a period of a week of \$50,000. It is further suggested that these cases should be reported weekly in arrears to the Committee in bulk. Small cases which are not urgent would continue for the present to be submitted to the Committee even if they fall below the limit of \$5,000. Later it may be found desirable in order to avoid unnecessary clerical work to lump several such cases in a single submission but this matter can wait for further experience to be gained.

4. Modifications to Design

Category (e) is dealt with separately since the problem has peculiar features. The necessity for modifications arises from a number of causes, but primarily from ever-changing needs of particular situations arising from operational requirements of the Air Force. The cost ranges in value from a few cents per airplane to some thousands of dollars. Consequently, the liability on a particular contract may vary from a relatively small sum to a very large sum. In general, it is possible to foresee the large modifications but it is almost impossible to give any notice with regard to the smaller ones. For example, it may be found that a particular type of bolt in the fuselage structure sheers under the rigorous conditions of service in the field, in spite of the fact that it has been subjected to all known tests prior to approval of the design. In order that the difficulty when reported may be remedied without delay, it is necessary for a spot decision to be given to replace the bolt with another type of bolt of greater strength as soon as it can be procured.

So far as the larger modifications are concerned, they are often divisible into two parts (a) those involving a supply of equipment, e.g., a new type of wireless set, and (b) those involving alterations to the structure or fittings

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of the airplanes, e.g., a new type of fitting for the new wireless set referred to at (a). It has been the practice since March the 11th, to requisition equipment such as that at (a) under Lease Lend, but the work involved at (b) has hitherto been regarded as difficult to exclude from our liabilities since it involves amendment to the B.A.C. contract covering work which is ultimately indistinguishable from any other part of the structure of the airplane.

5. Two methods have been suggested for bringing cases under (4b) above within Lease Lend.

(a) An amendment contract to which both the British Air Commission and the U.S. War Department are parties. Technically, this is a very difficult solution for the reason that U.S. Departments are bound by various special laws, regulations and administrative practices in placing contracts and in most cases common contracts could not be worked out.

(b) The transfer of part of the original contract to the U.S. War Department, e.g., suppose a contract for 100 aeroplanes at \$20,000 each is amended so that the cost becomes \$25,000 a plane, the original British liability for \$2,000,000 would be preserved but would take the form of 80 aeroplanes at \$25,000 each, the balance of 20 planes being taken over by the U.S. War Department. This method is more suitable to larger cases than to small ones.

It should be added that in some cases, e.g., a Sperry Gyroscope Company contract, the contractor has refused to consider giving effect to any alterations to the supplies he is making for us unless we put through the necessary amendment to the contract and bear the costs ourselves.

6. In order that cases of modifications to contracts may be more effectively dealt with it is recommended that:-

Regraded Unclassified

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- (a) New equipment required should, as at present, be obtained under lease-lend;
- (b) Cases of modification of design involving a charge of less than \$10,000 each should be dealt with outside lease-lend, being reported weekly in arrears to the Committee.
- (c) Where a modification of design involves a charge exceeding \$10,000, it should be reported to the Committee and every effort made to bring it under lease-lend by one or other of the methods set out in paragraph 5 above.
- (d) If it is decided by the Committee on any case that it is suitable for lease-lend, a definite instruction should be issued to the U.S. Army Air Corps National Division or to the Bureau of Aeronautics of the Navy Department that they should cooperate with us in persuading the contractors to proceed on lease-lend lines. This cooperation will undoubtedly include, in the case of certain contractors, the application of some measure of pressure, which only the United States authorities can bring to bear.

II. OTHER BRITISH PURCHASING MISSIONS.

7. Small urgent cases of new and unforeseen demands are constantly arising in the other British Purchasing Missions, but the cases themselves are not usually so important as those with which the British Air Mission has to deal.

It is recommended:-

- (a) That cases however small which do not call for extreme urgency should be submitted separately to the Committee unless and until it is decided that they may be presented in batches;

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- (b) That cases which are urgent need not be brought before the Committee, subject to a limit of \$1,000 a case and an over-riding maximum of \$50,000 a week (in addition to the maximum referred to in paragraph 3 above). These cases would be reported weekly in arrear to the Committee in bulk.

Washington, D.C.,
June 30, 1941.

Handed to Mr. White at meeting in his office with British, 7/1/41.

NOTES ON THE POSSIBILITY OF OBTAINING U.K. DOLLAR RELIEF
THROUGH TRANSFER OF U.K. CONTRACTS TO U.S.

Attached herewith and marked "Exhibit A" is a copy of Mr. Childs' memorandum of June 18, 1941, concerning possible methods of transferring U.K. contracts. This memorandum indicates the theory of each type of transfer. The following summary constitutes a list of the contracts which might be transferred under each theory.

(1). Under U.S. Army Unlimited Contract Authorizations:-

Exhibit B, attached hereto contains a summary of the financial status of production under certain contracts covering material of approximately the same specifications as certain material now on order for the U.S. If any of these contracts are transferred under the applicable theory, it should be borne in mind that some changes in specifications will be necessary to conform the U.S. material to the British material and vice-versa.

(2). Deferred Deliveries:-

<u>Contract</u>	<u>British advances to May 31st</u>	<u>Balance due</u>	<u>Total</u>
A-3165 Todd-Bath Iron Shipbldg. Corp.)			
A-3166 Todd-California Iron Shipbldg. Corp. }	37.5	58.5	96

These figures, in millions of dollars, relate to product and not capital facilities.

The advances shown above include an escrow fund of twenty millions already paid out, which, in effect, reduces the balance due from 87.5 to 58.5.

Mr. Powell feels hesitant about deferring deliveries under these contracts unless we can be assured that we shall have the use of U.S. ships in our absolute discretion. The possibilities of this are under examination.

(3). Cancellation of existing U.K. contracts:-

No action taken on this theory as yet.

(Page 1)

(page 2)

(4). Contracts which do not constitute commitments:-

No contracts have yet been found which are not binding commitments on the U. K., either on the theory that they merely constitute an agreement by the seller to supply British requirements which are not specified, or on any other theory. Inquiries have been made of Mr. Malcolm of the British Iron and Steel Corporation, and Col. Chamberlain of the Chemicals Division, but no contracts in point have been uncovered. Other fields are under investigation and any contracts of this type will be reported.

(5). Letters of Intent which do not constitute commitments:-

Attached hereto and marked "Exhibit C" is a list of certain Letters of Intent which are not believed to constitute firm commitments for the supply of material. Examination of Letters of Intent will continue and there is a possibility that further examples of this nature will be uncovered.

(6). Contracts made after March 11, 1941:-

A list of these contracts has already been submitted.

EXHIBIT A

Notes on Conference with Mr. Cox

June 18, 1941.

SUGGESTED METHODS OF OBTAINING U. K. DOLLAR RELIEF THROUGH
TRANSFER OF U. K. CONTRACTS TO U. S.

1. The U. S. Army have present or expected appropriations for aircraft and ordnance and expected unlimited contract authorization for ordnance. The U. S. have existing contracts for such aircraft items as engines and such ordnance items as M-3 tanks of the same, or approximately the same, specifications as engines and tanks presently on order under U. K. contracts. Mr. Cox proposes that we ask the Army to use their recent and presently expected appropriations and contract authorization to take over U. K. existing tank and aircraft engine contracts (such take-over not being affected by the testimony of the Director of the Budget). The U. S. Army would then Lend Lease to us off their existing lines engines and tanks to take the place of those expected from the U. K. contracts so taken over by the U. S. Tanks and engines so land-leased to the U. K. would count against the 1.3 billion limitation in the Lend Lease Act.

2. It has also been suggested that in cases such as the Todd Shipbuilding contract case, the U. S. be asked to place with new appropriations contracts for the identical items covered by the existing U. K. contracts, the U. K. deliveries under their existing contracts being deferred to a later date. The U. K. might thereby recover part of the advance payments made under their contracts and, in any event, be relieved from further payments against deliveries until the future date to which deliveries would be deferred.

3. A further possibility is to regard U. K. commitments on existing contracts as limited to the total cost of cancellation of such contracts. Following this reasoning, the U. S. could, without contravening the testimony of the Director of the Budget, take over U. K. contracts whenever made, by placing a new U. S. contract for the material covered by the U. K. contract at a price not in excess of the U. K. price, less advance payments made by the U. K. By use of this device, the U. K. would be relieved of future payments under such contracts but would recover nothing with respect to advance payments already made. Actually, if cancellation costs exceeded advance payments already made, the U. K. would doubtless have to pay the excess of cancellation costs over such advance payments.

4. Many existing U. K. contracts, whether made through the North American Mission or independently through London or private trade associations, which contracts have heretofore been regarded as commitments, may prove on actual examination to be not real commitments, but simply engagements to purchase up to

stipulated amounts at the option of the purchaser. We should, accordingly, examine our contracts with a view to weeding out such as may fall in this category, abandoning such contracts and then asking for the material covered by such contracts under Lend Lease.

5. Any existing U. K. contract still in the letter of intention stage, where the letter of intention does not constitute a binding agreement of purchase and sale, but simply serves as authority for the manufacturer to make preparations with a view to a possible contract in the future, could properly be taken over by the U. S. with Lend Lease appropriations and the product lend-leased to us.

6. Any U. K. contract made after March 11, 1941, may be taken over by the U. S. with Lend Lease funds without violation of the testimony of the Director of the Budget.

EXHIBIT B.

(In Millions of Dollars)

<u>Contract</u>	<u>British advances outstand'g on May 1st.</u>	<u>Balance due</u>	<u>Total</u>
1465 Continental, Tanks, Engines	8.0	14.0	22.0
1960 Baldwin, Tanks	<u>5.7</u>	<u>15.1</u>	<u>21.2</u>
TOTAL:	13.7	29.5	43.2

<u>Contract</u>	<u>British advances outstand'g on June 20th.</u>	<u>Balance due</u>	<u>Total</u>
224 - Pratt & Whitney (Engines)	13.4	8.9	22.3
282 - Pratt & Whitney (Engines)	7.8	5.2	13
5095 - Pratt & Whitney (Engines)	21.8	21.	43.6
296 - Curtiss Wright (Engines)	13.3	8.9	22.2
159 - Curtiss Wright (Engines)	.3	.2	.5
194 - Curtiss Wright (Engines)	18	12	30
2004 - Curtiss Wright (Engines)	.2	.2	.4
5103 - Curtiss Wright (Engines)	41	27.4	68.6
223 - General Motors (Engines)	2.2	2.3	4.5
196 - General Motors (Engines)	<u>23.9</u>	<u>21.7</u>	<u>45.6</u>
	141.9	107.8	250.7

NOTE: The foregoing figures are subject to certain qualifications which will be submitted upon request.

(In Thousands of Dollars)

EXHIBIT C

<u>Contr. No.</u>	<u>Supplier</u>	<u>Material</u>	<u>Date of Signature of Letter of Int'n.</u>	<u>Nature of Agree- ment</u>	<u>Total amount exclud. capital</u>	<u>Outst'g. advances at May 31st</u>	<u>Unpaid balance at May 31st.</u>
A-1795	Pressed Steel Car Co.	500 M 3 Tanks	Oct. 25/40	Indemnity against seller's costs prior to execution of definitive contract. (Defcon's cont. signed Jun. 17, 40)	15,300	5,500	9,800
A-3677	Empire Ordnance	Machining armor plate for tanks	Jan. 25/41	No obligation on British to finish any minimum quan. of armor plate, provided a minimum fee of \$15,000 a month is paid until Mar. 31, 1942.	2,400	296	2,104
A-2998	Bridgeport Brass Co.	10,000,000 20 mm Cartridges C/s	Dec. 12/40	Although Br'port's offer to sell is accepted, intent of letter is to indemnify Bridgeport against costs of capital facilities.	1,750	—	1,750
A- 72	A.S. Campbell Co.	10,000,000 Cartridge cases.	Mar. 4/41	Indemnity against construction costs with no commitment for materials.	1,650	25	1,625
A-4225	Crucible Steel	20,000 Shells	Feb. 27/41	Intent of letter is an indemnity against costs pending execution of definitive contr. which occurred on May 29, 1941.	4,354	739	2,104
NOTE:— Contracts A-3883 - Savage Arms Corp. & A-2773 - Remington Arms Company, not included in the foregoing list.					25,454	6,560	17,383

Treasury Department
Division of Monetary Research

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Date.....19

To:

From:

Handed to Mr. White at meeting in
his office, 7/1/41 - 11:00

July 1, 1941

1. The attached memorandum deals with the TransAtlantic Ferry Service across the northern route and sets out the position as it exists today.
2. Discussions have taken place recently with U. S. Army Air Corps with regard to the future of the organization and as a result it is probable that the organization will be taken over by the Royal Air Force and run as a military command.

Handed to Mr. White - study in his office - 7/2/41 - 11:00
Copy to Cochran - 7/2/41

June 30, 1941

ATFERO

Its Functions and Operations

Atfero (Atlantic Ferry Organization) is a Civilian Division of the British Ministry of Aircraft Production operated under the direct supervision of the Minister's Personal Representative in the United States and Canada.

Atfero's sole function is the trans-oceanic flight delivery of aircraft; incidental to that function, urgently needed freight and passengers are carried, but as a matter of privilege and not as a matter of right.

Theoretically, all aircraft are fully equipped for trans-oceanic flight delivery when handed over to Atfero; in practise, however, such prior equipping is not always possible, and Atfero are consequently called upon to supply and install various articles. Such installations as may be necessary, are carried out at the Atfero chief base, St. Hubert Airport, Montreal, where technical and ground crews are maintained.

From Montreal, aircraft are flown to Gander Airport, Newfoundland, where they are serviced and where they undergo their final check before departure for the U.K. Atfero maintain ground and service crews at Gander.

Atfero crews are civilians of either American or British citizenship with the exception of the wireless operators who must be British because of the use of British secret codes en route. (Note: It is illegal to disclose British secret codes to a non-British subject.)

Atfero also operate a small training school at St. Hubert Airport. There are three sections to this school:

(a) The pilot-training course at which, however, pupils are not taught to fly, only pilots with a minimum of 750 hours are eligible, and the course is rather one of indoctrination and familiarization than of actual instruction.

(b) A navigational course dealing, almost exclusively with astral navigation. The great majority of the students are already fully qualified D.R. navigators, and it is a short step from there to astro-navigational qualification.

(c) A wireless operators' course, employed chiefly for familiarization with the particular kind of equipment, and for instruction in the secret codes.

In addition to the above activities, Atfero are at present operating a round-trip ferry service, seven four-engined aircraft (B-24's and Liberator I's) having been converted to passenger-carrying for this purpose. These seven aircraft are used for conveyance of passengers, diplomatic mail, and freight. The passengers from west to east are mainly

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graduates of one or other of the Canadian training plans - men who are being carried to the U.K. for absorption in the fighting line; high ranking officials of various Governments are also carried when one or other of the Ministries have signified that they are urgently needed in the U.K. The passengers from east to west are Atfero pilots returning from delivery flights; we are under contractual obligation to return all pilots by air from the U.K. to this continent.

The attached chart gives a picture of the organizational set-up of Atfero.

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"ATFERO"

EXECUTIVE ASSISTANT
H. M. LONG

1

CANADIAN DEPT OF NATIONAL DEFENCE
FOR AIR

TECHNICAL REPRESENTATIVES OF A.C.
TECHNICAL SECTION - J. H. Fowler
A.C. - G. R. Nishchek

ASSISTANT OPERATING MANAGER
FLIGHT DELIVERIES AND TRAINING
Capt. D. C. Bennett

BASE SUPPLEMENT C-E Combination

BERMUDA BASE
Capt. A.G. Stone

White
Zoley
Cochran
Bell

315
meeting
7/1

7-1-41

Mr Cochran

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Memorandum on the Takoradi schemes herewith.

Mr Childs has interviewed Mr Cox this morning on lease land aspects with following results

First Scheme

Mr Cox is of opinion that this expenditure can be brought under lease land

Second Scheme

Mr Cox is of opinion that all these expenses could be brought under lease land except possibly those connected with the delivery of planes owned by the United Kingdom viz purchased out of pre lease land contracts.

J.B.

27/6

Recd 1.20 P.M. June 27, 1941

FIRST SCHEME

There is at present a collection of aircraft at Takoradi which have been shipped in parts for assembly there. To relieve congestion at Takoradi, General Arnold has arranged for 30 skilled mechanics of the Curtiss Wright Company by Clipper on the 2nd July. Cost of transport not known, but say \$15,000 to \$30,000. Pay of Mechanics, say \$180,000 a year. They are going indefinitely for such period as they are needed at Takoradi.

We are willing to find what dollars are needed, if not eligible under lease-lend.

27th June 1941.

This scheme provides broadly (i) for the shipment in parts and/or the flying of complete aircraft from U.S. seaboard to Takoradi via South America, (ii) for the ferrying of the aircraft from Takoradi to Khartoum or other point near the operational zone.

Provision is thus needed for three distinct services -

- (a) ferrying of aircraft across the South Atlantic,
- (b) ferrying of aircraft, either shipped or flown, from Takoradi to Khartoum or other delivery point,
- (c) provision of an air transport service in Africa for conveying ferry pilots back from delivery point to Takoradi.

Scheme was discussed in general terms between Mr. Hopkins and Air Marshal Harris and also between General Arnold and Air Marshal Harris with the President and other representatives of Pan American Airways.

It was proposed that Pan American Airways, by direct agreement with British authorities, should undertake the responsibility for the three services. The Trans-Atlantic and Trans-Africa ferrying services would involve the provision of operating personnel and the supply of fuel and oils. The transportation of ferry pilots on the return journey from delivery point would entail provision of aircraft (20 Douglas DC³) and operating personnel, ground organisation at terminal and intermediate points. It was assumed that existing ground facilities should be adequate, but P.A.A. indicated

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that it might be necessary to provide additional navigational and ground equipment. Pan American Airways would also be responsible for providing personnel and material required for maintenance of aircraft and ground equipment.

An estimate, necessarily conjectural, of the expenditure involved for these services is:-

a.		
1)	Trans-Atlantic ferry (150 mixed crews)	\$2,700,000
	b. Return journeys to U.S. by clip-	\$1,800,000
2)	Trans-Africa ferrying of military aircraft, (80 pilots)	\$1,250,000
3)	Transport service:-	
	(a) 20 D.C.3 transports and spares at \$125,000 =	\$2,500,000
	(b) Maintenance equipment required in Africa and cost of transport- ation to West Africa.	500,000
	(c) Grounds aids, naviga- tional, radio, etc. say,	300,000
	(d) Cost of pilots, crews, ground personnel and other ground services	\$3,600,000
	(e) Administrative and miscellaneous expen- ses	\$2,000,000
		<u>\$14,650,000</u>

Mr. Trippe, of Pan American Airways emphasized that the Company did not wish to make any profit out of this undertaking and would base their charges on audited costs.

27th June 1941.

NOTE ON WOOL

1. By an exchange of notes dated 9th December, 1940, the U.S. and British Governments agreed that there should be established a reserve of Australian wool in the United States. The British Government undertook to put at the disposal of the U.S. Government a stock of 250 million pounds of Australian wool f.o.b. an Australian port subject to the conditions that the wool would remain the property of the British Government, that the expenses of transport and storage would be for the U.S. Government, and that all or any part of the wool might be purchased by the United States Government, or an agency of that Government, for use in the United States, or might be sold to the U.S. domestic trade if, and when, it had been determined by the U.S. Government that an emergency shortage of wool exists in the United States.

2. The shipments of wool from Australia for this strategic stock up to the 15th June totalled 87,000,000 lbs. Shipment has been slower than estimated for the reason that ordinary commercial shipments which it was mutually agreed should have priority have been heavy.

3. It is not possible to make any precise estimate of the value of the wool since the value of particular grades of wool varies a good deal and we do not know the exact grading of the stock. But, roughly, the total value of the whole strategic stock might be \$70 millions, more or less.

4. To the best of our knowledge the apparel wool situation in the United States is as follows (figures on greasy shorn basis):-

United States stock of apparel wool,
May 1st, 1941, (exclusive of strat-
egic stock) 612,000,000 lbs.
One year previous was 600,000,000 lbs.
Ten-year May 1st average 633,000,000 lbs.

Stocks of approximately
600,000,000 lbs. as at
1st May have been
carried to enable the
transaction of the
business involved in an
annual U.S. apparel wool
consumption of, 550,000,000 lbs.

Current U.S. apparel wool consumption... 900,000,000 lbs.
Estimated United States Clip, 1941 480,000,000 lbs.

Stocks necessary to handle 900,000,000 lbs. consumption
should naturally be much greater than is necessary to handle
550,000,000 lbs. annual consumption.

Stocks cannot be completely used to the extent of bare
floors because wool stocks are held on farms, in dealers
stores, in greasy form, scoured, pulled, as tops, yarn, etc.
Additionally, some dealers and manufacturers are short,
others are long, on the market. Stocks are never evenly
distributed among all users.

Substantial imports seem to be necessary if a starvation
period is not to be reached in the United States by the end
of the year.

5. We have proposed to the Secretary of Commerce that
the U.S. Government or an agency should purchase the wool
outright partly in the United States and partly in Australian
ports. If existing conditions call for an addition to the
strategic stock (we believe that in fact 500 million pounds
was the figure originally considered, though subsequently
reduced to 250 million pounds) we are in a position to supply
much greater quantities of wool since we have acquired the
clips of Australia, New Zealand, South Africa, India and Chile.

Washington, D.C.,
June 26, 1941.

MEMORANDUMTO: U.S. TREASURY COMMITTEE

It will be recalled that at the end of last week the U.S. Press announced the formation by Great Britain of a Civilian Technical Corps for the operation of radio-locators and that volunteers for the corps would be enlisted in the United States. Preliminary information indicates that the expenditure immediately proposed is to be one million dollars for expenses of transportation to Canada. If the full number of 30,000 volunteers is reached, allotments of pay to families and dependents in the United States could amount to ten or twelve million dollars a year. Further information is being sought from London on details. Meanwhile the estimates of British dollar expenditure outside Lend-Lease should be increased by the above amounts.

Washington, D.C.,
June 23, 1941.

c o p y

June 23, 1941

Dear Mr. Keynes:

This is to acknowledge your note to me of June 17, which I have read with great care.

A re-reading of it convinces me that the substance of your proposal relates to financial problems that seem to me primarily the concern of the Treasury rather than the Lend-Lease Administration.

The matter of how the Lend-Lease Administration is to be utilized is, of course, one for the President and Congress to decide. At the moment we are engaged in buying seven billion dollars worth of materiel for you and the other democracies.

My own feeling is that the primary departmental interest here lies clearly with the Treasury and not with us. I believe, therefore, that all the implications of your letter should be taken up with Mr. Morgenthau.

I do not mean to indicate that I am not mindful of the financial difficulties involved. I merely want to indicate to you that I do not consider that my responsibilities include a working out of the fundamental financial arrangements between the United States and Great Britain. I realize that the Lend-Lease Administration and its machinery is an important and potentially controlling factor in regard to it.

Very sincerely yours,

HARRY L. HOPKINS

J. M. Keynes, Esquire,
British Supply Council,
Washington, D. C.

cc: Secretary of the Treasury

REQUIREMENTS FOR NEW ZEALAND

I.

The New Zealand representatives have submitted the following table of estimated requirements. The details are given in an appendix in N.Z. £s on c.i.f. terms. In the summary table this has been converted into a dollar value f.o.b. by taking the N.Z. £ at £100 and deducting about 10 per cent (in accordance with New Zealand statistical practice) to convert c.i.f. to f.o.b. value.

EXCISES DIRECTLY APPLICABLE STORES New Zealand Estimated Requirements from U.S.A. Year ending June 30, 1942

<u>CODE</u>	<u>Essential for War Effort</u>	<u>War Purposes (Minimum List)</u>
	\$ million f.o.b.	\$ million f.o.b.
1. Metals (including Steel shafting, iron and copper wire, metal cordage and wire rope, and steel, copper and brass tubing.)	7.2	5.2
2. Oils	2.9	1.7
3. Other raw materials	5.8	3.2
4. Foodstuffs, including tobacco	2.6	.7
5. Machinery	5.4	3.6
6. General manufactures	3.3	1.3
7. Motor Vehicles, principally spare parts	.6	.5
8. Inter-Department- addition to estimate	.29	
	<u>27.8</u>	<u>16.2</u>

The amounts in the first column represent what it was considered imperative to provide for after a very thorough and careful examination of imports from all sources confined to essential commodities and to essential quantities. The lower estimate given in the second column takes account of those items in the first column which are in respect of materials for use in the production of goods required directly in connection with the war together with materials necessary for production of foodstuffs etc. essential to maintain the Dominion's requirements and their supplies to the U.K. as part of the war effort. Nevertheless, if the aggregate amounts imported had to be reduced to the lower figure, it is stated that there would be a danger of a breakdown in the Dominion's economy.

II.

The above tables are comprehensive of all imports. The New Zealand representative states that items falling in the following categories do not present serious administrative difficulties for importation and distribution by the Government, subject to the caveat that he has suggested to the New Zealand Ministry of Supply to examine this question in regard to some of the items which might be too difficult to administer. It would, however, be of great assistance to the New Zealand Ministry of Supply if there could be a prior determination of the eligibility of these items before a centralisation of purchases is set up in such goods.

Leaf Tobacco

Wood Pulp

Ferrous and Non-Ferrous Metals

Wire

Tubes

Agricultural and Dairying Machinery

Ball Bearings

Surgeons' materials and Appliances

Tractors

Motor Vehicles

Cardboard

Sulphur

Manures

Inorganic Salts

Possibly particular machines for Industrial Purposes

Electrical Appliances peculiar to Telegraphy and Surgery

Scientific Instruments.

APPENDIX

ESTIMATED IMPORTS INTO NEW ZEALAND FROM U.S.A.
Year Ending June 30, 1942.

	Group	£ (NZ) c.i.f.
Sausage casings	4	7,000
Confectionery (medicated)	4	2,000
Dried Fruits	4	30,000
Fresh Fruits	4	20,000
Beans	4	8,000
Nuts, edible	4	2,000
Glucose, grape sugar	4	80,000
Cocoa butter	4	105,000
Provisions n.e.i.	4	3,000
Raw coffee	4	1,000
Cigarettes	4	-
Leaf Tobacco	4	650,000
Hides, pelts and skins	3	20,000
Gums and resins (T.I. 118)	3	16,000
Grass and clover seeds	3	10,000
Agricultural seeds	3	15,000
Tanning materials	3	20,000
Wood Pulp	3	300,000
Apparel	6	1,000
Grindery	3	6,000
Buttons	3	6,000
Elastics, tapes, webbings	3	25,000
Staymakers' steels etc.	3	4,000
Towels, sheets etc.	6	-
Braids and bindings	3	5,000
Drapery, haberdashery	6	1,000
Felt Piece goods	6	2,000
Felted textiles	6	1,000
Leather goods and oil baize	6	5,000
Waterproof material	6	2,000
Cordage for fishing lines	6	1,000
Asphalt and bitumen	2	-
Skip greases	2	-
Lubricating greases	2	-
Cod liver oil	2	-
Fish oil	2	-
Kerosene	2	-
Other refined minerals	2	-
Motor spirits	2	-
Lubricating oil	2	-
Other oils in bulk n.e.i.	2	1,000,000
Medicinal mineral oil	2	-
Crude petroleum	2	-
Transformer oil	2	-
Vegetable oils	2	-
Mineral and vegetable waxes	2	-
Dry colours	3	42,000
Paints mixed	6	4,000
Varnishes and lacquers	6	1,000
Mill, oil, etc. stones	6	3,000
Aluminum, copper, in bars	1	-
Precious metals	1	-
Iron and steel-angle, tee etc.	1	-
Metal in pig, ingots, etc.	1	-
Metal n.e.i. in sheets	1	-
Iron and steel in sheets	1	-
Metal cordage	1	-
Pipes, tubes	1	2,498,000
Wire	1	-
Ball bearings	6	50,000
Bolts, nuts, rivets, etc.	6	15,000
Buckles	6	2,000
Castors for furniture	6	2,000

	Group	£ (N.Z.) c.i.f.
Chain Belting	5	5,000
Eyellets	6	5,000
Fire Engines, etc.	6	1,000
Lawn Mowers	6	1,000
Measuring and testing appliances	6	40,000
Nails and tacks over 1"	6	1,000
Nails and tacks n.e.i.	6	3,000
Pins and needles	6	6,000
Printers' materials	6	1,000
Railway and tramway gear	6	5,000
Spring coil, etc.	6	2,000
Artificers' Tools	6	70,000
Builders' hardware	6	50,000
Hardware n.e.i.	6	40,000
Agricultural machinery	5	80,000
Blowers and fans	5	3,000
Boring and well-drilling machines	5	50,000
Adding machines	5	30,000
Cash registers	5	3,000
Dairying machinery n.e.i.	5	50,000
Pasteurisers, etc.	5	4,000
Typewriters, duplicators	5	3,000
Storage batteries and parts	5	1,000
Batteries o.t. storage	5	1,000
Carbons for arc lamps	5	5,000
Electrodes for welding	5	3,000
Electric cooking and heating appliances	5	-
Electrical appliances peculiar to telegraphy and surgery, etc.	5	110,000
Insulated cable and wire	5	200,000
Electric lamp bulbs	6	10,000
Electric lamps O.T.S.	6	10,000
Metal poles for power lines	6	-
Electrical appliances peculiar to gen. of electricity, fuse, boards etc.	5	150,000
Electrical appliances n.e.i.	6	4,000
Engery, etc. wheels	5	10,000
Aeroplane engines	5	10,000
Engine governors	5	1,000
Engines for motor vehicles	7	5,000
Engines for tractors	5	see tractors
Sparking plugs	6	4,000
Glass, stone and metal machinery	5	100,000
Grinding mills	5	9,000
Knitting and knitting machinery	5	4,000
Knitting machinery	5	2,000
Printing machinery	5	7,000
Power driven spray pumps	5	2,000
Machinery n.e.i. o.k.	5	75,000
Road graders	5	3,000
Sewing machines	5	40,000
Tractors and parts	5	450,000
Vacuum cleaners	5	7,000
Industrial machinery	5	(220,000
		(250,000 Govt.
Belting for machinery	6	10,000
Canvas tubing	6	15,000
Rubber solutions	6	3,000
Rubber manufactures	6	2,000
Goat skins	3	50,000
Japaned and enamelled and patent leathers	3	3,000
Leather n.e.i.	3	1,000
Ash, hickory, etc.	3	3,000
Timber, rough sawn n.e.i.	3	50,000
Wooden handles for tools	3	20,000
Veneers and plywood	3	-

	Group	£ (NZ) c.i.f.
Woodware n.e.i.	6	10,000
Refractory material n.e.i.	3	3,000
Glass sheet	3	6,000 (for electric lamps)
Glassware n.e.i.	3	50,000
Miners' safety lamps	6	2,000
Lenses	6	12,000
Glass rods	3	13,000 (for electric lamps)
Watch glasses	6	500
Plaster of Paris	3	1,000
Cardboard etc.	3	100,000
Cellulose etc.	3	3,000
Emery paper	6	1,000
Filter paper	6	1,000
Parchment and greaseproof	6	50,000
Waxed paper	6	1,000
Wrapping paper (large)	3	40,000
Wrapping paper (small)	3	cigarette paper
Paper for orchardists	6	14,000
paper n.e.i. in rolls	6	20,000
paper n.e.i. in sheets	6	10,000
Printed books	6	20,000
Calendars and showcards	6	4,000
Posters, etc.	6	3,000
Paintings, pictures	6	2,000
Stationery n.e.i.	6	3,000
Fancy goods	6	-
Cinematographs	6	3,000
Film, cine	6	260,000
		(amount fixed for remittances)
Sensitized surfaces	6	7,000
Scientific instruments	6	1,000
Appliances for wear	6	12,000
Surgeons' appliances	6	50,000
Surgeons' materials	6	60,000
Acids	3	30,000
Chloroform, antiseptics, etc.	6	10,000
Bacteriological products	6	5,000
Dextrine	3	10,000
Crude distillates, etc.	3	2,000
Drugs for culture media	6	3,000
Drugs, crude, not powdered	6	4,000
Dyes	3	10,000
Essences, synthetic	3	15,000
Essential oils	3	15,000
Gases	3	20,000
Insulin, etc.	6	9,000
Insecticides	6	4,000
Drugs, n.e.i. druggist's sundries, etc.	6	50,000
Medicinal preparations in 15 c.c. vessels	6	2,000
Sheep and cattle licks	6	-
Sulphur	3	625,000
Toilet preparations concentrated perfumes	6	2,000
Vitamins	6	2,000
Inorganic Salts, n.e.i.	3	100,000
Drugs and chemicals n.e.i.	3	25,000
Famures O.T. sulphur	3	100,000
Aeroplane and parts	6	6,000
Axles, etc.	6	2,000
Brake lining in the piece	6	8,000
Metal fittings for vehicles	6	7,000
Motor vehicles C.K.D.	7	5,000

	<u>Group</u>	<u>£ (M.Z.) c.i.f.</u>
Motor Vehicles O.K.	7	-
Parts of motor vehicles	7	80,000
Pneumatic rubber tires	6	22,000
Detonators and caps	6	2,000
Undercarriage springs	6	1,000
Cartridges .22 cal.	6	1,000
Metal caps for cartridges	3	warlike stores
Explosives	6	6,000
Ordnance stores	6	warlike stores
A. & M.S.	3	150,000
Articles for blind, etc.	6	1,500
Educational apparatus	6	6,000
Engine packing	6	4,000
Cramophone records	6	6,000
Voice recording appliances	6	1,000
Life saving appliance	6	2,000
Articles n.e.i.	3	100,000
Other oils	3	2,000
Other raw materials	3	4,000
Other foods	4	4,000
Other machinery	5	1,000
Other manufactures	6	30,000
		<u>9,537,000</u>
Subsequent addition for motor vehicles		<u>100,000</u>
		<u>9,637,000</u>

SUMMARY

Group No. 1	Metals	£ 2,498,000
Group No. 2	Oils	1,000,000
Group No. 3	Other raw materials	2,003,000
Group No. 4	Foodstuffs including tobacco	912,000
Group No. 5	Machinery	1,893,000
Group No. 6	General manufactures	1,141,000
Group no. 7	Motor vehicles incl. spare parts	<u>190,000</u>
		<u>9,637,000</u>

MEMORANDUM

RE: INCLUSION OF "ADMINISTRATIVELY DIFFICULT"
U.K. IMPORTS UNDER LEASE-LOAN PROCEDURE.

During March and April 1941 a series of meetings were held by the competent Departments in London to consider the creation of machinery for bringing under lease-lend U.K. imports (valued at approximately \$140 millions a year) of certain miscellaneous goods. There were two main problems:-

(a) The range and variety of goods was so great that it would be essential to retain the specialized services of existing importers in order to obtain the products rapidly, to correct specification (often a vital matter), and at the right price. It must be borne in mind that as a result of war demands there is now in the United Kingdom a most acute shortage of personnel suited to administrative work and that it would therefore be very difficult to establish or extend the appropriate government departments to take over from existing trade channels the detailed work and specialized knowledge involved.

(b) Assuming, however, that the specialized knowledge of the trade could be retained but the goods themselves were imported under government auspices, there would remain the problem of handling and distributing the goods on arrival, and in particular of dealing with the documents and invoicing work. Although the value of the miscellaneous manufactures class is relatively small, the number of transactions covered is altogether out of proportion to the value. A very large staff would have to be established and trained before the work could be handled smoothly. It is most

important that delays should be avoided in procuring goods in this class which include many small components required to ease bottlenecks and maintain U.K. production in balance, or to replace output interrupted by enemy action. Here again the shortage of administrative personnel was a serious difficulty.

Difficulty would also arise in planning the organisation which would have to be established in America to handle the documents involved, together with the general agency and forwarding business which would arise. At present the documents are handled and the forwarding business despatched smoothly and efficiently by existing commercial organisations. It was clear that a very large staff would have to be assembled and trained in the U.S. to deal with the great numbers of transactions - a purchase costing \$10.00 may involve just as many documents as a large consignment under lease-lend.

After considering a number of projects, the Committees examining this problem were unable to devise any entirely satisfactory scheme. The accompanying Appendix outlines a procedure which had been tentatively put forward, but which was far from meeting all the problems. It would have overcome part of the difficulties in the U.K. by retaining the specialized skill and connections of commercial importers and by cutting down the need for organisation in Great Britain to handle documents. But it would still have required a very large addition to the B.P.C. staff in America and the establishment of an organisation in the U.K. to receive payment from importers' banks against the goods obtained under lease-lend.

Mr. Harriman, who was privately consulted, told us that he gravely doubted whether Washington could even consider a procedure which left the negotiation to private traders. At the end of April it was decided that no further work should be done on these projects, the hope being entertained that as a result of an extension of lease-lend in other directions, a sufficient current surplus might accrue in dollars from exchanges between the sterling area and the dollar area to provide means of payment for this "administratively difficult" class.

If, however, the U.S. administration were prepared to consider a procedure which left the detailed work of negotiation and specification to private traders and only brought in the lease-lend procedure when the stage was reached where the order itself could be confirmed, it is possible that a considerable part (by value) of the miscellaneous class could be brought within lease-lend without imposing too great a burden on the administrative organisation at either end. Since the miscellaneous manufactures have never been handled by Government purchase, little information on detailed schedules is available in Washington. But it is known that among miscellaneous manufactures there are classes, which both in point of being essential to the war effort and in representing substantial sums, appear suitable for requisition under lease-lend.

Washington, D.C.,
June 26, 1941.

APPENDIX

SUGGESTED PROCEDURE FOR BRINGING MISCELLANEOUS MANUFACTURED GOODS UNDER LEASE-LEND PROCEDURE. *

1. The B.P.C. puts in a blanket requisition for, say, millions worth of miscellaneous manufactured goods for use by H.M. Government to persons other than its agents.

2. The U.K. importer (who is presumed to have been in touch with his potential American supplier and to know prices and delivery possibilities) approaches the U.K. Import Licencing Department for permission to import the goods. This is not the procedure under present arrangements. The Import Licencing Department satisfies itself that the goods are essential** and fall within the total amount (and value) for such class of goods as passed by the Inter-departmental Import Licencing Committee** (also current procedure), and issues a licence subject to:-

(a) The import being submitted by the B.P.C. to the appropriate U.S. authority for decision on its eligibility for lease-lend procedure. If it is passed eligible it must be handled under lease-lend.

(b) Opening at his bank an irrevocable credit for the appropriate sterling c.i.f. value of the goods in favour of the appropriate department of H.M. Government. It would be agreed that in the event of the goods not being passed eligible for lease-lend the credit would be cancelled.

3. On issuing the import licence the I.L.D. would allot a lease-lend serial number to the transaction and cable to the B.P.C. Stores Clearance Department (in standardized form) giving the serial number and brief particulars of the goods, price, supplier, importer and importer's bank (for subsequent forwarding of documents). The B.P.C. Stores Clearance will transfer the particulars to a standardised card and file under serial number, with a cross-index to importers' name for safety.

* The above is not an actual draft but has been put together by a member of the Commission from his memory of what was under discussion.

** The Import Licencing Department and The Import Licencing Committee have established a searching standard in assessing the essentiality of imports in the "Miscellaneous" class, and have an efficient machinery for investigation.

4. U.K. importer informs American supplier of serial number and instructs him to confirm particulars of specification, price, delivery, terms, etc., to B.P.C. Stores Clearance Department.

5. B.P.C. S.C. Department check supplier's particulars against the card in their file and submit a requisition to the U.S. Government representatives (who, it is suggested, might sit in with the Stores Clearance Department in New York for this purpose). If the U.S. Government approves the application, they confirm the order to the supplier and instruct him to make delivery to the B.P.C. Stores Clearance Department as agents for the U.K. importer. The cost of the goods is charged off against the market requisition referred to in (a) above.

6. On taking delivery, the B.P.C. Stores Clearance Department sign the receipt in the usual way, and forward the documents to the U.K. bank named in the original cable from the Import Licencing Department. On receipt of the documents the bank pays H.M.G. under the irrevocable credit referred to in 2(b) above, and releases the documents to the importer.

Washington, D.C.,
June 24, 1941.

**Note on prospective sales of British
West African cocoa in the United States
market.**

1. Since the beginning of the war, the total crops of cocoa produced in British West Africa (and more recently in the French Cameroons) have been bought by the British Government through a specially appointed West African Cocoa Control Board, and sold to overseas markets through normal trade channels.
2. During the crop year 1939/40, sales of British controlled cocoa to the American market were satisfactory. Up to the present about 128,000 tons of the 1940/41 crop have been sold to United States buyers, and a further 10,000 tons is afloat for American ports. Provided the present loading programme is maintained, it is hoped that an additional 12,000 tons may be shipped and sold to this market from the current crop.
3. It has, however, become increasingly difficult in recent months to obtain freight space for all United States requirements of West African cocoa; and the Maritime Commission has recently instructed the Barber Line (which now alone supplies ships for the West African - U.S.A. run) to load only strategic materials, amongst which cocoa is not of course included. This has involved the cancellation of certain forward bookings for cocoa. The Commission is unable to say how long the ban on cocoa shipments will be maintained. If it could be regarded as a temporary measure only, and if cocoa loadings could be resumed by say January 1942, then the effects on our selling programme might not be very serious. It is not expected that any abnormal surplus of cocoa will have accumulated by the end of the current season; and the 1941/42 West African crops will not be ready for shipment until December. It appears doubtful, however, whether the shipping position will have sufficiently improved in six months' time to allow normal quantities of cocoa to be lifted for the United States from West Africa. At best, loadings from the next crop cannot be expected to reach anything like the total quantity of about 150,000 tons shipped, or to be shipped, from the current crop. Apart from the real difficulties of providing freight space in any circumstances while demands for strategic materials continue at current rates, the fact that American manufacturers are now very heavily stocked with cocoa makes it difficult to justify maintaining loadings at the rate which has been possible during the current season.
4. The approximate net dollar proceeds on the anticipated sales of 150,000 tons of cocoa from the current crop are \$17,000,000. These sales have, however, been made on a rising market, and if they could be maintained for the 1941/42 season at the present level of prices (about 8 cents per lb. ex dock New York) the net dollar proceeds from the next crop would be approximately \$20,000,000. This may be taken as the total potential loss which would result to the British Treasury from the continuation of the present complete ban on cocoa loadings from West Africa to the United States.

BRITISH EMBASSY,
WASHINGTON, D.C.
June 23rd, 1941.

Note on proposed purchase by U.S.
Government of sisal for stockpile.

1. In February last the British and Dutch Governments presented identical notes to the State Department suggesting (a) that some international control of sisal production was needed in producers' interests, at least while the war lasted, and (b) that relief could best be given to the immediate heavy stock accumulation by a purchase of about 40,000 tons of sisal by the United States Government for stockpile.
2. In reply to (b), the United States Government stated that the Defence Supplies Corporation were prepared to purchase for stockpile 40,000 tons of sisal provided suitable shipping arrangements could be made. The note added that "in view of the acute shortage of shipping space which is delaying this Government's stockpile programme, it is not contemplated that sisal be transported at the expense of space for more strategic materials". The note asked for proposals as to the allocation of the purchase between British and Dutch producers, price, terms of sale, etc.
3. The British Government is prepared in principle to share the purchase with the Dutch Government in proportion to average production in recent years or on some other acceptable basis. We are further prepared to sell our share to the Defence Supplies Corporation at the equivalent of our buying price in East Africa, namely, an average for all grades of £19. per long ton free on rail estates. Before putting forward definite proposals, however, we are awaiting the views of the Dutch Government on the United States Government's reply.
4. It has been indicated unofficially that the only terms on which the Defence Supplies Corporation would be prepared to conclude a purchase contract would be f.o.b. at ports where other strategic materials are being loaded. That is, the Corporation would not be prepared to buy sisal until space had actually been provided to lift it. In view of the present difficult shipping position, a purchase on these terms would provide no guarantee that the total of 40,000 tons would be bought, and consequently the dollar proceeds of our share accrue to the British Treasury, within any reasonable period. It would be much to our advantage if the Defence Supplies Corporation could agree to purchase stockpile sisal in warehouse and hold it in East Africa until freight space became available. This point has not yet been discussed with the Dutch Government, but it seems likely that they would take the same view in respect of any purchases made in the Netherlands East Indies.

BRITISH EMBASSY,
WASHINGTON, D.C.

June 23rd, 1941.

Regraded Unclassified

Memorandum on the Taborali schemes herewith.

Mr. Wells has interviewed Mr. Cox this morning on lease lend aspects with following results

First Scheme

Mr. Cox is of opinion that this expenditure can be brought under lease lend

Second Scheme

Mr. Cox is of opinion that all these expenses could be brought under lease lend except possibly those connected with the delivery of planes owned by the United Kingdom or purchased out of pre lease lend contracts.

J.B.
27/6

1.20 P.M. Jan. 27, 1941

FIRST SCHEME

There is at present a collection of aircraft at Takoradi which have been shipped in parts for assembly there. To relieve congestion at Takoradi, General Arnold has arranged for 30 skilled mechanics of the Curtiss Wright Company by Clipper on the 2nd July. Cost of transport not known, but say \$15,000 to \$30,000. Pay of Mechanics, say \$180,000 a year. They are going indefinitely for such period as they are needed at Takoradi.

We are willing to find what dollars are needed, if not eligible under lease-lend.

27th June 1941.

SECOND SCHEME

This scheme provides broadly (i) for the shipment in parts and/or the flying of complete aircraft from U.S. seaboard to Takoradi via South America, (ii) for the ferrying of the aircraft from Takoradi to Khartoum or other point near the operational zone.

Provision is thus needed for three distinct services -

- (a) ferrying of aircraft across the South Atlantic,
- (b) ferrying of aircraft, either shipped or flown, from Takoradi to Khartoum or other delivery point,
- (c) provision of an air transport service in Africa for conveying ferry pilots back from delivery point to Takoradi.

Scheme was discussed in general terms between Mr. Hopkins and Air Marshal Harris and also between General Arnold and Air Marshal Harris with the President and other representatives of Pan American Airways.

It was proposed that Pan American Airways, by direct agreement with British authorities, should undertake the responsibility for the three services. The Trans-Atlantic and Trans-Africa ferrying services would involve the provision of operating personnel and the supply of fuel and oils. The transportation of ferry pilots on the return journey from delivery point would entail provision of aircraft (20 Douglas DC³) and operating personnel, ground organisation at terminal and intermediate points. It was assumed that existing ground facilities should be adequate, but P.A.A. indicated

that it might be necessary to provide additional navigational and ground equipment. Pan American Airways would also be responsible for providing personnel and material required for maintenance of aircraft and ground equipment.

An estimate, necessarily conjectural, of the expenditure involved for these services is:-

a.	
1) Trans-Atlantic ferry	
(150 mixed crews)	\$2,700,000
b. Return journeys to U.S. by clip-	\$1,800,000
2) Trans-Africa ferrying per	
of military aircraft,	
(80 pilots)	\$1,250,000
3) Transport service:-	
(a) 20 D.C.3 transports	
and spares at	
\$125,000 =	\$2,500,000
(b) Maintenance equipment	
required in Africa	
and cost of transport-	
ation to West Africa.	500,000
(c) Grounds aids, naviga-	
tional, radio, etc.	
say,	300,000
(d) Cost of pilots, crews,	
ground personnel and	
other ground services	\$3,600,000
(e) Administrative and	
miscellaneous expen-	
ses	\$2,000,000
	<u>\$14,650,000</u>

Mr. Trippe, of Pan American Airways emphasized that the Company did not wish to make any profit out of this undertaking and would base their charges on audited costs.

27th June 1941.

NOTE ON WOOL

By an exchange of notes dated 9th December, 1940, the United States and British Governments agreed that there should be established a reserve of Australian wool in the United States. The British Government undertook to put at the disposal of the United States Government a stock of 250 million pounds of Australian wool, to be held at an Australian port subject to the conditions that the wool would remain the property of the British Government, the expenses of transport and storage would be for the British Government, and that all or any part of the wool might be loaned by the United States Government, or an agency of that Government, for use in the United States, or might be sold to the U.S. domestic trade if, and when, it had been determined by the U.S. Government that an emergency shortage of wool existed in the United States.

2. The shipments of wool from Australia for this strategic stock up to the 15th June totalled 87,000,000 lbs. The shipment has been slower than estimated for the reason that ordinary commercial shipments which it was mutually agreed should have priority have been heavy.

3. It is not possible to make any precise estimate of the value of the wool since the value of particular grades of wool varies a good deal and we do not know the exact grade of the stock. But, roughly, the total value of the whole strategic stock might be £70 millions, more or less.

4. To the best of our knowledge the apparel wool consumption in the United States is as follows (figures on dry shorn basis):-

States stock of apparel wool,
 1941, (exclusive of strat-
 stock) 612,000,000 lbs.
 previous was 600,000,000 lbs.
 May 1st average 633,000,000 lbs.

of approximately
 1,000,000 lbs. as at
 may have been
 to enable the
 action of the
 business involved in an
 U.S. apparel wool
 consumption of, 550,000,000 lbs.

U.S. apparel wool consumption... 900,000,000 lbs.
 United States Clip, 1941 480,000,000 lbs.

Stocks necessary to handle 900,000,000 lbs. consumption
 and naturally be much greater than is necessary to handle
 550,000,000 lbs. annual consumption.

Stocks cannot be completely used to the extent of bare
 because wool stocks are held on farms, in dealers
 in greasy form, scoured, pulled, as tops, yarn, etc.
 occasionally, some dealers and manufacturers are short,
 are long, on the market. Stocks are never evenly
 distributed among all users.

Substantial imports seem to be necessary if a starvation
 is not to be reached in the United States by the end
 of the year.

We have proposed to the Secretary of Commerce that
 U.S. Government or an agency should purchase the wool
 partly in the United States and partly in Australian

If existing conditions call for an addition to the
 strategic stock (we believe that in fact 500 million pounds
 the figure originally considered, though subsequently
 reduced to 250 million pounds) we are in a position to supply
 greater quantities of wool since we have acquired the
 of Australia, New Zealand, South Africa, India and Chile.

Wm. D. G.
 20, 1941.

MEMORANDUM

TO: U.S. TREASURY COMMISSIONER

It will be recalled that at the end of last U.S. Press announced the formation by Great Britain of a Civilian Technical Corps for the operation of radio-locators and that volunteers for the corps were enlisted in the United States. Preliminary information indicates that the expenditure immediately required is to be one million dollars for expenses of transportation to Canada. If the full number of 30,000 members is reached, allotments of pay to families and allowances in the United States could amount to ten or fifteen million dollars a year. Further information is being sought from London on details. Meanwhile the cost of British dollar expenditure outside Lend-Lease may be increased by the above amounts.

Washington, D.C.,
March 23, 1941.

copy

June 23, 1941

Dear Mr. Keynes:

This is to acknowledge your note to me of June 17, which I have read with great care.

A re-reading of it convinces me that the substance of your proposal relates to financial problems that seem to me primarily the concern of the Treasury rather than the Lend-Lease Administration.

The matter of how the Lend-Lease Administration is to be utilized is, of course, one for the President and Congress to decide. At the moment we are engaged in buying seven billion dollars worth of materiel for you and the other democracies.

My own feeling is that the primary departmental interest here lies clearly with the Treasury and not with us. I believe, therefore, that all the implications of your letter should be taken up with Mr. Morgenthau.

I do not mean to indicate that I am not mindful of the financial difficulties involved. I merely want to indicate to you that I do not consider that my responsibilities include working out of the fundamental financial arrangements between the United States and Great Britain. I realize that the Lend-Lease Administration and its machinery is an important and potentially controlling factor in regard to it.

Very sincerely yours,

HARRY L. HOPKINS

Mr. Keynes, Esquire,
British Supply Council,
Washington, D. C.

Secretary of the Treasury

REQUIREMENTS FOR NEW ZEALAND

I.

New Zealand representatives have submitted the following estimated requirements. The details are given in an annex to the N.Z. Ls on c.i.f. terms. In the summary table this has been converted into a dollar value f.o.b. by taking the N.Z. Ls at par and deducting about 10 per cent (in accordance with New Zealand practice) to convert c.i.f. to f.o.b. value.

EXCISE DUTY CARLIKE GOODS New Zealand Estimated Requirements from U.S.A. Year ending June 30, 1942

	<u>Essential for War Effort</u>	<u>War Purposes (Minimum List)</u>
	\$ million f.o.b.	\$ million f.o.b.
(including Steel rolling, iron and copper metal cordage and wire and steel, copper and tubing.)	7.2	5.2
	2.9	1.7
Raw materials	5.8	3.2
Crops, including tobacco	2.6	.7
Other	5.4	3.6
Manufactures	3.3	1.3
Vehicles, principally auto parts	.26	.5
Adjustment- addition	.29	
Estimate	<u>27.8</u>	<u>16.2</u>

The amounts in the first column represent what it was considered necessary to provide for after a very thorough and careful examination of the requirements from all sources confined to essential commodities and in small quantities. The lower estimate given in the second column represents the amount of those items in the first column which are in respect of raw materials for use in the production of goods required directly in connection with the war together with materials necessary for production of foodstuffs etc. essential to maintain the Dominion's requirements and their supplies to the U.K. as part of the war effort. In any case, if the aggregate amounts imported had to be reduced to a minimum figure, it is stated that there would be a danger of a serious shortage in the Dominion's economy.

II.

The above tables are comprehensive of all imports. The New Zealand Representative states that items falling in the following categories do not present serious administrative difficulties for importation and distribution by the Government, subject to the caveat that he has suggested to the New Zealand Ministry of Supply to examine this question in regard to some of the items which might be too difficult to administer. It would, however, be of great assistance to the New Zealand Ministry of Supply if there could be a prior determination of the eligibility of these items before a centralisation of purchases is set up in such goods.

Leaf Tobacco

Wood Pulp

Ferrous and Non-Ferrous Metals

Wire

Tin

Agricultural and Dairying Machinery

Ball Bearings

Household materials and Appliances

Boats

Motor Vehicles

Board

Beer

Gas

Mineral Salts

Electrically operated machines for Industrial Purposes

Electrical Appliances peculiar to Telegraphy and Surgery

Scientific Instruments.

APPENDIX

IMPORTS INTO NEW ZEALAND FROM U.S.A.
Year Ending June 30, 1942.

	Group	L (NZ) c.i.f.
ings	4	7,000
ery (medicated)	4	2,000
ts	4	30,000
ts	4	20,000
	4	8,000
re	4	2,000
rape sugar	4	80,000
er	4	105,000
n.e.i.	4	3,000
	4	1,000
	4	-
co	4	650,000
ts and skins	3	20,000
asins (T.I. 118)	3	16,000
clover seeds	3	10,000
ral seeds	3	15,000
aterials	3	20,000
	3	300,000
	6	1,000
	3	6,000
	3	6,000
tapes, webbings	3	25,000
sa' steels etc.	3	4,000
heets etc.	6	-
nd bindings	3	5,000
haberdashery	6	1,000
de goods	6	2,000
rtiles	6	1,000
oods and oil baize	6	5,000
of material	6	2,000
er fishing lines	6	1,000
nd bitumen	2	
ses	2	
ng greases	2	
oil	2	
	2	
ned minerals	2	
its	2	
ng oil	2	
in bulk n.e.i.	2	1,000,000
mineral oil	2	
olum	2	
er oil	2	
oils	2	
nd vegetable waxes	2	
ts	3	42,000
ed	6	4,000
nd lacquers	6	1,000
etc. stomes	6	3,000
opper, in bars	1	
etals	1	
steel-angle, tee etc.	1	
ng, ingots, etc.	1	
i. in sheets	1	
steel in sheets	1	
dage	1	2,498,000
tes	1	
	1	
ings	6	50,000
ts, rivets, etc.	6	15,000
	6	2,000
or furniture	6	2,000

	Group	£ (N.Z.) c.i.f.
...lting	5	5,000
...ines, etc.	5	5,000
...ers	5	1,000
...ng and testing appliances	5	40,000
...nd tacks over 1"	5	1,000
...nd tacks n.e.i.	5	3,000
... needles	5	6,000
... materials	5	1,000
... and tramway gear	5	5,000
...coil, etc.	5	2,000
...ers' Tools	5	70,000
... hardware	5	50,000
... n.e.i.	5	40,000
...rural machinery	5	80,000
... and fans	5	3,000
... and well-drilling machines	5	50,000
... machines	5	30,000
...isters	5	8,000
... machinery n.e.i.	5	50,000
... isers, etc.	5	4,000
... ters, duplicators	5	3,000
... batteries and parts	5	1,000
... es o.t. storage	5	1,000
... for arc lamps	5	5,000
... es for welding	5	3,000
... cooking and heating appliances	5	-
... local appliances peculiar to	5	-
... raphy and surgery, etc.	5	110,000
... led cable and wire	5	200,000
... lamp bulbs	5	10,000
... lamps O.T.S.	5	10,000
... oles for power lines	5	-
... local appliances peculiar to	5	-
... of electricity, fuse, boards etc.	5	150,000
... local appliances n.e.i.	5	4,000
... etc. wheels	5	10,000
... ne engines	5	10,000
... governors	5	1,000
... for motor vehicles	7	5,000
... for tractors	5	see tractors
... plugs	5	4,000
... stone and metal machinery	5	100,000
... g mills	5	9,000
... g and knitting machinery	5	4,000
... machinery	5	2,000
... g machinery	5	7,000
... driven spray pumps	5	3,000
... ry n.e.i. o.k.	5	75,000
... vaders	5	3,000
... machines	5	45,000
... re and parts	5	450,000
... cleaners	5	7,000
... al machinery	5	(220,000
		(250,000 Govt.
... for machinery	6	10,000
... tubing	6	15,000
... solutions	3	3,000
... manufactures	3	2,000
... skins	3	50,000
... and enamelled and patent leathers	3	3,000
... for n.e.i.	3	1,000
... lickory, etc.	3	3,000
... ar, rough sawn n.e.i.	3	50,000
... n handles for tools	3	20,000
... and plywood	3	-

	Group	£ (NZ) c.i.f.
...e.i.	6	10,000
...material n.e.i.	3	3,000
		6,000 (for electric lamps)
...e.i.	3	50,000
...ty lamps	3	2,000
		12,000
		13,000 (for electric lamps)
...es	6	500
...Paris	3	1,000
...eto.	3	100,000
...eto.	3	3,000
		1,000
...er	3	1,000
...and greaseproof	3	50,000
		1,000
...paper (large)	3	40,000
...paper (small)	3	14,000
...orchardists	3	14,000
...i. in rolls	3	20,000
...i. in sheets	3	16,000
...books	3	20,000
...and showcards	3	4,000
...etc.	3	3,000
...pictures	3	2,000
...n.e.i.	3	3,000
...s	3	-
...graphs	3	3,000
		260,000
		(amount fixed for remittances)
...surfaces	3	7,000
...instruments	3	1,000
...for wear	3	12,000
...appliances	3	50,000
...materials	3	60,000
		30,000
		10,000
...antiseptics, etc.	3	5,000
...logical products	3	10,000
		2,000
...illates, etc.	3	3,000
...culture media	3	4,000
...de, not powdered	3	10,000
		15,000
...synthetic	3	15,000
...oils	3	20,000
		9,000
...etc.	3	4,000
...s	3	50,000
...l. druggist's sundries, etc	3	
...preparations in 15 c.c.	3	
...vessels	6	2,000
...cattle licks	3	625,000
...parations concentrated	3	2,000
...perfumes	3	2,000
		100,000
...Salts, n.e.i.	3	25,000
...chemicals n.e.i.	3	100,000
...v.T. sulphur	3	6,000
...and parts	3	2,000
...to.	3	8,000
...ing in the piece	3	7,000
...atings for vehicles	3	5,000
...ehicles C.K.D.	3	

	Group	£ (M.Z.) s.d.f.
... O.K.	7	80,000
... for vehicles	6	22,000
... rubber tires	6	2,000
... and caps	6	1,000
... springs	6	1,000
... .22 cal.	6	1,000
... for cartridges	6	warlike stores
... stores	6	6,000
... for blind, etc.	6	warlike stores
... apparatus	6	150,000
... king	6	1,500
... records	6	6,000
... ording appliances	6	4,000
... appliance	6	6,000
... n.e.i.	3	1,000
... materials	3	2,000
... ds	3	100,000
... machinery	4	2,000
... manufactures	6	4,000
		4,000
		1,000
		30,000
		9,537,000
... addition for motor vehicles		100,000
		9,637,000

Group No. 1	Metals	£ 2,498,000
Group No. 2	Oils	1,000,000
Group No. 3	Other raw materials	2,000,000
Group No. 4	Foodstuffs in- cluding tobacco	912,000
Group No. 5	Machinery	1,893,000
Group No. 6	General manufac- tures	1,141,000
Group no. 7	Motor vehicles incl. spare parts	190,000
		9,637,000

MEMORANDUM

SUBJECT: INCLUSION OF "ADMINISTRATIVELY DIFFICULT"
U.K. IMPORTS UNDER LEASE-LOAN PROCEDURE.

During March and April 1941 a series of meetings were held by the competent Departments in London to consider the creation of machinery for bringing under lease-lend U.K. imports (valued at approximately \$140 millions a year) of certain miscellaneous goods. There were two main problems:-

(a) The range and variety of goods was so great that it would be essential to retain the specialized services of existing importers in order to obtain the products rapidly, to correct specification (often a vital matter), and at the right price. It must be borne in mind that as a result of war demands there is now in the United Kingdom a most acute shortage of personnel suited to administrative work and that it would therefore be very difficult to establish or extend the appropriate government departments to take over from existing trade channels the detailed work and specialized knowledge involved.

(b) Assuming, however, that the specialized knowledge of the trade could be retained but the goods themselves were imported under government auspices, there would remain the problem of handling and distributing the goods on arrival, and in particular of dealing with the documents and invoicing work. Although the value of the miscellaneous manufactures class is relatively small, the number of transactions covered is altogether out of proportion to the value. A very large staff would have to be established and trained before the work could be handled smoothly. It is most

important that delays should be avoided in procuring goods in this class which include many small components required to ease bottlenecks and maintain U.K. production in balance, or to replace output interrupted by enemy action. Here again the shortage of administrative personnel was a serious difficulty.

Difficulty would also arise in planning the organisation which would have to be established in America to handle the documents involved, together with the general agency and forwarding business which would arise. At present the documents are handled and the forwarding business despatched smoothly and efficiently by existing commercial organisations. It was clear that a very large staff would have to be assembled and trained in the U.S. to deal with the great numbers of transactions - a purchase costing \$10.00 may involve just as many documents as a large consignment under lease-lend.

Considering a number of projects, the Committees examining this problem were unable to devise any entirely satisfactory scheme. The accompanying Appendix outlines a measure which had been tentatively put forward, but which was far from meeting all the problems. It would have overcome some of the difficulties in the U.K. by retaining the specialist skill and connections of commercial importers and by reducing down the need for organisation in Great Britain to handle the documents. But it would still have required a very large addition to the B.P.C. staff in America and the establishment of an organisation in the U.K. to receive payment from importers' banks against the goods obtained

Mr. Harriman, who was privately consulted, told us ~~gravely doubted whether Washington could even consider~~ a procedure which left the negotiation to private traders. At the end of April it was decided that no further work should be done on these projects, the hope being entertained that as a result of an extension of lease-lend in other directions, a sufficient current surplus might accrue in dollars from exchanges between the sterling area and the dollar area to provide means of payment for this "administratively difficult" class.

If, however, the U.S. administration were prepared to consider a procedure which left the detailed work of negotiation and specification to private traders and only brought in the lease-lend procedure when the stage was reached where the order could be confirmed, it is possible that a considerable (by value) of the miscellaneous class could be brought under lease-lend without imposing too great a burden on the administrative organization at either end. Since the miscellaneous manufactures have never been handled by Government agencies, little information on detailed schedules is available in Washington. But it is known that among miscellaneous manufactures there are classes, which both in point of being essential to the war effort and in representing substantial quantities appear suitable for requisition under lease-lend.

Washington, D.C.,
April 26, 1941.

APPENDIX

PROPOSED PROCEDURE FOR BRINGING MISCELLANEOUS MANUFACTURED GOODS UNDER LEASE-LEND PROCEDURE. *

The B.P.C. puts in a blanket requisition for, say, millions worth of miscellaneous manufactured goods for use by H.M. Government to persons other than its agents.

The U.K. importer (who is presumed to have been in touch with his potential American supplier and to know prices and delivery possibilities) approaches the U.K. Import Licencing Department for permission to import the goods. This is normal procedure under present arrangements. The Import Licencing

Department satisfies itself that the goods are essential** and within the total amount (and value) for such class of goods allowed by the Inter-departmental Import Licencing Committee** (current procedure), and issues a licence subject to:-

(a) The import being submitted by the B.P.C. to the appropriate U.S. authority for decision on its eligibility for lease-lend procedure. If it is passed eligible it must be handled under lease-lend.

(b) Opening at his bank an irrevocable credit for the appropriate sterling c.i.f. value of the goods in favour of the appropriate department of H.M. Government. It would be agreed that in the event of the goods not being passed eligible for lease-lend the credit would be cancelled.

3. On issuing the import licence the I.L.D. would allot lease-lend serial number to the transaction and cable to the B.P.C. Stores Clearance Department (in standardized form) giving serial number and brief particulars of the goods, price, seller, importer and importer's bank (for subsequent forwarding of documents). The B.P.C. Stores Clearance will transfer particulars to a standardised card and file under serial number, with a cross-index to importers' name for safety.

The above is not an actual draft but has been put together by a member of the Commission from his memory of what was under discussion.

** The Import Licencing Department and The Import Licencing Committee have established a searching standard in assessing the essentiality of imports in the "miscellaneous" class, and have an efficient machinery for investigation.

U.K. importer informs American supplier of serial-
number and instructs him to confirm particulars of price,
quantity, date of delivery, terms, etc., to B.P.C. Stores
Clearance Department.

B.P.C. S.C. Department check supplier's particulars
and file card in their file and submit a requisition to
the U.S. Government representatives (who, it is suggested,
will sit in with the Stores Clearance Department in New
York for this purpose). If the U.S. Government approves
the application, they confirm the order to the supplier and
instruct him to make delivery to the B.P.C. Stores Clearance
Department as agents for the U.K. importer. The cost of
freight is charged off against the market requisition
submitted to in (a) above.

On taking delivery, the B.P.C. Stores Clearance
Department sign the receipt in the usual way, and forward
documents to the U.K. bank named in the original cable
to the Import Licencing Department. On receipt of the
documents the bank pays H.M.G. under the irrevocable credit
submitted to in 2(b) above, and releases the documents to
the importer.

W.D.C.
21, 1941.

Note on prospective sales of British
West African coconas in the United States
market.

1. Since the beginning of the war, the total crops of coconas produced in British West Africa (and more recently in the French Cameroons) have been bought by the British Government through a specially appointed West African Coconas Control Board, and sold to overseas markets through normal trade channels.
2. During the crop year 1939/40, sales of British controlled coconas to the American market were satisfactory. Up to the present about 128,000 tons of the 1940/41 crop have been sold to United States buyers, and a further 10,000 tons is afloat for American ports. Provided the present loading programme is maintained, it is hoped that an additional 12,000 tons may be shipped and sold to this market from the current crop.
3. It has, however, become increasingly difficult in recent months to obtain freight space for all United States requirements of West African coconas; and the Maritime Commission has recently instructed the Barber Line (which now alone supplies ships for the West African - U.S.A. run) to load only strategic materials, amongst which coconas is not of course included. This has involved the cancellation of certain forward bookings for coconas. The Commission is unable to say how long the ban on coconas shipments will be maintained. If it could be regarded as a temporary measure only, and if coconas loadings could be resumed by say January 1942, then the effects on our selling programme might not be very serious. It is not expected that any abnormal surplus of coconas will have accumulated by the end of the current season; and the 1941/42 West African crops will not be ready for shipment until December. It appears doubtful, however, whether the shipping position will have sufficiently improved in six months' time to allow normal quantities of coconas to be lifted for the United States from West Africa. At best, loadings from the next crop cannot be expected to reach anything like the total quantity of about 150,000 tons shipped, or to be shipped, from the current crop. Apart from the real difficulties of providing freight space in any circumstances while demands for strategic materials continue at current rates, the fact that American manufacturers are now very heavily stocked with coconas makes it difficult to justify maintaining loadings at the rate which has been possible during the current season.
4. The approximate net dollar proceeds on the anticipated sales of 150,000 tons of coconas from the current crop are \$17,000,000. These sales have, however, been made on a rising market, and if they could be maintained for the 1941/42 season at the present level of prices (about 8 cents per lb. ex dock New York) the net dollar proceeds from the next crop would be approximately \$20,000,000. This may be taken as the total potential loss which would result to the British Treasury from the continuation of the present complete ban on coconas loadings from West Africa to the United States.

WASSY,
W.D.C.
1941.

644

Note on proposed purchase by U.S.
Government of sissal for stockpile.

1. In February last the British and Dutch Governments presented identical notes to the State Department suggesting (a) that some international control of sissal production was necessary in the interests, at least while the war lasted, and (b) that relief could best be given to the immediate heavy stock accumulation by a purchase of about 40,000 tons of sissal by the United States Government for stockpile.
2. In reply to (b), the United States Government stated that the Defence Supplies Corporation were prepared to purchase for stockpile 40,000 tons of sissal provided suitable shipping arrangements could be made. The note went on that "the U.S. Government's shortage of this raw material, which is beyond the Government's at present disposal, is not contemplated that it will be true at the expense of the most strategic material". The note also stated that as to the allocation of the purchase between British and Dutch interests, the U.S. Government was not prepared to state the proportion.
3. The British Government's note went on to state that the U.S. Government's note was in line with the proposal to the U.S. Government in recent months on some other strategic materials. The British Government further referred to the fact that the Defence Supplies Corporation at the equivalent of the British price in East Africa, namely, on a cost basis, to be paid for long ton free on rail at the port of origin, including forwarding, definite provisions, handling, etc. In stating the views of the Dutch Government on the United States Government's reply.
4. It has been indicated unofficially that the only terms on which the Defence Supplies Corporation would be prepared to enter a purchase contract would be F.O.B. at ports where other strategic materials are being loaded. That is, the Corporation would not be prepared to buy sissal until sissal had actually been provided to lift it. In view of the present difficult shipping position, a purchase on those terms would provide no guarantee that the total of 40,000 tons would be bought, and consequently the dollar proceeds of our share would go to the British Treasury, within any reasonable period. It would be much to our advantage if the Defence Supplies Corporation could agree to purchase stockpile sissal in warehouse and hold it in East Africa until freight space became available. This point has not yet been discussed with the Dutch Government, but it seems likely that they would take the same view in respect of any purchase of sissal for the Netherlands West Indies.

BRITISH EMBASSY.
WASHINGTON, D.C.

June 23rd, 1941.

July 1, 1941
10:21 a.m.

HMJr: Hello.

Captain
Forster: Hello, Mr. Secretary.

HMJr: Hello, Forster.

F: Will you help me?

HMJr: Always help you.

F: Well, that's fine. Now, that Coast Guard plane of yours was so snappy yesterday, I was wondering if you could let him take a pouch up for me today at 3 o'clock.

HMJr: A.....

F: Can you do that or shall I go to War?

HMJr: I don't want to go to war, do you?

F: No. (Laughs)

HMJr: It's out of the ordinary, but seeing it's you, it's granted.

F: All right. Will you have a Secret Service man come and get the pouch?

HMJr: What time?

F: Three o'clock.

HMJr: Yeah. Norman Thompson is sitting here and I'll tell him and he'll take care of it.

F: You bet he will.

HMJr: Right.

F: Thank you, sir.

HMJr: But, don't ask me tomorrow.

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F: No, no. No, I don't care about tomorrow,
but I've got all these appropriation bills...

HMJr: It'll be done today. Tomorrow, let the
War Department do it, I don't want Stimson
to get jealous of me.

F: All right.

HMJr: All right.

F: Thank you, sir.

HMJr: Goodbye.

F: Goodbye.

July 1, 1941
10:26 a.m.

HMJr: Hello, hello.

Operator: She said he was coming right on.

HMJr: That's all right.

Henry
Wallace: Hello.

HMJr: Hello, Henry.

W: Hello.

HMJr: I called up to say thank you twice;
one for the perfectly swell job you did
Saturday night.

W: Oh.

HMJr: On the radio and the second time for
what you're doing at noon today.

W: Well, I wondered about that. I - this
fellow said that you wanted me to do
it and I began to think that I ought
to check with you and find out....

HMJr: Now, a

W:

HMJr: Oh, yes. I'm simply delighted. I was
out there this morning before nine and
looked at it and it's really quite a
show.

W: It is? Well, that's swell. It seems to
me like you got a good idea there.

HMJr: A - there was the Army and Navy and Marine
Corps and Coast Guard all there in force
and it's really quite a show and if it
proves successful here, which I think it
will with your launching it, why, we hope
to duplicate it in all the big cities.

W: Yeah. I feel very strongly that unless

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the taxes and your Defense Savings soak up this extra purchasing power that we'll be in for price fixing under very difficult conditions.

HMJr: I agree with you. I was particularly interested in what said about his being for peace, but he was for strong defense.

W: Yeah.

HMJr: Don't you think that was good?

W: Oh, yes. I bet that helps to swing in the sentiment that we need.

HMJr: Yeah.

W: I listened and it was good.

HMJr: So - I thought the whole thing was terribly good and I appreciate it - what you're doing to help us.

W: All right, sir, fine.

HMJr: Thank you.

W: I'll get to work.

HMJr: Thank you, Henry. Goodbye.

July 1, 1941
10:45 a.m.

Operator: Mr. Walsh is in a meeting and they expect him around eleven.

HMJr: Well, let me talk to his secretary.

Operator: All right. Go ahead.

HMJr: Hello.

James W. McIntyre: Yes, Mr. Morgenthau.

HMJr: Who is this speaking.

M: McIntyre.

HMJr: Oh. Mr. McIntyre, I wonder if I could come up to see the Senator tomorrow morning.

M: Well, sir, he had intended, I believe, to leave for Massachusetts sometime today.

HMJr: Oh, really.

M: May I call you, sir, as soon as he comes out of Finance Committee?

HMJr: Will you do that?

M: Yes sir.

HMJr: Because if he's going to leave, then I'll arrange - I'll cancel whatever appointments I have.

M: Yes sir.

HMJr: If I can see him.

M: All right, sir. I'll call you just as soon as he comes out of the Committee.

HMJr: What time you think that'll be?

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M: They were to meet at 11 o'clock and he went to Pensions Committee first before going to Finance, sir.

HMJr: He went where?

M: Pensions Committee first and then Finance was to meet at 11 o'clock.

HMJr: Well, how long will that run?

M: It probably will last an hour, sir.

HMJr: You couldn't see him before that, because I'm going out from 12 to 1?

M: Yes, sir, I'll go down to Pensions Committee, sir, and I'll get a hold of him.

HMJr: Will you?

M: Yes, sir. I'll call you back.

HMJr: And say if he's going out tomorrow, maybe we could get together this afternoon.

M: All right, sir. I'll do that, I'll call you right back.

HMJr: Because I'm going out from 12 to 1.

M: All right, sir. I'll call you back in a very few minutes.

HMJr: Thank you.

July 1, 1941
10:55 a.m.

HMJr:

Hello.

James W.
McIntyre:

Mr. Morgenthau, Senator Walsh wishes to know if it's anything that concerns the Finance Committee meeting.

HMJr:

I can't hear very well.

M:

Senator Walsh would like to know if it's anything that concerns the Finance Committee meeting.

HMJr:

Yes.

M:

Is it?

HMJr:

No, it's the question of an appointment.

M:

Oh well, then...

HMJr:

It's a question of an appointment for somebody I have under consideration from Massachusetts.

M:

I see.

HMJr:

And I want to talk over it to - with him personally.

M:

Is 2:15 - 2:30 this afternoon be all right, then.

HMJr:

What's that?

M:

2:30 this afternoon?

HMJr:

At 2:30?

M:

Yes, sir.

HMJr:

At his office?

M:

Yes, sir.

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HMJr: 2:30 at his office in the Senate Office Building.

M: That's right, sir.

HMJr: Now, I'll be there and if it's agreeable I'd like to bring Mr. Foley with me.

M: Yes, sir, that will be agreeable.

HMJr: What?

M: That will be agreeable.

HMJr: I'll be there at 2:30.

M: All right, sir. Thank you.

HMJr: Hello?

M: Yes, sir.

HMJr: I'll be punctual.

M: All right, sir.

HMJr: Is he punctual?

M: Yes, he will be.

HMJr: I'll be punctual.

M: All right, sir.

HMJr: Right.



GENERAL COUNSEL
TREASURY DEPARTMENT
WASHINGTON

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AM

Secretary Morgenthau

July 1, 1941.

J. J. O'Connell, Jr.

For your information

The regular weekly meeting of the Price Administration Committee was held in Mr. Henderson's office this morning at 11:00 o'clock. All agencies which are members of the Committee were represented.

Mr. Henderson stated that he intends to hold a press conference at 3:00 o'clock this afternoon at which no questions will be barred. He feels (and rightly, I think) that the time has come to answer some of his critics and to "call a spade a spade" in the hope that it will help to clear the air about the price situation. He is obviously concerned by two things: (1) attacks made upon him by such people as Senator Smith and others equally hostile; and (2) the fact that the price level continues to rise about one point a week and is now higher than the 1937 peak. (of course, attacks upon him weaken him in his attempts to control prices, since he has to depend so much upon moral suasion to enforce his decrees).

There was a general discussion about such topics as the order fixing prices for automobile tires (there is now some hope that it will not be necessary to fix a price ceiling on them for some months); the price of oil and gasoline on the west coast (there is to be an additional 15 days' delay before any attempt is made to fix their prices in order to give the marginal producers in that area a further opportunity to submit information as to their costs); and the problem of additional pipeline facilities for the transportation of oil and gasoline (Mr. Pike advised that the area of disagreement between the interested parties is now quite narrow and he hopes that at a

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meeting to be held on Thursday of this week with Secretary Ickes the situation will be substantially ironed out); and the question of civil priorities for such things as canning machinery for perishable farm products and repair parts for agricultural and other types of machinery (Mr. Weiner, in charge of priorities for Mr. Henderson, advised that they were moving on several fronts and that emergency orders of priorities for repair parts and for canning machinery would be out today or tomorrow).

Mr. Henderson also referred briefly to the question of consumer credit, which he said has been informally discussed with the Federal Reserve Board from time to time. Mr. Nugent (formerly with the Russell Sage Foundation) is representing OPACS in this connection. Mr. Henderson (speaking directly to me) stated that he has been in touch with Dan Bell and that it is expected to hold a meeting with our people some time this week to discuss the general situation and suggestions for needed action. He made it quite clear to everyone that they do not wish to do anything in this field which was not entirely satisfactory to you.

The meeting adjourned at 12:15 o'clock.

Joseph J. McConnell Jr

July 1, 1941
11:15 A.M.

RE: AID TO BRITAIN

(Conference held in Mr. White's office)

Present: Mr. White ✓
Mr. Phillips
Mr. Keynes
Mr. Thompson ✓
Mr. Archer
Mr. Childs
Mr. Brown
Mr. Kades ✓
Mr. Cochran ✓
Miss Kistler ✓
Mr. Boddie
Mr. Murray
Mr. Keyes
Mr. Roseveare
Mr. Jennings
Mr. Coe ✓

Coe: The question is on this second document, Mr. Keynes?

Keynes: Yes. On the hundred and fifty UK purchases.

Archer: On the second page.

Coe: That is Item 4.

Kistler: That is the administratively difficult items.

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Keynes: June, 1941 estimate, one hundred fifty. That is on the assumption that all the articles are dealt with. Our latest information is that you think you can't use them, isn't it?

Brown: Yes, sir.

Keynes: I didn't recognize that figure.

Coe: Is it that you can't deal with them at all?

Keynes: You can't deal with them.

Coe: I mean that we can't deal with them at all, is that your understanding?

Brown: Yes. We feel that the only practical way in which that relief could be given was if our Procurement agency should rubber stamp the results of the negotiations between your United Kingdom importers and the American suppliers and that we don't feel that we could adopt that procedure.

Keynes: I don't think it follows that we can't do something on our side. It might be that we could get some of the items.

Brown: It is not at all a question of the difficulty with the items. It was purely from the practical problem of getting the desired speed through our procurement machinery. If you could find some articles that weren't particularly urgent and that weren't in that classification and which could be purchased through our machinery, there would be no difficulty.

Keynes: We wanted to find out whether there were any moderately large ones.

Phillips: I should have thought that the truth was, on the basis of the present advice you have got, that it may be someone will come along and discover

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we could put in twenty or thirty or forty.

Keynes: You can't decide anything for certain.

Coe: Probably a question mark with, I think, twenty or thirty being possible.

Phillips: It would seem that way to me.

Keynes: You see, the effective shipping difficulties-- it may be the shipping difficulties. Then of course, for the same reason your income will dwindle on the exports to this country. It is rather inadvisable to take account of shipping difficulties on one side, and not on the other. It may quite likely be that it may come to as much as a hundred and fifty. Then on the two fifty, that is what I think we might look for in the end. Of course, it won't come into operation as of today. There will be a time lag there. It will be an annual rate. Phillips, I don't think, is so optimistic. He thinks two hundred. But if it is two hundred fifty, that would be, so far as payments are concerned, for about six months.

Coe: Mr. White, Mr. Keynes was just pointing out that this one really shouldn't be there.

White: Yes, it is maximum. It is a possibility if they are able to do anything.

Coe: Well, they think they can't. Lend-Lease thinks it can't.

White: It cannot?

Coe: Yes. Maybe something could be done on the British side.

Keynes: There have been some further discussions since we last saw you.

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White: That is one of the things, I take it, that they will report on this morning, so we will merely put a question mark against that. Was there any other--

Keynes: From the two fifty, I think Phillips is more conservative, but I should hope it might be that annual rate. It wouldn't be that figure during the calendar year beginning July, 1941, because the machinery has to be set up in two of the countries concerned and also payments, so far as payments are concerned, there is a time lag of at least three months.

White: I see. So that--

Keynes: That annual rate, I should hope, will be our annual rate after January 1.

White: I see.

Keynes: It is very hard to estimate.

White: Well, these are merely an attempt to put down figures that we have talked and used so that their--

Phillips: I think I recognize all those figures. The one thing that catches my eye is 2(i). Forty-one is the contracts placed since March 11, which is the directive given, but that thirty which you put there next is, I think, the amendments, isn't it?

White: Well--

Phillips: That will take up all the amendments.

White: All the amendments should be in that figure.

Phillips: It is a pretty spotty figure.

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Brown: May I ask a question on that, sir? I believe that figure forty-one million includes some nineteen or twenty million for pilot training and private schools. That would come under the same category.

White: Is that your understanding?

Childs: Yes, it is quite likely.

Brown: It is nineteen million two hundred seventy-five. Unfortunately, that is the same kind of thing as we thought in the last meeting Lend-Lease could not be applied for.

White: So I understand your point is that this--of this forty-one million, it includes some twenty million which there is no doubt a question about in your mind?

Brown: Well, we are quite sure we can't do it.

White: You are sure now that you cannot do it?

Brown: And a similar item came up at the last meeting and we said no Lend-Lease. It was Item 5.

White: Is that your understanding?

Phillips: I am afraid so.

Keynes: You mean the forty-one includes the twenty-one?

White: Yes.

Keynes: Then Phillips is right about the thirty.

White: This thirty, you feel, is high? That would be amendments?

Childs: That would probably be zero, then, because it

- 6 -

would be very hard to go back to the amendments.

Whiter: Let me see if we are talking about the same thing.

Childs: Since March 11. You see - well, let's take a practical illustration. Boddia, who has made a lot of those--

Boddia: It is almost impossible, I should think.

White: Hadn't we been considering some amendments the last time?

Boddia: Only those not covered by contracts.

White: And the thirty that you are now speaking of relates to amendments which have been covered by a contract? Does it relate to those in which the terms were set similar to that which we discussed under one of the later items? Which would be impossible to distinguish between the two?

Childs: Well, I understood the reason was because, as intimated at the last meeting that once having placed it, it would be a terrific job to get the manufacturer to go back and pick it up under Lend-Lease. It will be hard enough with a brand-new commitment.

White: That wasn't my understanding. It may be correct, but I thought there was still a definite possibility that amendments could be taken over by some arrangement, for example, one of those you suggested of taking fewer items with the modifications.

Boddia: But it was certainly my understanding that it only applied to amendments which are now arising which have not been covered by contracts.

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Brown: From a practical point of view, rather than a legal point.

Boddis: Yes.

White: Have you any information on that score?

Brown: From our point of view, it is perfectly all right if it can be worked out practically.

White: Then does it remain to be a problem between yourselves and the contractors or between the Army and the contractors? Are we going back to that discussion that we had when Mr. Purvis was there with respect to the ability to induce some of these manufacturers to make that adjustment?

Boddis: Yes, to a certain extent. The difficulty raised by Mr. Purvis was in connection with amendments of contracts in any case, but if we have already covered the amendments formally ourselves, then we have got a three-party agreement which I don't think the contractors would accept. In effect, what you are really doing is to suggest that an amendment to the contract be signed, but not the whole contract.

White: And you feel that there is no practical way out of that difficulty?

Boddis: I haven't actually tried. I am only giving my impression.

White: Who would be the group though, who could determine that finally? Is that your group? Would it be the Lend-Lease group or would it be as a result of conferences?

Boddis: As a result of conferences, I think; three parties, at least.

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- White: Are these amendments of a character such that action has to be taken very quickly to avoid having a dollar charge against the British Treasury?
- Boddis: They are already a dollar charge against the British Treasury.
- White: But I mean, by the time payments will have been made?
- Boddis: There were no down payments on most of them.
- Phillips: That doesn't matter.
- Childs: Let's try it. We can go and try it because we are going to try it on the new, and if we can try on the new, we can try on the old. That point outlined was not to discourage anyone, but to indicate the practical problem.
- White: Well, let's put it this way. If you are satisfied that it is impossible, then -- and if Mr. Cox is likewise convinced it is impossible, we will drop it; but if you still feel there is a chance and if we can be of any assistance in bringing to bear some additional incentives, there is some ten to thirty million dollars that may be saved for you. Now, when you tell us that it is no longer possible, we will drop it out of the picture.
- Boddis: We can't say until we find out.
- White: Do you intend to go forward and attempt to find out, and is there anything that we can do at this stage to help you find out?
- Boddis: Not at this stage.
- White: Then you are going forward and will let us know, but in the meantime it is a very dubious item?

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Boddis: Very dubious.

White: Was there any other?

Keynes: Coming back to the Dominion Purchases. I think that our ultimate target might be - in the case of Australia and New Zealand on their side, there seems to be no reason why almost all of them shouldn't be considered, except those that are too small to be worth anybody's bothering with them. We think that when your priorities system is fully established, it will drive South Africa in to a considerable extent. New cases are arising each day. There is one we just heard from London of a large amount of tobacco from the Malay States. Eight million dollars. So if those things are going through, I think our ultimate target might be at the annual rate of three hundred million. You see, the total purchases are four hundred fifty. It doesn't seem to me--it ought to be possible to bring two-thirds of those in, which would make it three hundred.

White: We will indicate that in the corrected table, that you hope to move up to the annual rate of three hundred million, but in the next several months it will be substantially less than that.

Keynes: One hundred fifty in the next six months and three hundred in the following six months.

White: If progress is made, it might be a hundred and fifty in the next six months and three hundred in the ensuing year?

Keynes: That wouldn't be very far short of our two fifty. No, seventy-five in the next six months and one hundred fifty in the next six months following. But it means an awful lot of work and we don't yet know what is going to go through.

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If all goes well, I don't think that is out of the picture.

White: Was there anything else on that? May I return to one question that surprises me a little? That figure of forty-one million is one that we have been using for at least two months.

Phillips: I thought you hadn't (Mr. Phillips' voice became inaudible when he turned to Mr. Childs) at that very first meeting we had in Mr. Bell's room, you remember we had an analysis and that analysis was based-- you asked us to get our figures on all the contracts which had been signed after March 15. We got out that list. We got forty-one million. At a later stage the lawyers (Mr. Phillips' voice failed to register over the sound of a buzzer on Mr. White's desk) where the letter of intention had been given (inaudible) was itself equivalent to a commitment and therefore that forty-one has come down (a door slammed as Mr. Coe left the conference) that, I think, is the regular--

White: And the decision with respect to the letter of intent was a decision by our lawyers?

Phillips: Oh, yes.

Brown: Well, I think I can add a little to that, sir. There are a number of letters of intent which have been discovered which may not constitute a commitment of the British and which we feel subject to a little further check might very likely be taken over--

White: Are you making that check?

Brown: Yes, sir. It is some twenty to twenty-five million dollars.

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White: Do I understand that your amendment is that there are about twenty-five million dollars of orders placed under that type of letter of intent which leads you to believe might be taken over?

Brown: Yes, sir.

White: And you are making a check on that now and you expect to have a check completed by when? Is it a very lengthy process?

Brown: We might be able to have it this afternoon.

Phillips: You are saying that there are twenty to twenty-five over and above the twenty-one now?

Brown: Yes, sir.

Keyes: That is right. That list of letters of intent had nothing to do with the contracts signed after March 11.

White: There are other orders?

Keyes: Yes.

White: Have we taken cognizance of that? Is that something new?

Brown: It is something that has come up in the last two or three days.

Childs: Over and above that, there are others, different plants. Whether it has been brought to your attention or not, I do not know.

White: I see. But at any rate, we can indicate we will enter a separate item which includes that twenty-one million and which they are examining now and on which they will have an answer in the near future?

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Phillips: What do you describe in your Item 2(b)? Relief from commitments?

White: 2(b)?

Brown: Letters of intent not constituting commitments.

Phillips: Well, the relief from commitments where no binding commitments exist--

White: Where a commitment is not regarded as equivalent to a contract, isn't that right?

Phillips: That is it.

Brown: Well, in some cases the British have written a letter and said, "We think we are going to enter a contract with you so go ahead and start your tooling and if we decide we will enter into a contract, then we will--if we decide we won't, we will indemnify you against your costs." That is quite a binding obligation, but the British can stop when they want to. We feel that to take over that kind of obligation would not contravene--

Phillips: With that twenty and then that ninety again.

White: But we will enter it as a separate item.

Keynes: Is it possible to give any revised figure for the thirty?

Phillips: Would you express any hope at all that there are more than ten?

Boddis: I have never seen those figures before.

Phillips: I have never seen them before. It is in the contracts.

White: Anything else on page 2?

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Keynes: Shipping services, compared to the June, 1941 estimate. Is there a hope there?

White: I should think that we have got that down as low as possible, if I remember your figures. It was down to a hundred and ten million, wasn't it, Sir Frederick, on that shipping? Miss Kistler, what did you have in mind?

Kistler: On the June estimate?

White: 4(b).

Kistler: Well, only that the figure of U.K. purchases or payments in U.S. is the same in April as in June, the total estimate is the same, but the composition varies. I just wondered.

White: I see. Is that clear, Keynes?

Keynes: I am not a--

White: That is a March estimate and the June estimate happens to total the same.

Kistler: April and the June estimates.

Keynes: I don't think any fresh estimate was made in June, was it? I think it is exactly the same.

Kistler: Well, the point is that the estimate of total payments by U.K. in U.S. on service accounts is both times placed at a hundred million dollars a year.

Keynes: That hundred is subject to lots of corrections. We are hoping to give you full figures on that.

Kistler: That is right, but in the April figure of one hundred there was forty-five million of

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shipping disbursements, as I interpreted the breakdown.

White: In the light of additional information--

Kistler: That is right.

Keynes: We will give you additional information.

White: Now, clearly those figures down below would be modified by those above and in any case that would be taken with all the qualifications and modifications that have been mentioned in the discussions. Well, on (A) the Secretary has an idea that he will discuss this afternoon. He thinks tentatively that something new might be done to take over some of that. I see Mr. Childs is skeptical.

Phillips: (Inaudible over Mr. Childs' laughter). That should be Technical Corps.

White: Civilian Technical Corps?

Phillips: What occurred to my mind was that this may be very accurate if you are in fact providing more Lend-Lease help on these items. I never heard of the Civilian Technical Corps.

White: Yes. These items here are not in the same category. What we want to do is, we were going to expand this merely to keep track of the various current items, as they go along, things that you had anticipated getting paid for, which we may be able to take over. Well, that discussion, I think, revealed some points about which we were in doubt and indicated it would probably be worth while to put that table in.

The next item should be the discussion of the results obtained from a joint conference on the

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feasibility of handling the administrative difficulties of private purchases, but before we turn to that, is there anything that you want to bring up, anything new?

Phillips: I was going to bring up two points, if I might. The first one I will mention now. It is the question of State and local taxation and which part we can see (inaudible) There is one case in which (Inaudible) A hundred per cent and where the institution will have to reimburse (Mr. Thompson cleared his throat) goes wrong everywhere, it looks like an expenditure of ten or thirty million dollars.

White: Ten or thirty?

Phillips: Ten to thirty million dollars. Now, we are doing all we can to get the help of the State Department and that is not very effective. We were thinking that perhaps you could give us some assistance.

White: Yes, I am quite sure. Mr. Kades is here from Mr. Foley's division. Supposing we leave it this way, not to discuss a matter which would be too technical here. If you would care to stay after the meeting and take the matter up with Mr. Kades, who is the Treasury's legal man, and we will make every effort to see what we can do to save it. I haven't the slightest idea whether anything can be done. I take it there wouldn't be--is that all right with you?

Phillips: I am only saying, the thing is (inaudible) because there is this case which is a very unfortunate one for us and in which that gets none (inaudible) . . .

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White: I think you can be assured that our division will push it very effectively. Do you have any thoughts on that offhand, or would you want to wait to hear the details?

Kades: Well, I don't know what type of taxes--

Phillips: Every kind.

Roseveare: Sales, use, and personal property. This immediate tax has been paid by a contractor out on the west coast. It is a personal property tax assessed on our so-called embodiment loan equipment. It has been placed in and about their plants to be embodied in their airplanes.

Kades: I think it is very doubtful if we can do anything on it. The New York court has held that real estate owned by the French Government in New York is subject to tax. That is a more direct tax, even, than--

Roseveare: It can't be more direct than a direct tax on personal property.

White: Why don't we leave it this way, Chuck? Either the thing is legally impossible, in which case you will ascertain it, or your ingenious staff will devise some way, possibly, of getting out of it, in which case you will be successful in accomplishing something, or it may be a matter which stands outside legal restrictions, one of these shadowy matters in which a question of policy occurs and the Secretary may be helpful in that direction. It is one of those three possibilities, but you will examine it with the intent of seeing whether you can't devise some way of avoiding the payment of that tax. That is your objective.

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And if you (Roseveare) can talk with him thereafter, then you can report back at the next meeting.

Is that all right Mr. Phillips?

Phillips: That will do it.

White: And don't depend on the State Department for your action, Chuck.

Phillips: Well, now, the other matter I was going to mention is that really an extension of page 1 of this table we are looking at, because it is quite possible these contracts placed since March 11--you know there were--and transferred contracts--there were many other schemes which are still under discussion. The first one is a big individual shipping company (Mr. Coe moved his chair) that the Maritime Commission might take over existing contracts and we should give up (Mr. Keyes snapped shut his briefcase) give up our existing contracts?

White: What is the status of that?

Phillips: That is what I am raising myself. I want to know what the status is. There was that scheme and then there was a second and much bigger scheme which you remember was (inaudible) I don't know whether that is a good illustration. Both in the U. S. War Department and the British Purchasing Commission they have contracts outstanding for tanks, then the device proposed by Mr. Cox was that we should transfer our contracts to the U. S. War Department and we should get the tanks out of the U. S. War Department's existing contract, which had the effect of giving that much relief.

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The figures I have seen under that head were from two hundred to two hundred fifty million, but what, precisely, it is at this moment, I don't know, but I am very anxious about it.

White: Well, with respect to the shipping--

Brown I don't know about the shipping, sir--

White: Who in your shop would know?

Brown: I understood that Mr. Powell had raised some--

White: Who was the discussion taking place with?

Childs: The discussion was with Cox. We gave him this memorandum, which is the whole story. Would you be interested in having it?

White: Yes, I would. Is this a recent submission?

Childs: No, I submitted it about--at least a week ago. I can't remember the date.

Brown: It was the eighteenth, wasn't it?

Childs: Thereabouts, yes.

White: Did he say anything yet with respect to the matter?

Childs: That covers the forty-one million. Nothing beyond that was discussed. It is just a matter, as a matter of fact, of getting the forty-one million going.

White: This is a different forty-one million?

Childs: No, the same one. This covers all four schemes, the forty-one that you have in your list plus these other two.

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Brown: I can indicate the points discussed.

Childs: I think Mr. Brown knows that.

White: I still am not clear. Are you now talking about the same thing Sir Frederick was talking about on the ship-building?

Childs: Yes, sir. This thing covers all possible schemes that we have in mind. This is the ship-building scheme here. The forty-one is referred to somewhere.

Keyes: The last one (Mr. Childs rattles papers)
. . . .

White: This hundred and forty-one?

Childs: This hundred and forty-one million.

White: But the shipping is part of the forty-one?

Childs: No. This is the amount of(inaudible)
. . . . which Mr. Brown mentioned to you before.

White: Fine.

Childs: The shipping is here.

White: I see. That is now clear to me. Then on this ninety-six, is there somebody working on it?

Brown: I don't know what is the status of the ship-building.

Childs: We have anticipated any action you might take by having one of our people speak to the Maritime Commission. Quite obviously we won't get very far with it until there is a direct addition (inaudible) from your side, so while we are making the Maritime Commission a little less unhappy about it,

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we won't get any action until this is approved and a requisition is in effect. Of course, no action is being taken on our side beyond this memorandum--

Brown: I think it is very much the same. This ship-building thing presents very much the same problem as the taking over of the tank and airplane engines.

Childs: That is right.

Brown: And as far as that is concerned, from the legal point of view our division sees no obstacle.

Phillips: Obviously, because it was their proposal.

Brown: That is all right. Now, what Mr. Cox wants to do is to present the matter to the Secretary this afternoon to see how far we can go, either he or General Burns, and taking the matter up with the War and--War Department and Maritime Commission and seeing if we can urge them to get ahead with it.

White: Do I understand then, that Mr. Cox anticipates taking up these two matters, the one with respect to shipping and the one involving a similar principle with respect to tanks, with a view to ascertaining whether the Secretary wants to take the matter up further with the War Department?

Brown: Let General Burns do it.

White: How he wants to proceed from that point?

Brown: Yes.

White: Then the next point is for Mr. Cox to take it up with the Secretary.

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Brown: That is right, and he will do it this afternoon.

White: All right?

Phillips: Yes.

Keynes: You see, this is really the substantial thing.

White: Yes.

Keynes: If these two go through--

White: It would help a lot and we could go a little more heartily on some of those small items.

Brown: I understand there is also a Packard contract which could be added to that which is quite substantial.

Keynes: Which is that?

Brown: Exhibit B.

Childs: How much would the Packard be?

Boaddis: The estimate was fifty million.

White: There is a ship-building, which is ninety-six; the tanks--

Phillips: Tanks (at this point Mr. Phillips' voice was drowned out by a conversation between Mr. Murray and Mr. Keyes directly in front of the reporter) tanks and planes.

White: And you spoke of a third item?

Childs: You added to this thing--it would be plus--possibly what?

Boaddis: Fifty.

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Childs: Fifty relief on Packard.

Boddis: On the production.

Childs: That is right.

White: Are these contracts something which are new to the Secretary?

Phillips: I think in the earlier stages (inaudible) Mr. Cox on this and then I think almost all of the discussion (inaudible) very well, but I think you will find he does not know of this particular thing.

White: Would you want to run over it very briefly now for--in what way do they differ from the regular, ordinary contracts entered into prior to March 11? Is it explained here? Then I won't ask the question.

Childs: This is an explanation of these and the listed contracts are in that page there.

Keynes: Really, Mr. Cox (inaudible)

White: Yes, if he (inaudible over the side conversation of Mr. Coe and Mr. Kades).

Keynes: These are selected, I understand, because they are American Army types. . . . (interrupted by both Mr. Childs and Sir Frederick Phillips).

Phillips: They are orders for the same type of engine, both from the United States War Department and the British Purchasing Commission.

White: Was there anything else?

Phillips: Nothing else.

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White: Do you want to turn now, Mr. Brown, to the tentative rules of your group, consideration of the methods whereby you might--

Keynes: Could I be--

Phillips: Yes.

Keynes: We just got the telegram. Our own tobacco in the U.K. is being dealt with--there are one or two small things in the Dominions which will come forward--this is a telegram about eight million dollars which we manufacture in the Sterling area, but half of which goes to Malaya and this is now (inaudible) this has been hitherto manufactured in the U.K. but will now be manufactured somewhere else in order to avoid the risk of taking it from the U.K. in ships; perhaps in India. The question is raised, I don't see why there should be any difficulty about it, London wants to know whether with this rearrangement it can be Lend-Leased. It has been suggested perhaps the best way for us would be to ask London to put up a token requisition for some part of it with all the full details as an actual requisition. Couldn't we do that?

White: That is the way it would most likely get results. I think possibly the figures should be as high as they feel meets with their requirements so that the--your (Brown's) organization will be more inclined to give it serious consideration rather than merely making it a token requisition for a small amount. You should make it as large as you think it is likely to be.

Keynes: It is a very straightforward thing. This is simply tobacco which is normally sold to the

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Sterling area and manufactured in the United Kingdom.

White: The raw tobacco is imported from the United States?

Keynes: Yes.

White: Manufactured in the United Kingdom and half of it is consumed at home?

Keynes: All exported to the Sterling area and half of it to Malaya. The suggestion now is in order to avoid shipping risks and losses, it shall not be manufactured in the United Kingdom, but in India and sent to its former destinations.

White: And it is a question then, of putting the India imports of raw tobacco from the United States under the Lend-Lease?

Keynes: That is what it comes to.

White: Instead of putting it--

Keynes: Being understood that this is not for Indian consumption, but used somewhere else in the Sterling area. It is not exports from the Sterling area.

White: Yes, so that it is equivalent to a consumption, let us say, of tobacco in the United Kingdom?

Keynes: Yes.

White: Well, offhand I don't see any difficulty about it, but I think the quickest way to settle that is to treat that as a requisition similarly to the procedure we used the last time.

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Keynes: We don't see any prima facie objection.

Phillips: Perhaps I ought to put this in. You remember that memorandum by Mr. Boddie which you had Purvis take into that last meeting?

White: Yes.

Phillips: This is simply a (inaudible).

White: I see.

Phillips: Now, I don't think there is any--we underlined all these (inaudible). If you look at page 2, we are dealing there with the small, urgent cases of the British Air Commission and we suggest (Mr. Keynes rattled papers) they should be limited to five thousand, that they shouldn't go over fifty thousand a week, that they should put their cases in weekly to our committee. Then there is a very difficult--then we come to the very difficult cases, modifications and design which we discussed at great length, and our recommendations there are on page 4. New equipment, that is to say, if they wanted a new (inaudible) set, that would come under Lease-Lend. If it is (inaudible) then we try to fix a limit of ten thousand dollars each. Then the next thing is, where the modification does involve a charge exceeding ten thousand a week, every effort will be made to bring it under Lend-Lease by either of those two methods suggested by Mr. Cox, the first being a modification of amending contracts and the second being the method referred to this morning. Now, finally the fourth is the most important of the lot from our point of view, that wherever the committee does decide that the case is to be issued under Lend-Lease, there shall be

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a definite instruction from the United States War Department or Navy that they must cooperate with us in persuading the contractors to proceed, because otherwise, the whole procedure might be useless.

White: Unless there is that additional inducement.

Phillips: Then I did look into the case of the other British Purchasing Commissions, outside the air and I found exactly the same problem, but their cases were not so important. I therefore suggested a limit of their cases of a thousand. It is very small stuff.

White: Did you wish to leave these copies here?

Childs: Yes.

(The ensuing simultaneous conversation between Mr. White, Mr. Brown, Mr. Childs, and Sir Frederick Phillips will not be found in this transcript.)

Phillips: This is the memorandum which the Secretary asked for.

White: Oh, yes. And this is something that he is going to bring up. In what way does this differ in principle or type or whatnot from the Southern route? Is this the same type of problem?

Boddie: That is directly from the British Government departments, financed directly out of British funds.

White: Is there any expenditure of dollars in this?

Boddie: Mainly Canada.

White: Canadian dollars?

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Boddie: Yes. Insofar as there is any American dollars spent (The door was slammed as Miss Kistler left the conference).

White: Is it a large amount?

Boddie: Yes, quite a considerable sum.

White: Well, this afternoon when the Secretary indicates his very tentative proposal for handling the Southern route, if you will ascertain whether a successful consummation of his proposal would also apply to this Northern route, I think it would be well if at that point it could be brought to his attention.

Boddie: Yes.

White: If, however, that other proposal is for some reason or another not workable, then I believe that the dollar expenditure portion of this would likewise be unworkable.

Childs: Have you seen our (inaudible).

Boddie: I have a copy here.

White: Well, before we take that up, I was going to suggest the wisdom of following a slightly different procedure to save your time and ours. Since these contracts here are so preponderantly a matter between yourselves and the--Mr. Cox's section, I am wondering whether these had not better be taken up directly with him and then if there is any question with regard to doubtful cases or if the number of those which are turned down is either a large amount or leaves possible grounds for rediscussion at the meeting, then we can raise them here, but if many of them can be cleared and where there is no doubt

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if it is approved, I think we will save this committee time. Is that procedure satisfactory to you, Sir Frederick? Then we can always come back here.

Phillips: That is a dainty job, isn't it?

Childs: Yes. Mr. Brown has already initiated it.

Brown: We have already been over parts of these and have made a recommendation one way or the other.

White: That is fine.

Brown: But the administrative--at their end, they would rather have a complete list so they could just put a note on it. On the first two we agree absolutely that it is OK.

White: Let's go right through very quickly and those which are approved, we needn't give them any further consideration. Number 26?

Brown: And on 27, you can put Lend-Lease.

White: 27. Any on the second page?

Keyes: Those are just copies.

White: Oh, I am sorry. What is the story with regard to 28? It is a large item.

Brown: 28 could be done under Lend-Lease if it was a practical matter in view of the urgency of the situation and the British want to do it that way.

White: In other words, it would take time if you did it?

Brown: Yes. These are to get additional--for services and work in filling fuses in connection

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with an order for--which has already been largely completed.

- White: In other words, a decision with respect to that item is with the British, if they feel they can wait, then you can approve it, is that right?
- Brown: Yes, sir.
- White: Is that something which you have already considered and decided upon?
- Roseveare: There is nobody here. This just came in . . . (Mr. Kades rattled papers) . . . a specific request is that the British be allowed to spend dollars on that in order to save time.
- White: Twenty-two million dollars, do I read the right figure?
- Keyes: No, sir, twenty-two thousand.
- White: Oh, it is twenty-two thousand here.
- Brown: There is a total of ninety thousand. That is the initial payment, Dr. White.
- White: Yes. It is a million and a half.
- Childs: Ninety thousand--
- White: I beg your pardon, yes. Well, is that a decision then that you will make when you will consider it and you will let Mr. Cox's division know?
- Keyes: Yes, sir.
- White: Then it is up to you to take the next step?
- Keyes: Yes.
- White: What is twenty-nine?

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Brown: Twenty-nine depends, from our view, on when the contractor was instructed to proceed with his work. If that was done after March 11, the commitment for this additional work was done after March 11, it is OK with us. Mr. Murray and I are going to take up that matter and check on the date. That depends entirely on the decision as to that one date.

White: You are checking up on that and you will know and if it is after, it is approved, and if it is before then, they can arrange a new contract?

Murray: Yes, sir.

White: Thirty?

Brown: Thirty is again in question for the--it seems to us for the British to decide whether the urgency of the matter would make Lend-Lease procedure--

White: It is equivalent then to twenty-eight?

Keyes: Mr. Jennings here is familiar with this.

White: Number thirty?

Brown: Of course, we can't give the supplier the assurance that the contract he got through Procurement would be the same as what he has already got.

White: I take it they are aware of that possibility.

Brown: Yes.

Childs: I think this would be all right for Lend-Lease, don't you?

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Jennings: Yes.

White: That is that Item thirty, fifty-four thousand dollars, you feel that you can wait until the regular procedure of the Lend-Lease takes it over?

Jennings: Yes, Lend-Lease.

White: Is that all right, Mr. Brown?

Brown: Well, your supplier--you have got an agreement with your supplier as to price and delivery schedule and so forth. If the Lend-Lease procedure goes through our Procurement people have got to review that and decide for themselves whether those terms will be agreeable to them. The supplier may not get the same thing that he has gotten from the British.

Childs: You mean we might lose some money on it because we have to make up the difference to the supplier?

Brown: You might have to.

Childs: Yes. We would have to take that risk.

White: You mean you might have to lose--you might not be able to get the whole fifty-four thousand dollars?

Childs: That means the United States might get a better price than we contracted for or discussed, and therefore we would have to make up the difference. If the U.S. got it for fifty, we would have to make up the four thousand.

White: Your risk would not be greater than the four thousand. Therefore, from your point of view it would warrant consideration.

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Childs: Yes.

White: Thirty-one?

Brown: On that, the first part we don't feel could be lend-leasable because if we did it would be reduction of the dollar commitment existing on March 11. The second part is perfectly all right.

White: It breaks in to two parts?

Brown: Yes. Part one is the suggestion to substitute one type of machinery for another.

White: Yes. And that, you feel, isn't possible?

Brown: No, sir.

White: Is that similar in character to other things that have been already discussed here and disapproved or is this a new type of case?

Brown: Well, the British have a commitment for a certain amount and if we should take a--Lend-Lease--what this would amount to would be the cancellation by the British of a certain part of their contract and then our Lend-Leasing the contract for an equivalent amount.

Childs: We are betting--we have got a contract for Buick and we want to buy a Cadillac from the same company, so can the Cadillac be Lend-Leased so we can get out of our purchase price? You say no, that is the equivalent situation.

White: You could take it under a related transaction in which you cancel the Buick contract--or substituted the Cadillac for the Buick contract and got Lend-Lease for the difference.

Brown: In this case, it happens to be a decrease.

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White: Yes, I say--

Childs: A Cadillac for a Buick.

Brown: Now your second part, it would be perfectly all right to Lend-Lease that if you have-- but you have apparently a very urgent delivery situation. The suggestion is made to buy the equipment with dollars and apply for the balance under Lend-Lease. Again you may get a difference in the result of your two Procurement operations. I don't know whether that would raise such a practical problem or not.

Phillips: Your point is, you are willing to take over about ten thousand dollars under the Lend-Lease?

Brown: Yes, we will take over all of Item 2 that you want us to.

White: Would you care to consider that and then bring that up next time?

Childs: All right.

White: And the last item?

Phillips: Well, we have settled the second point.

White: Well, the second point, I gather that you were going to--unless you decided already.

Phillips: Mr. Brown, I understood, has offered to take over the second point on the Lend-Lease. We are pleading the grounds of extreme urgency. Four thousand would be the amount of money and we are making it ten thousand dollars under Lend-Lease.

Brown: That is all right unless you feel it is going

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to get you into difficulties with the Procurement people.

White: All right, then thirty-two.

Brown: Well, an order has already been given.

White: What is it?

Brown: A verbal order has already been given in view of the extreme urgency and small value.

Childs: Shall we consider that as a cash item?

Phillips: Yes.

Brown: You could have it Lend-Leased if you wanted.

White: Have you got those?

Kistler: Yes. I think so.

White: Add the last to the cash items. Would it be helpful in the future, Sir Frederick, if on all these cases where a decision is called for-- could you discuss that before?

Childs: Yes, we do our darndest. We have been running around in circles.

White: There is nothing, I take it, that we can add here on that. OK. Is there something else, Mr. Brown?

Brown: No, sir, except that as a result of our conference yesterday we decided that the administrative-ly difficult purchases should not be placed under Lend-Lease, inasmuch as it would involve under the--in order to solve the British administrative difficulties, it would involve our Procurement people saying, "OK, gentlemen, this contract you have negotiated is OK."

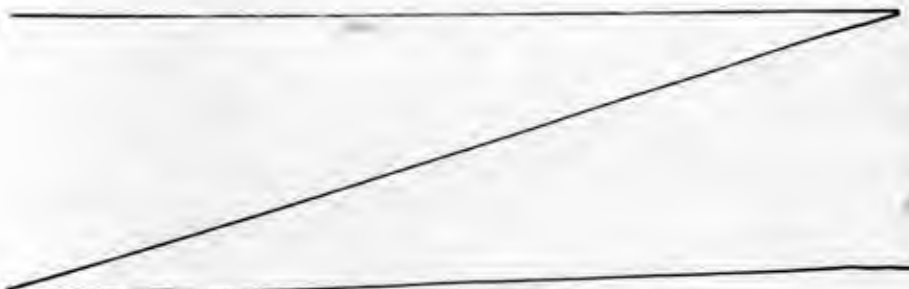
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White: You had a meeting at which (a commotion occurred as Mr. Cochran entered the conference).

Brown: We had Mr. Thompson and Mr. Archer and someone from Procurement and we were all agreed (inaudible).

White: Well, that at first blush seems very disappointing. Do I understand that the three of you decided that it was impossible to work out a procedure whereby that hundred and fifty million or any substantial portion of it could be handled under Lend-Lease?

Brown: No, not entirely. If any portion--if the British felt that they could present the specifications for any portion of it through our Procurement and have it done in regular channels, we could do it, because the difficulty didn't lie in the nature of the articles to be procured or in the use intended for them, but it lay in the desire of the people in England to have the advantages of negotiations direct between their private importers and our suppliers.



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Thompson:

I think we ought to define that more closely. It is in some cases not so much an advantage as a necessity to have a precise specification, precise fulfilment of it, and it was for that reason that the prior negotiation between the commercial parties was necessary, except where there is a great deal of time to handle the thing. Where there is a great deal of time, we will explore the possibility of having these things placed through the Treasury Procurement or submitted to the Treasury Procurement.

White:

My lack of familiarity with the details and the possibilities probably makes me a little more persistent than I otherwise would be, but in view of the fact that the amount is large and it might be an increasing amount, I am wondering whether there might not be some device to get around that difficulty.

Now, I don't know - I presume you have explored all the possibilities that have occurred to you, but could you indicate briefly to us just what is the insuperable obstacle?

Brown:

Well, it seemed to be two main obstacles. One is that the volume of transactions involved in this group is very much larger correspondingly than the dollar value. Therefore, there are an innumerable number of transactions which, if they were to be handled by centralized purchasing in England, would involve a very large expansion of the administrative staff and the use of men whom they have better uses for otherwise. Therefore, their desire is to find some procedure whereby the negotiation of the contract can be done directly by the United Kingdom with the American supplier.

The obstacle - that would have the advantage both of being quicker because the United Kingdom

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man can say, "Give me six more of the same," you see in a cable, along that line, because they have a long trade relationship; and it would also mean that when you have difficult specifications, your private importer in England is familiar with them and they have the machinery for checking them. You don't have to train a lot of new people to do it.

Now, our Treasury Procurement people can't just be handed an agreement that they are going to buy "X" machines for "X" dollars and be asked to approve it and say that that is O.K. without making some investigation themselves. So that that would mean that the advantage of speed is knocked out.

Now, there may be any number of these articles which are highly technical, but which don't need to be gotten so urgently; and Thompson is going to explore the situation and see if the specifications for that type of article couldn't be given to our Treasury people and handled through the regular Procurement. I don't think you will find the difficulty of there being precise specifications is --

White:

I felt a little more hopeful, because Mr. Cox himself was so hopeful about the possibility of finding a way of handling this amount. I thought he had given some preliminary consideration to it. Is he cognizant of your decision and discussion?

Brown:

Yes, sir. He made it.

Coe:

Procurement has the legal powers to buy any way they want to, don't they?

Brown:

Yes, but Procurement isn't going to take the responsibility for approving a contract unless they have made an investigation of its terms which satisfies them that it is --

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Keynes: It is only a question of their having time for the investigation.

Archer: And the technical knowledge.

White: Is it a matter that relates - that is the responsibility of the Treasury Procurement Division?

Brown: Well, I think the bulk of them would be procured through the Treasury Procurement, but there might also be some that would be procured through Ordnance or other sources.

White: But the bulk, as it looks now, would have to be handled by the Treasury Procurement Division. Therefore, if the Treasury Procurement Division were able to devise some method of satisfactorily handling that, it would take care of the bulk of this, is that right?

Brown: That is correct, but Mr. Rehlaender felt, and I think Mr. Archer agreed, that in articles which are of as specialized a nature as most of these are, the only way that you can really tell whether you are getting a proper deal on Procurement is if you have been through all the negotiations yourself.

White: Well, you raise the question whether the same methods of ascertaining the nature of the deal should be pursued in a special situation of this character, as which prevails in all other purchases. That may be the case, but in so far as (Mr. Brown interrupted)

Supposing I suggest that we probably pursue it here. I don't see offhand - there may be a hundred reasons why this isn't so, but I don't see offhand why their approval cannot be a post mortem one. In other words, bills are paid in the regular fashion. The British

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Government pays an invoice, if you like, and then presents the invoice to the Procurement Division and the Procurement Division, if, when, and as it gets around to it - and there is no reason why it can't be expedited - says that this invoice represents a satisfactory transaction and therefore can be paid under the Lend-Lease.

Brown: Procurement says that they could not say that except in the form of being - as a practical matter.

White: I am not ready to accept that. That may be true. I don't see that one has to be a rubber stamp in order to examine a transaction after it has been made. I think that most of the examinations which the United States Government make with respect to contracts is after the effect. Am I right, Chuck?

Kades: Yes.

White: And I wouldn't say that we are a rubber stamp. So there may be other possibilities. Let's explore them a little further. Since they are in our own bailiwick, I feel that we can go forward with that.

Brown: Sure. If a way can be found whereby a check would satisfy Procurement and could be made on these matters, I don't think there is any difficulty.

White: I don't know whether there is, but since it is within the Treasury, we might re-raise it with them.

Chuck, you have had some experience with these contracts. Do you, offhand, feel that it is an impossible wall to hurdle?

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Kades: No, I don't understand why it is as difficult as it seems to be.

Archer: It is more fundamental than that, I think, isn't it? We have the Lend-Lease Act, under which the Treasury Procurement regards themselves as buying for the United States Government and many of these things are really for British specifications. In many cases, they would not be suitable for the United States. They could not be taken over before the time of shipment. I think that is really the difficulty.

Brown: No, I don't think that is it.

Archer: I think that is really the difficulty.

White: That is a different thing, but apparently since there is disagreement, it won't be any harm to reexamine it.

Keynes: Apart from that, it seems to me that the post mortem is the great possibility, because we could really find the dollars then (inaudible)..... you could then reimburse the dollars.

White: There would only be a lag in the first sense, and then from then on there would be a current stream.

Keynes: In occasional cases that didn't satisfy you, we should be out the dollars.

Brown: The Act says the President has to direct the head of an appropriate department to buy the article, and that our Government must take title to it and then it can be transferred. That is what the statute says, and we have to operate within that machinery.

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- Archer: That is really fundamentally the trouble.
- Brown: The United States Government may be willing to buy something made to British specifications. I don't think that is the obstacle. But our Government has got to buy it and it has got to buy it through the regular Procurement channels.
- White: Then your assumption that the Act stating "must buy" implies that it must order and must pay for before delivery, that the act of purchase doesn't necessarily - doesn't permit of a subsequent payment. I don't know. I am just thinking aloud.
- Brown: Yes, sir.
- White: Well, do you mind if we postpone it and re-examine it? There may be nothing in it, but we can't get a worse than no answer.
- Thompson: That is one possibility which applies as we saw it, to certain large value contracts, relatively large value contracts, which required very special handling.
- The other difficulty is merely the very heterogeneous and numerous orders that come through. One can't predict them. They require a very big staff, doing agency work and forwarding work. If we were to bring it all under --
- White: Again, either there is a simple mechanism which avoids all the question of who gives the order, all the question of who fills the order, all the question of specification, that that goes on as it does now, that there appears somewhere in that chain of events a digression or an offshoot in which certain papers are routed to certain agencies and are approved

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either at the time or subsequent to. If that is possible, then all these other difficulties disappear. If for some reason it is not possible, then we will have to go back to see what particular categories can be broken off from that general principle.

Now, I am not satisfied that it is not possible, but I - my inability to accept that decision may spring entirely from a lack of familiarity with the requirements, but I do feel that we would like to explore it further in our own Treasury staff, with the lawyers in our own Procurement Division, to see whether they can devise something. They usually are very ingenious and maybe they could do something.

Thompson: Then I think we have a further point to put to those lawyers. There is the difficulty of handling the papers that are so numerous their difficulty is startling. If those are to be taken out of the ordinary commercial channels, banks and so on, it will mean you are having to accept receipts from people who are not British Government agents in the ordinary sense.

White: Well, I take it that if they are able to devise something, that all those other difficulties would be of a minor order.

Archer: I think we have got to get the main principle.

White: Yes. Are you registering some of this, Chuck, because this probably will be turned over to you. Again, I don't know whether we can get anything, but I do know that frequently they come out with things we never expected.

Thompson: Yes.

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White: Is there any other item that you want to --

Brown: I have nothing.

Childs: I have an item, sir. Urgent. I am not sure that it requires passage here, but here are a few of the facts.

We have contracts for certain machine tools which we are willing to give up to the Defense Plant Corporation, which the Defense Plant Corporation wants to buy. They require in addition to the tools which we now have contracted for, some three hundred thousand dollars of electrical equipment which we have been asked to place and which means, naturally, we have to use our dollars for. We will simply place them, and in the course of a few months they will be sold to the Defense Plant Corporation. None of these machine tools nor the electrical equipment will be Lend-Leased to us. They are simply for the U.S.

So that in fact all we are doing is financing a U.S. order. This is a very urgent matter. This matter involves putting up three hundred thousand dollars in the course of the next two or three months.

White: I guess I don't follow the transaction. Don't you get repaid?

Childs: We get the money back, so it is a matter of temporary financing.

White: And since it is only a matter of three hundred thousand dollars, it won't be a problem for us. It is only a couple of months.

Childs: Two or three months. I wanted to mention it to you because it is expenditure of dollars by us.

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White:

The only other items on the agenda here that I have are with respect to your memoranda on wool, cocoa, and sisal.

We have made no preliminary progress to warrant discussing here yet, but we are just going forward on the wool and some preliminary analyses on the other two items. We hope to have something to report a little later on that.

The other unfinished items that - there hasn't been any additional progress made with respect to the requisitions for Dominion goods, has there?

Childs:

I will report to you on that, sir. I discussed with each one of them just before I came over here, and again it was apparently a case of their small stocks, just struggling like thunder to get them in as fast as they can; so they promised some tomorrow and some the next day.

White:

I see.

Childs:

There is a special case in South Africa I wanted to report on. You asked us to report on what were the items to be handled in private channels outside Government purchases, and they tell me there is no possible way of finding out in South Africa what is imported from the United States down there. The only other possibility seemed to find out what was exported to South Africa. An investigation showed nothing, and they said they could only find it by going to separate shipping companies to find out what goes down there.

Now, the suggestion was that probably the best aid could come from the Maritime Commission.

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We could go to the Maritime Commission and they would most likely give us a list which would be more complete than anything they could raise themselves.

White: Do they have access to the Maritime Commission?

Childs: They speak to them, but whether it would be better for them to go or for the U.S. to go is the question.

Archer: Wouldn't the Department of Commerce monthly reports show that?

Childs: That is a possibility.

White: I think in some countries they have been keeping it up, but for other countries, they are over a year in arrears. We will investigate the Department of Commerce and see what can be obtained there. If we cannot get what we want there, we will try the Maritime Commission. We will let you know the facts. We will see whether we can get anything on it. We will hold that in abeyance in so far as our data is concerned until next time.

The only other item that we have is the preparation for an agenda of the things to come up this afternoon. Now, this was my thought. What we might do is to merely submit a summary table such as we have here, adding those items which we had today and raising the problem of the large amounts on the shipping and planes for the Secretary's consideration and reporting merely further discussion by the Treasury of the problem which Mr. Brown was talking about and not attempting to go into any explanation, because if it isn't possible or it is possible, I think we had better confront him with a decision that has already been examined here.

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One further point, what is happening to the new orders that are being placed, new requisitions for all sorts of things, through Lend-Lease?

Childs: Through Lend-Lease?

White: Are those all being routed through here?

Phillips: No.

Childs: Oh no. We send a lot of things straight in to the Lend-Lease, to Hopkins' office. Any that are clearly lend-leasable, those about which there are no question.

White: Do you have a total broken down by the most important categories, such as, for example, planes, tanks, and guns, of what has already been placed on a monthly basis?

Childs: We have the requisitions, but I don't think we have any data on the placement of contracts.

Murray: We are getting some now.

White: But you do have the submission of the requisitions?

Childs: Yes, indeed.

White: I think the Secretary is going to be interested in that. Would you have for this afternoon a - some sort of a monthly table with the most important breakdowns, the three or four breakdowns, ordnance, planes, tanks, submitted to you by the Lend-Lease?

In other words, they are out of your hands. They are a part of the Lend-Lease --

Childs: Yes, I can get those.

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White: Will you have that for this afternoon's meeting?

Childs: Yes.

White: This afternoon's meeting will be at three-thirty instead of three, because the Secretary was delayed. He will be delayed in returning to his office.

Is there anything else you wanted to take up?

Phillips: No, I think you have covered everything.

White: Mr. Keynes?

Keynes: No, sir, I think that is all.

July 1, 1941
8:30 p.m.

RE AID TO BRITAIN

Present: Mr. Archer.
Mr. Keynes.
Mr. Childs.
Sir Frederick Phillips.
Mr. Cochran.
Mr. Bewley.
Mr. Foley.
Mr. Kades.
Mr. O'Connell.
Sir Clive Baillieu.
Mr. Cox.
Mr. White.
Mr. Boddis.
Mr. Brown.

H.M.Jr: Have you gentlemen agreed to this?

White: They haven't seen that, but they have agreed to it - or at least they know the things that I was going to have taken up here, and they have agreed not to consider numerous of the details of other matters that we are taking up. (Speaking of agenda)

H.M.Jr: They have agreed not to?

White: By implication at least.

H.M.Jr: They agreed not to?

Phillips: Well, we cleared a great deal of stuff this

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morning.

Keynes:

We had quite a long session.

(Mr. Foley and Mr. Kades entered the conference.)

H.M. Jr:

Come on in, you lawyers. Don't be so modest. Come up closer, Ed. Before we get on this matter, I would like the privilege of bringing up something that isn't on here. That is this. I try never to lose track of the fact that I would like to feel that I make a contribution toward licking Mr. Hitler, and I feel that I get awfully bogged down in these details, and I may lose track of what may be the important thing. I was looking through some of these airplane requisitions this morning, or rather orders for airplanes, and I was shocked to find that practically all of the orders, as far as you are concerned, run out at the end of this year. So I asked whether the orders - the planes you are going to get are all in these books of mine or are they being placed somewhere else and Mr. Young informed Mr. Haas that this didn't include everything that the Army and Navy had but that - let me just read:

"I am informed by Mr. Philip Young that they are now working on the development of such a plan but that at the moment the policy is to determine the allocation of materials as between the various recipients at the time these become available rather than at the time the order is placed. This means that the British do not have a specific claim on any particular item which may be manufactured even though the item is produced as a result of an order placed because of a British requisition to the lease-lend organization."

Frankly, I just don't see how these people

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can fight a war. I don't see how they can fight a war if they don't know after the first of January what they are going to get in the way of planes and guns and so forth and so on. I mean, how can they fight a war?

(Mr. O'Connell entered the conference.)

Cox: I don't think that is completely clear. On Lend-Lease planes which are requisitioned by the British, placed by Army and Navy orders, there is a provision in the Lend-Lease Appropriation Act that the President at any time can turn those over to the Army and Navy if he wants to, but as a purely practical matter, they are going to the British. They are all allocated.

The second thing in the picture that is important, not only in terms of British orders but U. S. orders. is that some of those companies in those books run out of orders in about three or four months and the new appropriation bill, which was passed yesterday, has got what are called back-up orders so that the plants won't run out of business.

H.M.Jr: Yes, but I must restate my position. After all, if I am going to act as a clearing house, in view of Mr. Hopkins' letter to Mr. Keynes' people, I would like to know how much materiel the English can expect from now until December 31, '42.

Cox: I think Purvis already knows that. We can tell you that.

H.M.Jr: Can you?

Cox: Sure. That is not an answer to it.

H.M.Jr: What?

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Cox: That is not an answer to it.

H.M.Jr: No. Do you think that that could be got?

Cox: Oh, sure.

H.M.Jr: Do you think that Purvis knows?

Cox: Sure.

H.M.Jr: Who is here representing Mr. Purvis?

Boddis: I am here representing the Air Commission.

H.M.Jr: Do you mind my asking him?

Cox: No.

H.M.Jr: Do you?

Boddis: Do I know exactly?

H.M.Jr: Yes.

Boddis: I am afraid I can't give a straight answer to that. I can say that the program is being worked jointly, and we are expecting very definitely to get certain machines in accordance with that program.

H.M.Jr: Can you show me - just a minute, Oscar. Can you show me a table of how many planes, guns, ammunition, trucks, per month, you are going to get from now until December 31, '42?

Boddis: There is such a table in existence, yes.

H.M.Jr: I mean, have the orders been placed?

Boddis: Yes, mostly.

Cox: Most of them have.

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H.M.Jr: Then Philip doesn't know what he is talking about.

Cox: No. You see, what happened was this. They allocated almost two billion dollars out of Lend-Lease for aircraft procurement, and that was based on the British program of what kind of planes they wanted and heavy bombers, for example, there are a thousand placed on order under Lend-Lease, and those are scheduled for delivery to the British.

Now, out of the three billion additional, those will probably also be for British use.

H.M.Jr: Well, what I would like to have - I had it several months ago from Mr. Purvis - a master sheet of what the English were manufacturing, what they wanted in this country, and the total requirements that they needed. He gave me that copy. I have it in the safe.

Now, at least three months have passed. I wonder if I could have that brought up to date as of the first of July, what your total needs are, what you are going to manufacture in England, and what you expect to get here.

Boddis: That can be done, sir.

H.M.Jr: As of the first of July?

Boddis: I think so, sir.

H.M.Jr: Then from that, what you expect to take here. Then after I get the over-all picture and know what the whole picture is, then we can say, "Well, of that whole picture, so much is Lend-Lease and so much is dollars."

It seems to me that I am working on the end of the - well, I don't know what the expression

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is. On the outermost part of the end of something. That is me. What I would like to get is the over-all picture, you see, total British needs, how much you are manufacturing in England, what you think you are going to get here. Then what you get here, break it down in to part Lend-Lease and part dollars. Then that would be as of July 1. Then I would have something, Oscar.

Cox: I think you are absolutely right. You ought to have that.

H.M.Jr: Then I would have something. I have just got a little bit of a segment of this thing. It doesn't particularly interest me.

(Mr. Baillieu entered the conference.)

H.M.Jr: Sir Frederick, could I have that?

Phillips: I know that Mr. Purvis has been working around something like that recently.

H.M.Jr: As of the first of July?

Baillieu: You are particularly concerned now with the whole program, sir, or with the Treasury end of it?

H.M.Jr: I would like to know what I am dealing with. I have just got a little bit of a segment, and I would like to know the whole picture. I had it three months ago.

Baillieu: I think we can bring that up to date, couldn't we.

Archer: We would have to get back to England to get the basic figures. We have a few things, but not all of them.

H.M.Jr: As of July 1?

(Mr. O'Connell entered the conference.)

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Cox: Yes.

H.M.Jr: Well, if we could get that, then I could at least know what the over-all is.

Baillieu: Yes.

H.M.Jr: Now, White has given me a summary of table of requisitions examined by the committee. What is that now?

White: The first table is the summary of all action taken. The sheets behind it are the action taken on each requisition. I don't think you would be interested in more than the summary table. In accordance with your suggestion, there was presented to the committee specific requisitions, and there was a description of each item in the requisition. That was passed upon at the committee and then taken up with Mr. Cox.

H.M.Jr: And this has all been lend-leased?

White: Those that are approved on the first sheet. Those that say "Approved," are approved for submission of a requisition to the Lend-Lease. In other words, Mr. Cox's organization feels that it looks all right to have them submit that requisition and that the chances of their getting it are good. Those that are disapproved are those which it is suggested that the British use dollars to pay for.

H.M.Jr: Are you satisfied with this?

Cox: Yes.

H.M.Jr: Are you gentlemen satisfied?

Phillips: Yes.

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H.M.Jr: Wonderful. Any question about this?

Keynes: No.

H.M.Jr: This, I think, came from you. Would you have any objection to signing it? I have no way of knowing about it. Do you want to take a look at those? Just so I have something, you see. There are several here, if you don't mind. There is nothing on them to indicate who they came from. If I lose the outside sheet, I wouldn't know who it came from.

Thank you.

O'Connell, if you could get - where is O'Connell?

Foley: He has just gone back to his office.

H.M.Jr: There is one here on cocoa. You might tell him about it. It shows that there is lots of cocoa in the country; and, if I recall, the price of cocoa in this country is up at least fifty percent.

White: A memorandum on cocoa was presented for consideration. We are having it examined here, and we will probably have a report ready for you at your next meeting as to what might be done.

H.M.Jr: Well, I wanted Leon Henderson to have that, on cocoa.

Foley: The rise in price.

H.M.Jr: Well, if there is as much cocoa in the country as this memorandum says, there is no excuse for the rise in price.

White: He is one of the agencies we will take it up

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with. We have already taken up wool with him, and he is preparing a memorandum, and we will take up cocoa as soon as we have made our preliminary study, which will be in a day or so.

H.M.Jr: Mr. Cox was going to raise the question on the possibility of granting relief on ship and plane engines totalling several hundred million dollars.

White: Before that, this is a brief summary statement that you asked for.

H.M.Jr: What is this?

White: You asked for the relief that had already been granted. This is on the old amount and what Mr. Cox is going to take up now is in addition to anything on there.

H.M.Jr: And the British have not--

White: They have seen that this morning and cleared that.

H.M.Jr: Have you seen it?

Cox: Yes.

All right?

H.M.Jr: Please.

Cox: They fall into several different categories. The airplane engines are covered possibly in part by the Army Appropriation Bill which just went through, also in part by Lend-Lease in so far as funds are available. Now that will involve convincing the Army that they ought to use some of their own money to take over contracts placed before March 11 and the Budget Director's statement only went to

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Lend-Lease Appropriations.

Now, I don't know whether you want to take it up or you want Mr. Hopkins or you want to jointly do it.

H.M.Jr: You mean with the Army?

Cox: Yes.

H.M.Jr: Well, I think you have got General Burns there as a contact. Couldn't you take it up with him?

Cox: We can do it that way.

H.M.Jr: Would you?

Cox: Yes, sir, if it is all right with you.

H.M.Jr: I think it would be fine.

Cox: All right.

Now, the same is true with tanks. On the ships, there is just not enough money available in the shipping account now to take over that much unless some more drops in, but you see most of the money has been committed for new merchant shipping. In part, that is the same problem involved in the Coast Guard cutters. Until new funds are appropriated, it isn't very likely that they can take over the entire contracts.

H.M.Jr: So what?

Cox: Well, that - we will just have to work it out on the engines and the tanks.

H.M.Jr: How much might that produce, the engines and the tanks?

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Cox: I think it runs into pretty substantial amounts.

White: Two hundred fifty million dollars.

Phillips: Two hundred fifty, I think the airplane engines and tanks together were. Shipping, however, would possibly run up as high as ninety.

H.M.Jr: That is a tidy sum.

Phillips: Oh, yes.

Keynes: This is the real thing.

I see. There was also something on the Packard, wasn't it?

H.M.Jr: As you like American slang, this is the McCoy, as we say.

Keynes: I don't know that word.

Cox: I don't know about the Army--

H.M.Jr: You will agree it is the McCoy if we get it?

Keynes: Were you including the Packards which we mentioned today, in addition to the Curtiss-Wright and tanks?

Cox: Yes.

Keynes: There is another fifty.

H.M.Jr: Isn't that in the--

Keynes: It wasn't in the tables.

Cox: It wasn't at the time in the table, I don't

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think. It would add another fifty million, wouldn't it, this Packard?

H.M.Jr: Oh, yes, Rolls Royce engine. You have that in mind?

Cox: Yes.

Keynes: It is just like the other. It isn't on the tables. I just didn't want it forgotten.

H.M.Jr: Put down another fifty million. We deal in real money, at least we talk about real money anyway. We don't see any of it, but we deal in it anyway. Is that everything on that, on number two on my list?

Keynes: I didn't quite follow what Mr. Cox said about the shipbuilding.

Cox: Well, there isn't any money available now until the new Maritime Commission appropriation goes through, because you see the - all the money within the shipping category has been allocated, and they are pretty much up to the limit of the ships which can be made for the other accounts.

Keynes: Yes.

Well, how soon do they expect to get more money?

Cox: They are now working on the new appropriation bill.

Keynes: I see. So that might be only temporary?

Cox: Yes.

H.M.Jr: Any other questions?

All right, Oscar?

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- Cox: Yes.
- H.M.Jr: The next thing I have, possibility of placing "administrative difficulty" purchases under Lend-Lease, to be pursued further within the Treasury.
- White: I would like to indicate the result of the first conference that was held with the Procurement Division, Lend-Lease, and the British Treasury. It resulted in an unfavorable decision. They concluded that the obstacles were practically insuperable for most of the items. Upon some further discussion, it appeared to us that the bulk of the items fell under Treasury Procurement arrangements, and it was thought worth while re-exploring it here, probably with a little push from you and the Legal Division, that they might be ingenious enough to discover some way of getting around what appears on the surface to be not an insuperable obstacle.
- H.M.Jr: Did you say a push from me on it or with the Legal Division?
- White: Both the Legal Division and you will push on the Procurement. I think the Legal Division is tuned up to do some pushing.
- Foley: Pushing anyway, is it, Harry? (Laughter)
- H.M.Jr: When do I begin to push?
- White: Well, I think it might not do any harm if you were to get in touch with Mack or somebody there and tell them that there is a good deal involved here. This is one of the large items. This is the item which Mr. Keynes first had indicated was two hundred million or so, and then they found some ways of taking care of a

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portion of that and it does amount to an annual purchase of probably a hundred and fifty million a year; and, if the bulk of that is to be taken care of by the Procurement, it amounts to very substantial relief.

H.M.Jr: Why don't you, when you see the Legal Division, ask them to meet with you and invite Cliff Mack over? Who is Cliff Mack's lawyer? Who advises Cliff Mack?

Foley: Well, Tom Manning is his lawyer over there, and Joe O'Connell handles those problems here.

H.M.Jr: Why can't you all get together, White and you fellows and Cliff Mack?

Foley: Right.

H.M.Jr: And then if you can't agree, bring it in to me.

Foley: For a push?

H.M.Jr: For a push, or a sledge hammer. (Laughter)
Anything on that, gentlemen?

Oscar?

Cox: No.

H.M.Jr: Table four, "Table of requisitions submitted by British to Lend-Lease Administration by months and by most important categories."

White: Well, Mr. Childs thought that he might have something ready for you on very short notice along the lines that you first asked for, but he called up a few minutes ago to say that he didn't think it could be obtained in time,

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but he didn't have much notice, so he will have it later.

H.M.Jr: Shall we skip that, Childs?

Childs: Yes. The requisitions we have don't indicate, I am afraid, exactly what you want. I will show you these afterward to see whether you would like to keep these or not.

White: What we had thought would be useful would be all the requisitions which had been made of the British Government articles under Lend-Lease, broken down by tanks, planes, et cetera, so that the Secretary could see at a glance where the block was, if any.

Childs: These wouldn't do for that. That is the only thing we have in the files.

Phillips: Do you want the money value on them?

White: Rough value. It was more the number of planes and the number of tanks, et cetera.

Childs: We don't have anything compiled like that to date. We will have to get that together.

H.M.Jr: Harry, this thing on these requisitions, these thirty-two which they considered with the attached thing from the British Purchasing Commission, who ought to sign that? There are no signatures on that.

White: Mr. Cox?

H.M.Jr: I mean, it oughtn't to come over blank like that to me.

White: Well, those are the--

H.M.Jr: Is there one signed somewhere?

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Childs: There is a covering letter, sir, signed by Sir Frederick Phillips.

White: Signed at this stage?

H.M.Jr: Is there a letter covering it?

Cox: There was one. Sir Frederick signed it.

H.M.Jr: Who has got the letter?

Cox: It must be in Harry's files, I think. Before the committee acted, Harry, I think it was.

White: This was the letter that applied to that first and there was a group of them attached.

H.M.Jr: Well, if this is the correct group, if you don't mind, Sir Frederick, if you just would sign them.

White: That does not apply to a second small group. That doesn't cover them all. There is another group this morning to which there was no letter attached.

H.M.Jr: Wouldn't somebody sign for the British Purchasing Commission?

Phillips: If you wish so.

H.M.Jr: Who is here for Purvis?

Baillieu: I can sign for him.

H.M.Jr: Do you mind? This is against the day when I have got to go and testify, when I am investigated.

Childs: Could we agree on some standard way of signing these, sir?

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H.M.Jr: Well, if - these letters get lost. If the sheet comes over, if just the first sheet would be signed by the head of the Purchasing Commission and somebody from the British Treasury, just those two signatures. That is the way it used to be, wasn't it, from January 1?

Phillips: No, sir, the Purchasing Commission didn't sign them.

Childs: It was signed only by Sir Frederick Phillips. We checked on our papers.

H.M.Jr: I thought they both signed.

White: I thought you would want to sign only those that were approved, wouldn't you. Those that were considered, and it was recommended that dollars be expended--

H.M.Jr: No, if you don't mind, Harry, these things that come over to our Treasury--

White: For preliminary consideration?

H.M.Jr: Yes.

White: I see. That covers that.

Phillips: I can sign those and we will add the signature of the British Purchasing Commission.

H.M.Jr: Do you mind?

Phillips: Not at all.

H.M.Jr: They get lost and afterwards you wonder--

White: There is another letter due, then, which we will have for the next time.

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Phillips: All right.

H.M.Jr: Now, did somebody ask me something before we leave that? I am so busy getting papers signed. Well, then, you gentlemen are going to get together with Cliff Mack and the lawyers, Harry, right?

White: That is right.

H.M.Jr: Harry, you will get them together?

White: Yes, sir.

H.M.Jr: We don't need Oscar on that?

White: If we do--

Cox: They will call me.

White: We will call him.

H.M.Jr: All right on that, gentlemen?

"Table of requisitions - four. Table of requisitions, submitted by the British to Lend-Lease."

That you said you didn't have?

Childs: Yes, sir.

H.M.Jr: "Five. Proposal to finance ferrying of planes."
Is that me?

White: Yes.

H.M.Jr: Well, I just got the idea over Sunday that I didn't see why the United States Army couldn't give its regular personnel to do this work.

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Cox: It can, but we put it up - it has been put up to the President several times and--

H.M.Jr: Let's do it again.

Cox: As a matter of policy, he turned it down, but the situation is different now.

H.M.Jr: Let's do it again, and I thought that over the week-end I might have saved you ten or eleven million dollars. After all, in the room here, I was in Bermuda and I know that an American Naval pilot, Naval officer, actually flies the planes from Bermuda to England. He sits in the copilot's seat with an Englishman next to him, but our man does the flying, but he is just there as an observer.

Now, if they do that, I don't see why the Army can't do it and get some experience and save these people some dollars. I would like to have another try at it.

Cox: Oh, I think you ought to.

H.M.Jr: Let the Army personnel take over this thing, do it as an Army project.

Well, how are we going to put this up? My thought was, if we could ask Mr. Stimson - I don't know how you are working on this thing. Maybe you want to do it, simply ask him whether he would detail Mr. McCloy to go into this thing for us.

Cox: I think that is the way to do it.

H.M.Jr: Do you want to do it, or would you like me to do it?

Cox: No, will you do it?

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- H.M.Jr: I will call up Stimson as soon as this meeting is over.
- Cox: Yes. It probably ought to be Lovett, though.
- H.M.Jr: Hasn't McCloy always worked with you people? Let me ask Stimson.
- Cochran: You used to see Lovett when he first came down, and he is the air man.
- H.M.Jr: McCloy has taken such an interest in this.
- Cochran: Lovett is good and would like to help you.
- H.M.Jr: Well, I will ask Mr. Stimson.
- Cox: Good.
- H.M.Jr: Now, I have run through mine. Now, what have you gentlemen got?
- Baillieu: I don't know that we have anything, have we?
- Keynes: We did everything else in the morning. We raised a good many points then.
- White: There were several other items that were discussed in some detail, and there are things to be done which are scheduled to be done, and we felt that there was no need to take it up with you until there was something specific.
- H.M.Jr: This is the way I think the meeting should be run.
- Phillips: I have one point which came up since the morning sir. There are a lot of Ford lorries which have been bought by the Greeks and have been paid for by Greek dollars. The Greeks no longer want them, and the suggestion is

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that the U. S. War Department might buy these Ford lorries from the Greeks and Lease-Lend them to us. Nine hundred thousand dollars.

Cox: But where are the Greeks? Bearing gifts?

Phillips: Yes.

It is just one of those little things that come up.

Cox: All right.

Keynes: Perhaps it is just worth mentioning, we had a telegram from London since they heard about this committee which I think indicates they are very pleased at the prospect and like the idea and thought it was very helpful.

H.M.Jr: Good.

Well, being the Fourth and - I won't expect to meet with you gentlemen again until a week from today, if that is agreeable. It will be a week from today. Shall we say at three?

Childs: Three o'clock?

H.M.Jr: Please. All right?

Childs: Yes, sir.

H.M.Jr: Fine.

Childs: Could we arrange a meeting in the interval so we could bring up some more items?

H.M.Jr: Surely, with Harry White.

AGENDA FOR 3:30 MEETING

1. Summary table of requisitions examined by Committee.
2. Mr. Cox is going to raise the question of the possibility of granting relief on contracts of ships and plane engines totaling several hundred million dollars.
3. Possibility of placing "administratively difficult" purchases under Lend-Lease to be pursued further within Treasury.
4. Table of requisitions, submitted by British to Lend-Lease Administration, by months and by most important categories.
5. Proposal to finance ferrying of planes.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 1, 1941

TO Secretary Morgenthau

FROM Mr. Hase

Subject: Lease-lend orders in the bi-weekly airplane report.

1. The bi-weekly airplane and engine report contains all orders including lease-lend orders.

2. Lease-lend orders are placed by the Army and Navy and are classified as such rather than by the destined recipient; therefore, the British classification includes only British dollar contract orders.

3. In order to obtain the complete picture of the British program, it would be necessary to prepare a supplemental statement showing proposed deliveries to the British under the lease-lend program. Such an analysis would have to be made by the lease-lend organization and would have to be based on a working plan for the distribution of goods purchased under the lease-lend program.

4. I am informed by Mr. Philip Young that they are now working on the development of such a plan but that at the moment the policy is to determine the allocation of materials as between the various recipients at the time these become available rather than at the time the order is placed. This means that the British do not have a specific claim on any particular item which may be manufactured even though the item is produced as a result of an order placed because of a British requisition to the lease-lend organization.

Already Provided	About to be Provided	Further likely relief	Total
(In millions of dollars)			

A. Relief on Plants and Supply Contracts Taken Over

1. Cash refunds to British

a. On plants taken over	21	22	52	95
b. On 4 machine gun contracts transferred	-	5	-	5
c. On 144 Vultee planes transferred	-	(6) $\frac{1}{2}$	-	(6) $\frac{1}{2}$

2. Relief from commitments

a. On contracts placed since March 11	-	21 $\frac{2}{3}$	7 $\frac{2}{3}$	21
b. On letters of intent not considered by Lend-Lease a binding commitment	-	-	20	20
c. On 4 machine gun contracts transferred	-	22	-	22
d. On 144 Vultee planes transferred	-	(5) $\frac{1}{2}$	-	(5) $\frac{1}{2}$
Total	21	70	72	163

Treasury Department, Division of Monetary Research

July 1, 1941

- 1/ On the 144 Vultee aeroplanes to be taken over by the U.S. Government, the British had paid \$5.7 million up to May 21. The total price of these planes is \$11.4 million. It is uncertain how much of the \$5.7 million paid by the British will be refunded to them. For this reason, the relief on the Vultee aircraft contracts has not been included in the total.
- 2/ On the \$52.8 million of new contracts signed since March 11, 1941, \$11.7 million has already been spent. Of the remaining \$41 million, \$20 million is for training pilots.
- 3/ Since March 11, 1941, amendments to old contracts have totalled \$30 million. It is uncertain how much of this sum may be placed under Lend-Lease.

**Summary of Committee Action on British
Requisitions Examined**

Number of requisitions examined	Action of Committee	Total Value
15	Approved for submission to Lend-Lease	\$12.5 million
12	Recommended that dollars be used	7.0 "
2	Recommended for withdrawal	1.4 "
1	Conditional approval for submission to Lend-Lease	1.6 "
1	Part approval for submis- sion to Lend Lease	-- 1/
1	No action required	1.0 million
32	Total requisitions examined	\$22.9 "

1/ Portion of requisition eligible for Lend-Lease and not urgent is only \$10 thousand.

Treasury Department, Division of Monetary Research July 1, 1941

WILLARD HOTEL, WASHINGTON, D. C.



TELEPHONE REPUBLIC 7860

BRITISH PURCHASING COMMISSION

June 27, 1941

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

Dear Mr. Secretary,

I enclose sheets numbered (1) to (4) dated June 27, 1941, listing items from 1 to 24 of proposed commitments which will require expenditure of British dollars in the amounts indicated to the extent that such items cannot be handled under Lend Lease.

Yours very truly,

F Phillips

June 27, 1941

						June 27, 1941			
P.W.D. No.	British Req. No.	Contract No.	Supplier	Description	Unit and Quantity	Value of Order			
						Capital	Total Value of Order (Inc. Capital Expend.)	Initial Payment	Action by Committee
						<u>AIRCRAFT</u>			
-	-	A 542 & A 1492 Amendment	Brewster Aeronautical Corp.	Modifications to 750 Brewster Bermuda Aircraft	-		\$ 8,700,000	Probably \$ 4,350,000	Recommended
-	-	F 677 Amendment	Consolidated Aircraft Corp.	Modifications to Liberator Airplanes	-		1,234,000	617,000	Recommended
491 (Jan. 24)	65/40/1087	A 5222 Amendment	General Motors Corp.	A.G.S. Parts	-		1,000,000	-	No action required
-	-	A 242 Amendment	Lockheed Aircraft Corp.	Installation of Allison F 2 Engines in Lightning Airplanes	-		1,948,280	975,000	Recommended
-	-	-	Pan American Airways Ltd.	Navigation Course for British Observers	-		1,169,000	-	Withdraw
							<u>\$ 14,051,280</u>	<u>\$ 5,942,000</u>	
						<u>ORDNANCE</u>			
-	344/9(A.3)	A 1964 Amendment	American Type Founders Inc. (Elizabeth, N.J.)	37 mm. Guns of U.S. Army design M6 - 1,500 plus 750 spare barrels and spare parts	-	\$ 750,000	\$ 6,750,000 max. (cost plus basis)	\$ 2,000,000 (paid)	Not recommended
-	344/12	A 2627 Amendment	Campbell Wynant & Cannon Foundry Co. Waskegan, Mich.	Additional Facilities for Patterns and Equipment for Production of Track Links	-	8,000	8,000	-	Recommended
-	250/A.4	A 864 Amendment	National Pneumatic Co. Rahway, N.J.	37 mm. Anti Tank Equipments (500) and spares	-		2,591	-	Recommended
-	567/33 (A.2)	A 4770 Amendment	Nelphin Mfg. Co.	4 Gauges for inspection of .30 M2 Machine Guns	-		58	-	Not recommended
							<u>758,000</u>	<u>6,760,649 max.</u>	<u>\$ 2,000,000</u>
						<u>MACHINE TOOLS</u>			
-	101/1384(A.2)	A 3969 Amendment	F. W. Derbyshire Inc.	Additional Equipment for machines contracted for Feb. 12/41	-		\$ 110	-	Not recommended

J. Phillips
C. S. Sullivan

June 27, 1941

F.N.L. No.	British Req. No.	Contract No.	Supplier	Description	Unit and Quantity	Value of Order			Action by Committee
						Capital	Total Value of Order (Inc. Capital Expend.)	Initial Payment	
<u>MACHINE TOOLS (CONT'D.)</u>									
-	320/243	-	Gallmeyer & Livingston Co.	One B-6-7 Grand Rapids Drill Grinder	-	-	\$ 527	\$ 132	Recommended
-	101/1475(A-2)	A 4183 Amendment	South Bend Lathes Works South Bend, Ind.	Equipment required for machines contracted for on Mar. 1, 1941	-	-	266	-	Not recommended
TOTAL MACHINE TOOLS.....							\$ 903	\$ 132	
<u>MISCELLANEOUS</u>									
-	<u>Bearings</u>	-	Hollway Bearing Co. Syracuse, N.Y.	1 Bearing No. OS 5138	-	-	\$ 112	\$ -	Recommended (unless urgent)
-	940	-	S.K.F. Industries	5000 S.K.F. Pressed Steel Gages for Ball Bearings No. 1204	-	-	300	-	Recommended
-	<u>Camp Stoves</u>	-	Turner Brass Works Sycamore, Illinois	345 Turner No. 111 Simple Burner Camp Stoves & 45 generators therefor	-	-	922	-	Recommended
-	344/51	-							
-	<u>Electrical Stores</u>	-	Spencer Thermostat Co. Attleboro, Mass.	6 Kliron Thermostat Switches	-	-	17	-	Not recommended
-	Amend #743/9	-							
-	<u>Engine Parts</u>	-	Hall Scott Motor Car Co. Berkeley, Cal.	56 sets Engine parts	-	-	3122	-	Not recommended
-	915 (A.3)	-							
-	<u>Labor</u>	-	-	For Construction purposes in Iceland (E.F.D.A. No. 1432, 2112 & 1596)	-	-	-	-	Not recommended
-	-	-							
-	<u>Medical</u>	-	E. R. Squibb & Sons 745 Fifth Ave., N.Y.C.	Insulin	-	-	144,000	-	Recommended
-	-	-							
-	<u>Small Arms Ammunition</u>	-	Remington Arms Co. Bridgeport, Conn.	5000 .50" Unprimed Cartr. 0/s 5000 Primer anvil .50" 5000 .50" Shells	-	-	600	-	Not recommended
-	-	929 Amendment							

June 27, 1941

P.R.C. No.	British Req. No.	Contract No.	Supplier	Description	Unit and Quantity	Value of Order			
						Capital	Total Value of Order (Incl. Capital Expend.)	Initial Payment	Action by Committee
<u>Sanitary Appliances</u>				<u>MISCELLANEOUS (CONT'D)</u>					
-	938		H. J. Willis Co. 91 Chambers St., N.Y.	2 Willis Pump Closets		-	\$ 76	-	Not recommended
-	<u>Timber</u> 841 (A.1)		Kenneth Le Blanc	Timber for local sale by U.K. agents		-	2,237	-	Not recommended
TOTAL MISCELLANEOUS.....							\$ 151,386		
TOTAL ORDERS SUBMITTED.....						\$758,000	\$20,964,218 max.	\$ 7,942,132	

June 27, 1941

P.W.D. No.	British Req. No.	Contract No.	Supplier	Description	Unit and Quantity	Value of Order			Action by Committee
						Capital	Total Value of Order (Inc. Capital Expend.)	Initial Payment	
-	-	A 2242	Sperry Gyroscope Co.	Modifications of Bombsights	-	-	\$ 272,875	\$ 93,506 (Approx)	Recommended
-	-	-	Various	Hide Butts	-	-	210,000	-	Withdrew
-	-	-	Various	Various parts for agricul- tural machinery	-	-	-	-	Recommended
							<u>\$ 482,875</u>	<u>\$ 93,506</u>	

Statistical Division, New York

July 1, 1941

MEMORANDUM FOR THE SECRETARY'S DIARY:

Meeting, Secretary's Office, 3:30 P. M.
July 1, 1941

Mr. William S. Paley, President of the Columbia Broadcasting System, visited Secretary Morgenthau today with Mr. Harry C. Butcher, Vice President of the Columbia Broadcasting System.

They began by asking the Secretary how radio had been cooperating in the Defense Savings campaign. The Secretary said that cooperation had been wonderful and that we had been getting everything we asked for. Mr. Kuhn then asked Mr. Paley whether he had read the Secretary's tribute to the radio industry in the broadcast talk of June 5, but Mr. Paley said he had not read it.

Mr. Paley then asked how the campaign itself was going and said that he had heard stories of a slump in sales. The Secretary answered that while the large denomination, F and G, bonds had fallen off in June, the sales of the little bonds, the E bonds, were satisfactory.

Mr. Paley then said he thought the Secretary might like to hear about the problems of the radio industry here in Washington, but the Secretary cut him short with a smile and made it plain that he did not want to go into the subject. The Secretary said that his backyard at the Treasury was pretty big and that he did not have time to go outside it.

The meeting lasted not more than ten minutes.

F.K.

July 1, 1941
4:15 p.m.

HMJr: Bob?

Robert
Patterson: Yes.

HMJr: Henry talking.

P: Yes, Henry.

HMJr: Thanks for all the material for our little show out here.

P: You got it.

HMJr: Oh, yeah. Swell. Henry Wallace dedicated it, broke a bottle figuratively.

P: When is it, today?

HMJr: Started at noon today.

P: Oh.

HMJr: Right opposite the Willard, if you drive by there.

P: Oh, I will, I'll go and see it.

HMJr: Yes, it's quite - very nice looking hostesses selling our bonds too.

P: Yeah? Have you got enough stuff there?

HMJr: Oh well, we have no plane, but we could use a nice plane.

P: Do you have enough stuff, really?

HMJr: Well, no, I think - I'd love to have a plane.

P: Is that what you want?

HMJr: I'd like it. That isn't why I called you up.

- 2 -

P: All right.

HMJr: But, I mean, I've got something more important, but if you could let me have a plane, it would be swell.

P: I'll see about it.

HMJr: All right. Bob, I tried to get hold of Stimson and they said he's out. I don't know if you are familiar with this Committee we set up with the English and Oscar Cox - Cox representing Harry Hopkins on the question of dollars.

P: I'm not familiar.

HMJr: Well, we've had it now for about two weeks. First, we clear all purchases - it takes dollars you see?

P: Yeah.

HMJr: Now, the thing came up and Harry asked me particularly this question of ferrying these planes to Takoradi. Hello?

P: Yes.

HMJr: And Air Marshall Harris and he seem to be very much excited about it and I wondered if there was somebody that you could have come over to talk with Cox and me in the morning on this. What I've got in mind is, you see, in order to save them the dollars of which they are extremely short, I want to talk to somebody about the possibility of the Army doing this job.

P: Yeah. Can't - couldn't Lovett do it?

HMJr: Well, I - I want you to tell me who to talk to.

P: I mean, isn't Lovett the best man?

- 3 -

HMJr: I suppose so.

P: I'll ask him to - what time?

HMJr: Well, if he could be here at - if he could stop on his way down and - 9 o'clock, maybe?

P: Yes, I'll have him there.

HMJr: Is - would that be all right?

P: Yeah.

HMJr: And would you mind mentioning it to Mr. Stimson.

P: No. Fine.

HMJr: What?

P: Right. I will.

HMJr: Will you do that?

P: Yeah. Would he - should he be there at 9 too?

HMJr: Who? Stimson?

P: Stimson?

HMJr: No, no.

P: Lovett.

HMJr: Just Lovett.

P: Right.

HMJr: No, I mean just mention the fact to Mr. Stimson that I tried to get him and when I couldn't, I cleared it with you.

P: Yes.

HMJr: Because I find - you know - couple times - he's a little sensitive.

- 4 -

P: Right, right.

HMJr: But if you'd just tell Lovett to be here at 9, I would

P: I will. All right, I will.

HMJr: That will be swell and I'll have Oscar Cox.

P: Right.

HMJr: And it's a question of the ferrying of these planes - Takoradi to Cairo.

P: Yeah.

HMJr: And in order to save dollars, I'm going to see if I can't get the Army to take the job over.

P: Yeah, I think they're going to do it but I don't - I heard it discussed yesterday.

HMJr: Wonderful.

P: Right.

HMJr: I like to do business with you.

P: All right.

HMJr: Thank you.

P: Goodbye.

approx 7/1

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AGENDA FOR CONFERENCE WITH REPRESENTATIVES OF
FEDERAL RESERVE BANKS AND BANK EXAMINERS

1. Introduction — Short talks by the Secretary, Mr. Acheson and Mr. Foley and Mr. Delano.
2. Discussion of the Order, Regulations, General Rulings, General Licenses and General Authorizations. Each document will be fully explained and ample opportunity will be afforded for the raising and answering of questions.
3. Description of the administrative process employed in Washington in handling cases, together with a discussion of problems of administration arising in the field.
4. Report from each Federal Reserve Bank as to their problems and how they are functioning; also the size of their freezing control staff and the problem of increased personnel.
5. Discussion of the role of national bank examiners in the field of freezing control.
6. Discussion of special problems.
 - (a) Trade
 - (b) Investigations
 - (c) "Blacklist"
 - (d) Census reports
 - (e) Blocking accounts

Meeting was held 7-1 and 7-2

JUL 1 1941

My dear Mr. Secretary:

Under the authority vested in me by the Act of Congress entitled "An Act to authorize annual appropriations to meet losses sustained by officers and employees of the United States in foreign countries due to appreciation of foreign currencies in their relation to the American dollar, and for other purposes," approved March 26, 1934 (48 Stat. 466), the following amounts are allotted to the several departments and independent establishments, for expenditure upon approved requisitions, from the appropriation provided for this purpose by the "Independent Offices Appropriation Act, 1942," approved April 5, 1941:

Department of State	\$700,000
Department of Commerce	900
Navy Department	65,000
Post Office Department	900
Treasury Department	12,000
War Department	75,000
American Battle Monuments Commission . .	200
Federal Security Agency	33,000
Reserve	<u>62,500</u>
Total	\$975,000

Sincerely yours,

FRANKLIN D. ROOSEVELT

The Honorable,

The Secretary of the Treasury.

Law School of Harvard University
Cambridge, Mass.

OFFICE OF THE DEAN

1 July 1941

PERSONAL

Dear Mr. Secretary:

For your information and your files I am enclosing herewith a copy of the letter from Mayor LaGuardia which is self-explanatory.

Once again my thanks for a very pleasant trip to Biloxi.

Sincerely yours,



Hon. Henry Morgenthau, Jr.
Treasury Department
Washington, D.C.

206-A

Law School of Harvard University
Cambridge, Mass.

OFFICE OF THE DEAN

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P
Y

OFFICE OF CIVILIAN DEFENSE
WASHINGTON, D.C.

June 26, 1941

Dean James M. Landis
Harvard Law School
Cambridge, Massachusetts

Dear Dean Landis:

I talked to the President yesterday and he feels that it is easier for me to find someone to take your place in the Second Corps Area than it is for the Treasury to find someone else for the particular work they have in mind for you. So, as soon as your appointment is announced as Assistant Secretary of the Treasury, I will announce the appointment of Mr. Farley.

Sincerely yours,

SGD F. H. LaGuardia
U.S. Director of Civilian Defense

JUL 1 1941

My dear Mr. Secretary:

As I promised you in our telephone conversation of June 27, 1941, I have refreshed my recollection with respect to the Proclamation by the President placing petroleum and petroleum products under export control.

On July 23, 1940, the President signed the Proclamation a copy of which is enclosed. However, it appears that the Department of State objected to that Proclamation on the ground that it was impossible to execute, and Acting Secretary of State Welles secured the President's authorization to withhold its issuance.

As a result, the Proclamation signed on July 23, 1940, was never issued, and Proclamation No. 2417 of July 26, 1940, and the Regulations of July 26, 1940, supplementary thereto, were issued in lieu thereof. Copies of the later Proclamation and Regulations were published in the Federal Register for

- 2 -

July 30, 1940, a copy of which is enclosed. It appears that the Regulations make the phrase "Petroleum products" applicable to gasoline that exceeds 87 octane number.

Very truly yours,

(Signed) H. Morgenthau, ~~571~~

Secretary of the Treasury.

The Honorable

The Secretary of the Interior.

Enclosures

File to Mr. Foley

ERF:rgs
6/30/41

By Messenger

ADMINISTRATION OF SECTION 6 OF PUBLIC--NO. 705--
70th CONGRESS--AN ACT ENTITLED, "AN ACT TO RE-
PEAL THE SUBMUNICIPALITY OF THE NATIONAL
DEFENSE" APPROVED JULY 2, 1940

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

AMENDMENT OF PROCLAMATION

The Proclamation issued by me on July 2, 1940
under Section 6 of Public--No. 705--70th Congress (H.R.
9000) is amended and supplemented as follows:

- I. After subsection g and before
subsection h of Section 2, there
is added "g₁. Petroleum and
petroleum products."
- II. After subsection e of Section 4
there is added "f. Scrap iron
and other scrap metal."

IN WITNESS WHEREOF, I have hereunto set my hand and
caused the seal of the United States of America to be affixed.

DONE at the City of Washington this _____ day of
July, in the year of our Lord nineteen hundred and forty, and
of the Independence of the United States of America the one
hundred and sixty-fourth.

By the President:

Secretary of State.

7/1/43

MISS CHAUNCEY:

This is the attachment for
the letter to Secretary Ikes.

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C. M. Poole

MR. CAIRNS

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FEDERAL REGISTER

THE NATIONAL ARCHIVES
OF THE UNITED STATES
1934

VOLUME 2 NUMBER 117

Washington, Tuesday, July 30, 1940

The President

ADMINISTRATION OF SECTION 6 OF THE ACT ENTITLED, "AN ACT TO EXPEDITE THE STRENGTHENING OF THE NATIONAL DEFENSE" APPROVED JULY 2, 1940

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS section 6 of the act of Congress entitled "AN ACT To expedite the strengthening of the national defense," approved July 2, 1940, provides as follows:

"Whenever the President determines that it is necessary in the interest of national defense to prohibit or curtail the exportation of any military equipment or munitions, or component parts thereof, or machinery, tools, or material or supplies necessary for the manufacture, servicing or operation thereof, he may by proclamation prohibit or curtail such exportation, except under such rules and regulations as he shall prescribe. Any such proclamation shall describe the articles or materials included in the prohibition or curtailment contained therein. In case of the violation of any provision of any proclamation, or of any rule or regulation, issued hereunder, such violator or violators, upon conviction, shall be punished by a fine of not more than \$10,000, or by imprisonment for not more than two years or by both such fine and imprisonment. The authority granted in this Act shall terminate June 30, 1942, unless the Congress shall otherwise provide."

AND WHEREAS by my proclamation No. 2412 of July 2, 1940, entitled "ADMINISTRATION OF SECTION 6 OF THE ACT ENTITLED 'AN ACT TO EXPEDITE THE STRENGTHENING OF THE NATIONAL DEFENSE' APPROVED JULY 2, 1940," I proclaimed that upon the recommendation of the Administrator of Export Control I had determined that it was necessary in the interest of

the national defense that certain listed articles and materials should not be exported from the United States except when authorized in each case by a license as provided for in the said proclamation.

NOW, THEREFORE, I, FRANKLIN D. ROOSEVELT, President of the United States of America, acting under and by virtue of the authority vested in me by the said act of Congress, do hereby proclaim that upon the recommendation of the aforesaid Administrator of Export Control I have determined that it is necessary in the interest of the national defense that on and after August 1, 1940, the additional materials hereinafter listed shall not be exported from the United States except when authorized in each case by a license as provided for in the aforesaid proclamation:

1. Petroleum products
2. Tetraethyl lead
3. Iron and steel scrap

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the United States of America to be affixed.

DONE at the City of Washington this 26th day of July, in the year of our Lord nineteen hundred and forty, and [SEAL] of the Independence of the United States of America the one hundred and sixty-fifth.

FRANKLIN D. ROOSEVELT

By the President:

SUMNER WELLES,
Acting Secretary of State.

[No. 2417]

[F. R. Doc. 40-3124; Filed, July 27, 1940;
12:04 p. m.]

CHANGING THE NAME OF CERTAIN FEDERAL WILDLIFE REFUGES

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS certain areas of land and water in the United States, its Territories,

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THE PRESIDENT

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FEDERAL REGISTER

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and its insular possessions have been reserved and set aside from time to time as refuges and breeding grounds for native

Old Name of Refuge	ALA
Pettit-Bols Island Reservation	
Whelan Migratory Waterfowl Refuge	
Alcatraz Island Reservation	ALA
Reising Sea Reservation	
Reynolds Reservation	
Chamisso Island Reservation	
Forrester Island Reservation	
Nansen Bay Migratory Waterfowl Refuge	
Razzy Islands Reservation	
Nunivak Island Reservation	
Saint Lazarus Reservation	
Stedman Islands Wildlife Refuge	
Tuxedo Reservation	

Apache Migratory Waterfowl Refuge
Boulder Canyon Wildlife Refuge
Gall River Reservation

Big Lake Migratory Bird Refuge
White River Migratory Waterfowl Ref-
uge

Clear Lake Reservation
Fallon Reservation
Goshute Lake Reservation

birds, migratory waterfowl, and animals and other forms of wildlife. No weapon is unlawful for any person to hunt, trap, capture, wilfully disturb, or kill any kind of wild animal of any kind anywhere, to take or destroy the nests or eggs of any wild bird, or to occupy or use any part of such reservations or to make them for any purpose, except as permitted by law or by rules and regulations of the Secretary of the Interior, in order that the conservation and development of its natural wildlife resources may contribute to the economic welfare of the Nation and provide opportunities for wholesome recreation to the citizens of the United States; and

WHEREAS some of the States are setting aside areas of land and water for similar purposes, such action by the States being furthered by the act of Congress approved September 3, 1937 (50 Stat. 917), which provides that the United States shall aid the States in wildlife-restoration projects; and

WHEREAS it is fitting and desirable that the names of such Federal agencies should distinguish them from agencies of the States or from properties under private ownership;

NOW, THEREFORE, I, FRANKLIN D. ROOSEVELT, President of the United States of America, do proclaim that the names of the Federal courts now listed below are hereby changed as indicated:

New Name of Refuge
Pettit Birds National Wildlife Refuge
 (Alabama and Mississippi)
Whelan: National Wildlife Refuge

New Name of Refuge
Alcatraz Island National Wildlife Refuge
Bering Sea National Wildlife Refuge
Bogert National Wildlife Refuge
Chamisso National Wildlife Refuge
Forrester Island National Wildlife Refuge

New Name of Refuge
Flowers Bay National Wildlife Refuge
Hazy Islands National Wildlife Refuge
Mumukshu National Wildlife Refuge
Saint Lazarus National Wildlife Refuge
Semidi National Wildlife Refuge
Tuxedo National Wildlife Refuge

Apache National Wildlife Refuge
Boulder Canyon National Wildlife Refuge (Arizona and Nevada)
Salt River National Wildlife Refuge

Big Lake National Wildlife Refuge
White River National Wildlife Refuge

Clear Lake National Wildlife Refuge
Paradise National Wildlife Refuge
Lower Klamath National Wildlife Refuge
Shasta-Trinity National Wildlife Refuge

FEDERAL REGISTER, Tuesday, July 28, 1964

State	Old Name of Refuge	New Name of Refuge	Old Name of Refuge	New Name of Refuge
Alabama	Escambia National Wildlife Refuge	Escambia National Wildlife Refuge	Escambia National Wildlife Refuge	Escambia National Wildlife Refuge
Alaska	Admiral Bear National Wildlife Refuge	Admiral Bear National Wildlife Refuge	Admiral Bear National Wildlife Refuge	Admiral Bear National Wildlife Refuge
Arizona	Chiricahua National Wildlife Refuge	Chiricahua National Wildlife Refuge	Chiricahua National Wildlife Refuge	Chiricahua National Wildlife Refuge
Arkansas	De Cade National Wildlife Refuge	De Cade National Wildlife Refuge	De Cade National Wildlife Refuge	De Cade National Wildlife Refuge
California	Agua Fria National Wildlife Refuge	Agua Fria National Wildlife Refuge	Agua Fria National Wildlife Refuge	Agua Fria National Wildlife Refuge
Colorado	Florissant Fossil Beds National Monument	Florissant Fossil Beds National Monument	Florissant Fossil Beds National Monument	Florissant Fossil Beds National Monument
Connecticut	Shennecossett National Wildlife Refuge	Shennecossett National Wildlife Refuge	Shennecossett National Wildlife Refuge	Shennecossett National Wildlife Refuge
Delaware	Delaware National Wildlife Refuge	Delaware National Wildlife Refuge	Delaware National Wildlife Refuge	Delaware National Wildlife Refuge
District of Columbia	Rock Creek Park National Wildlife Refuge	Rock Creek Park National Wildlife Refuge	Rock Creek Park National Wildlife Refuge	Rock Creek Park National Wildlife Refuge
Florida	Apalachicola National Wildlife Refuge	Apalachicola National Wildlife Refuge	Apalachicola National Wildlife Refuge	Apalachicola National Wildlife Refuge
Georgia	Fort Clinch National Historic Site	Fort Clinch National Historic Site	Fort Clinch National Historic Site	Fort Clinch National Historic Site
Hawaii	Haleakala National Monument	Haleakala National Monument	Haleakala National Monument	Haleakala National Monument
Idaho	Salmon Falls National Wildlife Refuge	Salmon Falls National Wildlife Refuge	Salmon Falls National Wildlife Refuge	Salmon Falls National Wildlife Refuge
Illinois	Starved Rock National Monument	Starved Rock National Monument	Starved Rock National Monument	Starved Rock National Monument
Indiana	Indiana Dunes National Monument	Indiana Dunes National Monument	Indiana Dunes National Monument	Indiana Dunes National Monument
Iowa	State Fairgrounds National Wildlife Refuge	State Fairgrounds National Wildlife Refuge	State Fairgrounds National Wildlife Refuge	State Fairgrounds National Wildlife Refuge
Kansas	Fort Hays National Wildlife Refuge	Fort Hays National Wildlife Refuge	Fort Hays National Wildlife Refuge	Fort Hays National Wildlife Refuge
Kentucky	Kentucky National Wildlife Refuge	Kentucky National Wildlife Refuge	Kentucky National Wildlife Refuge	Kentucky National Wildlife Refuge
Louisiana	Bayou de l'Enfer National Wildlife Refuge	Bayou de l'Enfer National Wildlife Refuge	Bayou de l'Enfer National Wildlife Refuge	Bayou de l'Enfer National Wildlife Refuge
Maine	Acadia National Park	Acadia National Park	Acadia National Park	Acadia National Park
Maryland	Chesapeake and Calvert Cliffs National Historical Monuments	Chesapeake and Calvert Cliffs National Historical Monuments	Chesapeake and Calvert Cliffs National Historical Monuments	Chesapeake and Calvert Cliffs National Historical Monuments
Massachusetts	Quincy Quarries National Wildlife Refuge	Quincy Quarries National Wildlife Refuge	Quincy Quarries National Wildlife Refuge	Quincy Quarries National Wildlife Refuge
Michigan	Island in the Sky National Wildlife Refuge	Island in the Sky National Wildlife Refuge	Island in the Sky National Wildlife Refuge	Island in the Sky National Wildlife Refuge
Minnesota	LeSueur National Wildlife Refuge	LeSueur National Wildlife Refuge	LeSueur National Wildlife Refuge	LeSueur National Wildlife Refuge
Mississippi	Delta National Wildlife Refuge	Delta National Wildlife Refuge	Delta National Wildlife Refuge	Delta National Wildlife Refuge
Missouri	Mark Twain National Forest	Mark Twain National Forest	Mark Twain National Forest	Mark Twain National Forest
Montana	Fort Belknap National Monument	Fort Belknap National Monument	Fort Belknap National Monument	Fort Belknap National Monument
Nebraska	Fort Hays National Wildlife Refuge	Fort Hays National Wildlife Refuge	Fort Hays National Wildlife Refuge	Fort Hays National Wildlife Refuge
Nevada	Spring Valley National Wildlife Refuge	Spring Valley National Wildlife Refuge	Spring Valley National Wildlife Refuge	Spring Valley National Wildlife Refuge
New Hampshire	White Mountain National Forest	White Mountain National Forest	White Mountain National Forest	White Mountain National Forest
New Jersey	Delaware State Park	Delaware State Park	Delaware State Park	Delaware State Park
New Mexico	Bandelier National Monument	Bandelier National Monument	Bandelier National Monument	Bandelier National Monument
New York	Adirondack Park	Adirondack Park	Adirondack Park	Adirondack Park
North Carolina	Great Smoky Mountains National Park	Great Smoky Mountains National Park	Great Smoky Mountains National Park	Great Smoky Mountains National Park
North Dakota	Fort Totten National Wildlife Refuge	Fort Totten National Wildlife Refuge	Fort Totten National Wildlife Refuge	Fort Totten National Wildlife Refuge
Ohio	Scioto National Wildlife Refuge	Scioto National Wildlife Refuge	Scioto National Wildlife Refuge	Scioto National Wildlife Refuge
Oklahoma	Fort Reno National Historic Site	Fort Reno National Historic Site	Fort Reno National Historic Site	Fort Reno National Historic Site
Oregon	Fort Stevens National Historic Site	Fort Stevens National Historic Site	Fort Stevens National Historic Site	Fort Stevens National Historic Site
Pennsylvania	Gettysburg National Battlefield	Gettysburg National Battlefield	Gettysburg National Battlefield	Gettysburg National Battlefield
Rhode Island	Narragansett National Wildlife Refuge	Narragansett National Wildlife Refuge	Narragansett National Wildlife Refuge	Narragansett National Wildlife Refuge
South Carolina	Fort Mifflin National Historic Site	Fort Mifflin National Historic Site	Fort Mifflin National Historic Site	Fort Mifflin National Historic Site
South Dakota	Fort Totten National Wildlife Refuge	Fort Totten National Wildlife Refuge	Fort Totten National Wildlife Refuge	Fort Totten National Wildlife Refuge
Tennessee	Great Smoky Mountains National Park	Great Smoky Mountains National Park	Great Smoky Mountains National Park	Great Smoky Mountains National Park
Texas	Big Bend National Park	Big Bend National Park	Big Bend National Park	Big Bend National Park
Vermont	Green Mountain National Forest	Green Mountain National Forest	Green Mountain National Forest	Green Mountain National Forest
Virginia	Shenandoah National Park	Shenandoah National Park	Shenandoah National Park	Shenandoah National Park
Washington	Mount Rainier National Park	Mount Rainier National Park	Mount Rainier National Park	Mount Rainier National Park
West Virginia	Monongahela National Forest	Monongahela National Forest	Monongahela National Forest	Monongahela National Forest
Wisconsin	Koshong National Wildlife Refuge	Koshong National Wildlife Refuge	Koshong National Wildlife Refuge	Koshong National Wildlife Refuge
Wyoming	Yellowstone National Park	Yellowstone National Park	Yellowstone National Park	Yellowstone National Park

Regraded Unclassified

[illegible][illegible]

EXECUTIVE SUMMARY

and the Civil Service Commission a Competitive Civil Service Staff on Five Years in the Domestic Office Division of Department of Treasury at Honolulu, Territory.

are of kind pursuant to the provisions of the act by the provisions of section 3 of the Civil Service Act, 1903 (22 Stat. 403).

IN WITNESS WHEREOF I have hereunto set my hand and caused the seal of the United States of America to be affixed.

BOOKS at the City of Washington, this
19th day of July, in the year of our Lord
nineteen hundred and forty, and
(a.s.) of the Independence of the
United States of America the one
hundred and xiv. 174b

FRANCIS D. ROOSEVELT
By the President:
BUREAU WRITER
Acting Secretary of State.
[No. 3410]
U. S. Doc. 40-112: Price, July 27, 1940:
11-28 a. m.]

shall an amount equivalent to the per centum (1-1/2 per centum on the amount of the principal so paid or collected) on said notes from their respective dates to the date of payment.

4. The Lending Agency agrees further that it will proceed to sell surplus goods or commodities received in storage on 1939 C.C.C. Warehouse Form A and it is held by it, without interest, and will not accept from the warehouse owner, before or after the expiration of the term of said lease to November 1, 1940, more than one centum (1%) per annum from November 1, 1940, to the date of payment.

5. In the event either of the 1939 C.C.C. Warehouse Form A is not submitted to the Commission for purchase in accordance with the provisions of Paragraph numbered 3 herein, without the duly recorded assignment of the warehouse storing such notes to the original parties and successors, the Lending Agency agrees further that it will proceed to sell such notes to the highest bidder, if it can find the same, in such quantities as it may desire, at public auction, including the Commission, as long as there has been no assignment, and will not accept from the warehouse owner, before or after the expiration of the term of said lease to November 1, 1940, more than one centum (1%) per annum from November 1, 1940, to the date of payment.

The Lending Agency agrees further that upon the request of the Commission or the State Agricultural Conservation Committee it will release or arrange for the release of some of the chattel mortgages recorded in its books.

The Lending Agency understands that it is bound to make, at its own expense, any loan to the warehouse owner in that provided by the provisions of warehouse Form A, and it is understood that the warehouse owner is to be responsible for the payment of such notes to the Commission.

This contract agreement and releases hereby the Contract to Purchase on 1939 C.C.C. Warehouse Form A, between the Lending Agency and the Commission and the provisions of this contract shall be interpreted and enforced in accordance with the laws of the District of Columbia.

This contract was executed by the parties hereto and delivered to a Loan Agency of Reconstruction Finance Corporation which is effective only as to notes eligible for purchase as such Loan Agency. A separate contract must be executed and delivered to the Loan Agency of Reconstruction Finance Corporation in order to make any note as so delivered by the Lending Agency.

In witness whereof the parties hereto have signed this contract as to notes in relation to which:

COMMUNITY CREDIT CORPORATION,
CINCINNATI, OHIO.

Attest: **WALTER E. HARRIS,**
Secretary.

By: **ALBERT J. HARRIS,**
Attorney.

(Noting signature)
(Noting signature)

(Noting signature)
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By: **(Signature)**
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Waiver to 1939-40 C.C.C. Cotton Form A, Commodity Credit Corporation will pay compression charges at the time of shipment of the cotton on all cotton ordered compressed or shipped under freight rates that require compression in order to meet the necessary freight tariff requirements for loading, or where cotton is shipped export or consigned. The charges will be paid at the tariff rate applicable for compression to the density ordered at the time of shipment.

This typical letter modifies the Warehouseman's Certificate and Waiver in 1939-40 C.C.C. Cotton Form A to the extent indicated above and applies to the holder of the warehouse receipt, as provided in said Warehouseman's Certificate and Waiver, after the cotton is released from the loan.

(Noting signature)
F. F. SINCE,
Assistant Treasurer.

By: **(Signature)**
By: **(Signature)**

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(1939-40 Corn Circular Letter No. 1 (Supplemental Instructions))

Part 211-1939 Corn Loans

Section 211.14, entitled Release of collateral held by Commodity Credit Corporation, is amended by deleting the last sentence in paragraph 1 of said section and by adding at the end of said section the following:

1. The provisions of the printed Instructions (1938-39 C.C.C. Corn Form 1) and supplements thereto, and 1939 C.C.C. Corn Form 1, are hereby amended to permit partial releases of pledged or mortgaged corn.

2. In the case of farm stored 1937 corn, the producer must identify to the Chicago Loan Agency or Reconstruction Finance Corporation the land and number of the bin or crib to be released. Such release must cover all the corn in any bin or crib. Upon receipt of such a request, a partial release of the chattel mortgage will be forwarded to the county agricultural conservation committee upon payment of the loan interest on the particular bin or crib of corn plus interest and charges and storage advance, if any, plus interest. The same procedure will apply to 1938 corn, except that the producer must identify to the Loan Agency serving the area the seal number of the bin or crib to be released, and the partial release will be handled by such Agency.

3. In the case of elevator stored corn, producers desiring to obtain partial releases should notify the Chicago Loan Agency, in the case of 1937 corn, and the Loan Agency serving the area, in the case of 1938 corn, describing the corn to be released by warehouse receipt number.

4. Banks and other lending agencies holding notes on 1939 C.C.C. Corn Form A may also permit partial releases as provided above and Commodity Credit Corporation will purchase notes on which partial releases have been made, provided the note is credited by the lending agency with the full amount of the loan on the corn released, plus interest at the rate of 1 percent thereon.

5. Notes must be accompanied by a certification of the county agricultural conservation committee as to the number of bushels remaining under the loan. An amount equivalent to 1 1/2 percent per annum on the amount of principal collected at the time of the sale of the corn to the date of payment shall be remitted to Commodity Credit Corporation in accordance with the terms of the Contract to Purchase (1939 C.C.C. Corn Form D).

6. Payment will be made to the lending agency on the basis of the amount loaned on the collateral remaining pledged as security to the note, plus 1 1/2 percent interest on such amount from the date of the note to the date of payment.

(Noting signature)
WALTER E. HARRIS,
Secretary.

By: **(Signature)**
By: **(Signature)**

By: **(Signature)**
By: **(Signature)**

By: **(Signature)**
By: **(Signature)**

TITLE I—AGRICULTURE

CHAPTER VIII—SUGAR DIVISION OF THE AGRICULTURAL ADMINISTRATION

Part 302—SUGAR DETERMINATIONS

DETERMINATION OF NORMAL YIELD OF COMMERCIALLY RECOVERABLE SUGAR PER ACRE FOR SUGAR BEETS—1940 (SUGAR BEET PRODUCTION)

PURPOSE: In the provisions of section 302 of the Sugar Act of 1937, 1, E. A. Wallace, Secretary of Agriculture, do hereby make the following determination:

1. **Section 302. (a) Determination of Normal yield of commercially recoverable sugar per acre for sugar beets—1940 Sugar Beet Program.** The normal yield of commercially recoverable sugar per acre for a farm on which sugar beets were planted for harvest in 1940 shall be the amount of sugar obtained by multiplying the normal yield of sugar beets in tons per acre, for the farm by the amount of sugar, raw value, determined to be commercially recoverable in the determination entitled "Determination of Sugar Commercially Recoverable from Sugar Beets," approved October 21, 1940 (1940-41), from a ton of sugar beets of normal percentage of sugar content for the farm.

(b) **Definition.** For the purposes of this determination:

(1) The normal yield of sugar beets in tons per acre for a farm on which sugar beets were planted for harvest in three or more of the years 1933-39, inclusive, shall be the simple average of the annual average yields of sugar beets per acre planted on the farm for harvest for all of the years 1933-39, inclusive, in which sugar beets were planted for harvest.

(2) The normal yield of sugar beets in tons per acre for a farm on which sugar beets were planted for harvest in one or two of the years 1933-39, inclusive, shall be the number of tons obtained by multiplying the normal normal yield (as defined in subparagraph 1) in tons of sugar beets per acre by the percentage of sugar beets per acre in the farm for harvest in such year or two years as of the simple average of the yields of sugar beets per acre for the county for such year or two years, which county average yield shall be, for any year in which sugar beets were planted for harvest on ten or more of the farms on which sugar beets were planted for harvest in 1940, the weighted average yield of sugar beets per acre planted for harvest in that year on farms in the county on which sugar beets were planted for harvest in 1940, and for any year in which sugar beets were planted for harvest on less than ten of the farms on which sugar beets were planted for harvest in 1940, the yield per acre established by the State Agricultural Conservation Committee on the basis of the yields per acre for the years 1933-39, inclusive, in the county and in adjacent counties where have similar sugar beet production conditions.

(3) In cases in which sugar beets were marketed in three or more of the years 1934-39, inclusive, the simple average of the annual average percentages of sugar content, at the time of delivery to a processor, of the sugar beets marketed in such years (including all years in which sugar beets were so marketed).

(4) In cases in which sugar beets were marketed in only one or two of the years 1934-39, inclusive, the percentage of sugar content obtained by multiplying the county normal percentage of sugar content of sugar beets as defined in subparagraph 3) by the percentage that the simple average of the average percentages of sugar content, at the time of delivery to a processor, of the sugar beets marketed in such year or two years is of the simple average of the average percentages of sugar content of sugar beets for the county for such year or two years, which county average percent shall be, for any year in which sugar beets were so marketed in ten or more of the farms on which sugar beets were planted for harvest in 1940, the weighted average percentage of sugar content, at the time of delivery to a processor, of the sugar beets marketed in that year from farms in the county on which sugar beets were planted for harvest in 1940, and for any year in which sugar beets were planted for harvest on less than ten of the farms on which sugar beets were planted for harvest in 1940, the yield per acre established by the State Agricultural Conservation Committee on the basis of the yields per acre for the years 1933-39, inclusive, in the county and in adjacent counties where have similar sugar beet production conditions.

(5) **Section 302. (b) Definition.** For the purposes of this determination:

(1) The normal yield of sugar beets in tons per acre for a farm on which sugar beets were planted for harvest in three or more of the years 1933-39, inclusive, shall be the simple average of the annual average yields of sugar beets per acre planted on the farm for harvest for all of the years 1933-39, inclusive, in which sugar beets were planted for harvest.

vest in 1940, the yield per acre established by the State Agricultural Conservation Committee on the basis of the yields per acre for that year in the county and in adjacent counties which have similar sugar beet production conditions. (3) The normal yield of sugar beets in tons per acre for a farm on which sugar beets were planted for harvest in one or more of the years 1933-39, inclusive, shall be the number of tons obtained by multiplying the normal normal yield (as defined in subparagraph 1) in tons of sugar beets per acre by the percentage of sugar beets per acre in the farm for harvest in such year or two years as of the simple average of the yields of sugar beets per acre for the county for such year or two years, which county average yield shall be, for any year in which sugar beets were planted for harvest on ten or more of the farms on which sugar beets were planted for harvest in 1940, the weighted average yield of sugar beets per acre planted for harvest in that year on farms in the county on which sugar beets were planted for harvest in 1940, and for any year in which sugar beets were planted for harvest on less than ten of the farms on which sugar beets were planted for harvest in 1940, the yield per acre established by the State Agricultural Conservation Committee on the basis of the yields per acre for the years 1933-39, inclusive, in the county and in adjacent counties where have similar sugar beet production conditions.

(4) The normal percentage of sugar content of sugar beets for farms from which sugar beets were marketed to be marketed in 1940 under that type of agreement commonly known as an "individual test contract," shall be as follows: (1) In cases in which sugar beets were marketed in three or more of the years 1934-39, inclusive, the simple average of the annual average percentages of sugar content, at the time of delivery to a processor, of the sugar beets marketed in such years (including all years in which sugar beets were so marketed). (2) In cases in which sugar beets were marketed in only one or two of the years 1934-39, inclusive, the percentage of sugar content obtained by multiplying the county normal percentage of sugar content of sugar beets as defined in subparagraph 3) by the percentage that the simple average of the average percentages of sugar content, at the time of delivery to a processor, of the sugar beets marketed in such year or two years is of the simple average of the average percentages of sugar content of sugar beets for the county for such year or two years, which county average percent shall be, for any year in which sugar beets were so marketed in ten or more of the farms on which sugar beets were planted for harvest in 1940, the weighted average percentage of sugar content, at the time of delivery to a processor, of the sugar beets marketed in that year from farms in the county on which sugar beets were planted for harvest in 1940, and for any year in which sugar beets were planted for harvest on less than ten of the farms on which sugar beets were planted for harvest in 1940, the yield per acre established by the State Agricultural Conservation Committee on the basis of the yields per acre for the years 1933-39, inclusive, in the county and in adjacent counties where have similar sugar beet production conditions.

(5) **Section 302. (b) Definition.** For the purposes of this determination:

(1) The normal yield of sugar beets in tons per acre for a farm on which sugar beets were planted for harvest in three or more of the years 1933-39, inclusive, shall be the simple average of the annual average yields of sugar beets per acre planted on the farm for harvest for all of the years 1933-39, inclusive, in which sugar beets were planted for harvest.

(2) The normal yield of sugar beets in tons per acre for a farm on which sugar beets were planted for harvest in one or two of the years 1933-39, inclusive, shall be the number of tons obtained by multiplying the normal normal yield (as defined in subparagraph 1) in tons of sugar beets per acre by the percentage of sugar beets per acre in the farm for harvest in such year or two years as of the simple average of the yields of sugar beets per acre for the county for such year or two years, which county average yield shall be, for any year in which sugar beets were planted for harvest on ten or more of the farms on which sugar beets were planted for harvest in 1940, the weighted average yield of sugar beets per acre planted for harvest in that year on farms in the county on which sugar beets were planted for harvest in 1940, and for any year in which sugar beets were planted for harvest on less than ten of the farms on which sugar beets were planted for harvest in 1940, the yield per acre established by the State Agricultural Conservation Committee on the basis of the yields per acre for the years 1933-39, inclusive, in the county and in adjacent counties where have similar sugar beet production conditions.

(3) In cases in which sugar beets were marketed in three or more of the years 1934-39, inclusive, the simple average of the annual average percentages of sugar content, at the time of delivery to a processor, of the sugar beets marketed in such years (including all years in which sugar beets were so marketed). (4) In cases in which sugar beets were marketed in only one or two of the years 1934-39, inclusive, the percentage of sugar content obtained by multiplying the county normal percentage of sugar content of sugar beets as defined in subparagraph 3) by the percentage that the simple average of the average percentages of sugar content, at the time of delivery to a processor, of the sugar beets marketed in such year or two years is of the simple average of the average percentages of sugar content of sugar beets for the county for such year or two years, which county average percent shall be, for any year in which sugar beets were so marketed in ten or more of the farms on which sugar beets were planted for harvest in 1940, the weighted average percentage of sugar content, at the time of delivery to a processor, of the sugar beets marketed in that year from farms in the county on which sugar beets were planted for harvest in 1940, and for any year in which sugar beets were planted for harvest on less than ten of the farms on which sugar beets were planted for harvest in 1940, the yield per acre established by the State Agricultural Conservation Committee on the basis of the yields per acre for the years 1933-39, inclusive, in the county and in adjacent counties where have similar sugar beet production conditions.

without, from August 1, 1940, to October 1, 1940.

By the Commission.

(SEAL) T. J. SLOWE,
Secretary.
(F. R. Doc. 40-3137, Filed July 28, 1940,
11:52 a. m.)

PART 4—RULES GOVERNING RADIOGRAPH SERVICE OFFICE TRAIN STANDARDS

REGULATIONS APPLICABLE TO NONCOMMERCIAL EDUCATIONAL RADIOGRAPHS

The Commission on July 24, 1940, effective immediately, amended § 4.137 and substituted therefor, the following:

§ 4.137 Frequencies. (a) The following frequencies are allocated for assignment to noncommercial educational broadcast stations:

Kilocycles	Callings
43100	
43150	
43200	
43250	
43300	
43350	
43400	
43450	
43500	

(b) Stations serving the same area will not be assigned adjacent frequencies.

(c) Frequency modulation shall be employed exclusively unless it is shown that there is a special need for the use of amplitude modulation.

(d) Only one frequency will be assigned to a station. (Sec. 4 (1), 48 Stat. 1086; 47 U.S.C. 154 (1)—Sec. 303 (c), 48 Stat. 1082; 47 U.S.C. 303 (c).)

By the Commission,
(SEAL) T. J. SLOWE,
Secretary.

(F. R. Doc. 40-3138, Filed July 28, 1940,
11:50 a. m.)

PART 5—RULES GOVERNING COASTAL AND MARINE RADIO SERVICES

REGULATIONS

The Commission on July 24, 1940, effective immediately, amended § 5.04 (a) by changing "4185" to "4170" kilocycles, and footnote 4b, and by adding "43050" kilocycles and a new footnote to read:

"Available for use only on the Mississippi River and tributaries subject to the condition that no interference is caused to Canadian stations." (Sec. 4 (1), 48 Stat. 1086; 47 U.S.C. 154 (1)—Sec. 303 (c), 48 Stat. 1082; 47 U.S.C. 303 (c).)

By the Commission,
(SEAL) T. J. SLOWE,
Secretary.

(F. R. Doc. 40-3139, Filed July 28, 1940,
11:50 a. m.)

PART 6—RULES GOVERNING AIR SERVICE

REGULATIONS OF REGULATIONS

The Commission on July 24, 1940, effective immediately, took the following action:

Amended § 6.01 (a) to read:

(a) To ship telegraph stations for communication primarily with coastal telegraph stations upon condition that emission on frequencies within the band 145-165 kilocycles, inclusive, shall be A-1 only:

Kilocycles	Callings
145	
146	
147	
148	
149	
150	
151	
152	
153	
154	
155	
156	
157	
158	
159	
160	
161	
162	
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164	
165	

Distances between ships

Callings only

2274	
2275	
2276	
2277	
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2279	
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Monthly Report of Employees Served, and Compensation—Continued

Division No.	Reporting Division (1)	Comments (2)
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Division No.	Reporting Division (1)	Comments (2)
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[P. H. Doc. 40-3110, Filed July 27, 1940; 10:26 a. m.]

Notices

WAR DEPARTMENT.

Revocation of Regulations to Govern Dredging for Gold on Certain Precious Metals in the Waters of Bering Sea, Alaska

War Department regulations of August 31, 1934, to govern dredging for gold or

other precious metals in the waters of Bering Sea, Alaska, are hereby revoked to take effect July 18, 1940. (H.S. 161; 5 U.S.C. 22) (16th Ind. Office, Chief of Engineers to the Secretary of War, July 13, 1940 (HHS (Alaska)-17))

W. B. ADAMS,
Major General,
The Adjutant General.

[P. H. Doc. 40-3121, Filed July 27, 1940; 11:23 a. m.]

DEPARTMENT OF LABOR.

Wage and Hour Division.

In the MATTER of Application of the Raw Fur and Wool Association of St. Louis, Missouri, Inc., and other parties for Special Certificate of the Fair Labor Standards Act as Amended of a Summary Order

NOTICE OF HEARING.

Whereas, application was made by the Raw Fur and Wool Association of St. Louis, Missouri, Inc., and other parties for exemption of the raw fur and wool industry as an industry of a seasonal nature pursuant to section 7(b) (3) of the Fair Labor Standards Act and part 511 of the regulations issued thereunder; and

Whereas, a public hearing on the application was held in Washington, D. C., on December 7, 1939, before the presiding officer, Harold Stein, a duly authorized representative of the Administrator of the Wage and Hour Division of the Department of Labor; and

Whereas, the said presiding officer determined that the raw fur and wool industry is a branch of an industry of a seasonal nature within the meaning of section 7(b) (3) of the Act and part 511 of the regulations issued thereunder; and

Whereas, subsequent to the determination, the Administrator issued a Statement (Release No. R-818) a declaration of certain of the terms included in the Findings and Determinations of the Presiding Officer; and

Whereas, in the light of the said statement of clarification, the Raw Fur and Wool Association of St. Louis, Missouri, and the American Fur Merchant of New York City, petitioners in the hearing held on December 7, 1939, a complete re-hearing de novo on the entire matter considered at the said hearing;

Now, therefore, in accordance with the request of the two applicant Associations above cited, notice is hereby given of a public hearing to be held on said application at Room 3225, United States Department of Labor Building, Washington, D. C., to commence at 10:30 a. m., August 14, 1940, before Harold Stein, an authorized representative of the Administrator to take testimony, hear arguments and receive written statements for the purpose of determining:

Whether or not raw fur and wool are defined herein as an industry of a seasonal nature within the meaning of section 7(b) (3) of the Fair Labor Standards Act of 1938, and part 511 of the regulations issued thereunder; and if so, the appropriate limits of such industry; and in this notice the term "raw fur and wool" may include the receiving, grading, grading, sorting, appraising, combing of wool, operations.

Any person interested in opposing or opposing the above application or appearing at the hearing in the aforesaid

statement in lieu of appearance. Notice of intention to appear and written statements should be received by the said Harold Stein, Wage and Hour Division, Department of Labor, Washington, D. C., not later than August 12, 1940.

Signed at Washington, D. C., this 24th day of July, 1940.

PHILIP S. FLEMING,
Administrator.

[P. H. Doc. 40-3110, Filed July 27, 1940; 10:26 a. m.]

NOTICE OF INTENTION OF SPECIAL CERTIFICATE FOR THE EMPLOYMENT OF LEARNERS.

Notice is hereby given that Special Certificates authorizing the employment of learners at hourly wages lower than the minimum wage rate applicable under section 8 of the Fair Labor Standards Act of 1938 are issued under Section 14 of the said Act and § 522.5 of Regulations Part 522, as amended, to the employees listed below effective July 30, 1940.

These Certificates may be cancelled in the manner provided for in the Regulations and as indicated in the Certificates. Any person aggrieved by the issuance of any of these Certificates may seek a review of the action taken in accordance with the provisions of § 522.5 (b), whichever is applicable of the aforementioned Regulations.

The employment of learners under these Certificates is limited to the occupations, learning periods, and minimum wages now specified in the Determinations of the Administrator designated below opposite the employer's name and indicated in the Federal Register as hereinafter:

Revised, Part 522, May 22, 1939 (4 F.R. 2088), and as amended October 12, 1939 (4 F.R. 4230).

Revised Order, August 23, 1939 (4 F.R. 3111).

Approved Order, October 12, 1939 (4 F.R. 4235).

Revised Order, October 24, 1939 (4 F.R. 4811).

Revised Order, November 8, 1939 (4 F.R. 4511), as amended April 27, 1940 (5 F.R. 1340).

Revised Order, February 20, 1940 (5 F.R. 714).

NAME AND ADDRESS OF FIRM, INDUSTRY, PRODUCT, BUSINESS OF LEARNERS, AND INDUSTRY TYPE.

Deane Knitting Mills, Inc., Detroit, Michigan; Knit Socks and Stockings; 17 learners; September 18, 1940.

Martins Knitting Company, Burlington, North Carolina; Hosiery; Full Fashioned and Stockings; 18 learners; September 18, 1940.

The Waverly Knitting Company, 2400 Payne Avenue, Cleveland, Ohio; Hosiery; Stockings; 5 learners; September 18, 1940.

Notice is hereby given that Special Certificates authorizing the employment of learners at hourly wages lower than the minimum wage rate applicable under section 8 of the Fair Labor Standards Act

of 1938 are issued pursuant to Section 14 of the said Act and § 522.5 (b) of Regulations Part 522 (4 F.R. 2088), as amended (4 F.R. 4230), to the employees listed below effective July 30, 1940. These Certificates are issued upon their representations that experienced workers for the learner occupations are not available and that they are actually in need of instruction at subminimum rates in order to prevent curtailment of opportunities for employment. These Certificates may be cancelled in the manner provided for in § 522.5 (b) of the Regulations and as indicated on the Certificate. Any person aggrieved by the issuance of any of these Certificates may seek a review of the action taken in accordance with the provisions of § 522.5 (b).

Notice is hereby given that Special Certificates authorizing the employment of learners at hourly wages lower than the minimum wage rate applicable under section 8 of the Fair Labor Standards Act

of 1938 are issued pursuant to Section 14 of the said Act and § 522.5 (b) of Regulations Part 522 (4 F.R. 2088), as amended (4 F.R. 4230), to the employees listed below effective July 30, 1940. These Certificates are issued upon their representations that experienced workers for the learner occupations are not available and that they are actually in need of instruction at subminimum rates in order to prevent curtailment of opportunities for employment. These Certificates may be cancelled in the manner provided for in § 522.5 (b) of the Regulations and as indicated on the Certificate. Any person aggrieved by the issuance of any of these Certificates may seek a review of the action taken in accordance with the provisions of § 522.5 (b).

Notice is hereby given that Special Certificates authorizing the employment of learners at hourly wages lower than the minimum wage rate applicable under section 8 of the Fair Labor Standards Act

of 1938 are issued pursuant to Section 14 of the said Act and § 522.5 (b) of Regulations Part 522 (4 F.R. 2088), as amended (4 F.R. 4230), to the employees listed below effective July 30, 1940. These Certificates are issued upon their representations that experienced workers for the learner occupations are not available and that they are actually in need of instruction at subminimum rates in order to prevent curtailment of opportunities for employment. These Certificates may be cancelled in the manner provided for in § 522.5 (b) of the Regulations and as indicated on the Certificate. Any person aggrieved by the issuance of any of these Certificates may seek a review of the action taken in accordance with the provisions of § 522.5 (b).

Notice is hereby given that Special Certificates authorizing the employment of learners at hourly wages lower than the minimum wage rate applicable under section 8 of the Fair Labor Standards Act

of 1938 are issued pursuant to Section 14 of the said Act and § 522.5 (b) of Regulations Part 522 (4 F.R. 2088), as amended (4 F.R. 4230), to the employees listed below effective July 30, 1940. These Certificates are issued upon their representations that experienced workers for the learner occupations are not available and that they are actually in need of instruction at subminimum rates in order to prevent curtailment of opportunities for employment. These Certificates may be cancelled in the manner provided for in § 522.5 (b) of the Regulations and as indicated on the Certificate. Any person aggrieved by the issuance of any of these Certificates may seek a review of the action taken in accordance with the provisions of § 522.5 (b).

Notice is hereby given that Special Certificates authorizing the employment of learners at hourly wages lower than the minimum wage rate applicable under section 8 of the Fair Labor Standards Act

of 1938 are issued pursuant to Section 14 of the said Act and § 522.5 (b) of Regulations Part 522 (4 F.R. 2088), as amended (4 F.R. 4230), to the employees listed below effective July 30, 1940. These Certificates are issued upon their representations that experienced workers for the learner occupations are not available and that they are actually in need of instruction at subminimum rates in order to prevent curtailment of opportunities for employment. These Certificates may be cancelled in the manner provided for in § 522.5 (b) of the Regulations and as indicated on the Certificate. Any person aggrieved by the issuance of any of these Certificates may seek a review of the action taken in accordance with the provisions of § 522.5 (b).

Notice is hereby given that Special Certificates authorizing the employment of learners at hourly wages lower than the minimum wage rate applicable under section 8 of the Fair Labor Standards Act

of 1938 are issued pursuant to Section 14 of the said Act and § 522.5 (b) of Regulations Part 522 (4 F.R. 2088), as amended (4 F.R. 4230), to the employees listed below effective July 30, 1940. These Certificates are issued upon their representations that experienced workers for the learner occupations are not available and that they are actually in need of instruction at subminimum rates in order to prevent curtailment of opportunities for employment. These Certificates may be cancelled in the manner provided for in § 522.5 (b) of the Regulations and as indicated on the Certificate. Any person aggrieved by the issuance of any of these Certificates may seek a review of the action taken in accordance with the provisions of § 522.5 (b).

Notice is hereby given that Special Certificates authorizing the employment of learners at hourly wages lower than the minimum wage rate applicable under section 8 of the Fair Labor Standards Act

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12 JUL 1988

cerns the redemption on October 1, 1940, of \$200,000 principal amount of Delaware Electric Power Company's Gold Debentures 5% Series Due 1959 at 102 per cent and accrued interest upon giving thirty days' notice. The redemption is to be effected in accordance with the provisions of a Trust Agreement dated January 1, 1929, between Delaware Elec-

tric Power Company and The Chase National Bank, Trustee, pursuant to which such securities were issued. The Debentures to be acquired and retired are to be selected by lot by the Trustee, as provided by said Trust Agreement.

Applicant has designated Section 12 (c) of the Public Utility Holding Company Act of 1935 and Rules U-12C-1,

U-7, U-8, and U-9 promulgated thereunder as applicable to the proposed transaction.

By the Commission.

(SEAL)

FRANCIS P. HANSEN,
Secretary.

[F. R. Doc. 40-3182; Filed, July 29, 1940;
11:20 a. m.]

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Mr. Schwarz told Mr. Mack the Secretary wanted to have this memo this morning. It refers to article in Sunday's Star.

nmc



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

July 1, 1941.

MEMORANDUM TO THE SECRETARY:

An article which appeared in the Sunday Star (June 29, 1941), quoted excerpts from a summary of House Military Affairs Committee report criticising Congress, also the Interior, War, Navy, and Treasury Departments, likewise the Office of Production Management because of difficulties in securing critical materials for defense needs. The reference to the Treasury Department was that the Procurement Division had been delayed in procuring strategic and critical materials for the Army and Navy Munitions Board under Public 117 (76th Congress), for the following reasons:

(a) Statutory Restrictions

Public 117, approved June 7, 1939, authorized the appropriation of one hundred million dollars for the procurement, transportation, maintenance, rotation, and storage of strategic and critical materials. The Procurement Division recommended that the restriction contained in Public 117 requiring competitive purchase procedure under 3709 be waived and that authority to negotiate contracts be granted. This was done through the enactment of Public 667, approved June 26, 1940. In the interim, however, it was necessary to make purchases under Section 3709.

(b) Failure of Prompt Appropriations

Public 117 was approved on June 7, 1939 and authorized to be appropriated the sum of one hundred million dollars. No funds were appropriated until the enactment of Public 361, approved August 9, 1939, at which time ten million dollars was made available. On August 22, 1939 the Procurement Division

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received from the Army and Navy Munitions Board the allocation of funds to the various commodities to be acquired, together with suggested specifications. Accordingly, the Procurement Division was not in a position to undertake procurement until September, 1939. Since then an additional twelve million five hundred thousand dollars and a further forty-seven million five hundred thousand dollars have been appropriated, making available a total of seventy million dollars for strategic and critical material purchases.

(c) Rigid Specifications

The Army and Navy Munitions Board and the Army Industrial College have made a study of strategic and critical materials for the past fifteen years and as a result of this study have worked out tentative specifications for the basic raw materials to be used in the stock pile program. These tentative specifications were recommended to the Procurement Division at the time the authorization for funds was forwarded. In order to save time, the Procurement Division put these specifications in shape and issued them under Procurement Division titles after approval by the Army and Navy Munitions Board. It has been the policy of the Army and Navy Munitions Board to stock pile only the highest grade of metallurgical ores and basic materials for the reason that in a period of emergency these high grade materials can be used to sweeten lower grade materials that might possibly be obtained from domestic sources.

(d) Delay in Requests for Purchases by Various Agencies

The thought that the Committee has in mind in this regard is not clear as allocations of purchases are received only from the Army and Navy Munitions Board.

We have applied the broadest interpretations possible with relation to the purchase of strategic and critical materials. For example, we have purchased quinine from the producers in the Dutch East Indies on the basis of an f.o.b. steamer, Java, price and payment of 100% on Consular certificate that the material has been placed aboard steamer. Purchases of chrome have been made in a similar manner.

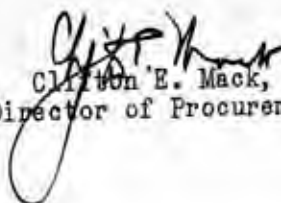
-3-

In order to obtain materials it has been necessary for us to disregard long established Government procedure.

Otherwise we would not have been able to successfully carry on a new program for the purchase of basic raw materials from foreign sources.

As you undoubtedly know, there is no authorization in Public 117 for preclusive buying or economic warfare.

No representative from this office appeared before the House Military Affairs Committee but information was furnished in the form of a questionnaire as requested by the Committee. Mr. Leaycraft, Chief, Strategic and Critical Materials Division, and I appeared before the Senate Military Affairs Committee and a press release of their findings which appeared in yesterday morning's Washington Post commented favorably on the program, emphasizing the possibilities for development of domestic sources and processes to beneficiate low grade minerals in order to meet the specification requirements for metallurgical ores.


Clifton E. Mack,
Director of Procurement.

July 1, 1941

Dear Oscar:

This will acknowledge receipt of your letter of June 27th sending me a copy of the draft of a Presidential message to Congress.

Yours sincerely,

(initialed) H.M. Jr.

Mr. Oscar S. Cox,
Office for Emergency Management,
Federal Reserve Board Building,
Washington, D. C.

By Messenger 315

delivered 217

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE FOR EMERGENCY MANAGEMENT

WASHINGTON, D. C.

CONFIDENTIAL

June 27, 1941

Dear Mr. Secretary:

Enclosed is a copy of a draft of
a Presidential message to Congress, the original
of which I just sent to Harry Hopkins. I thought
you would be interested in something like this
right now, and might want to put your oar in on
it.

Sincerely yours,

Oscar S. Cox

Oscar S. Cox

Hon. Henry Morgenthau
Fishkill
New York

Enclosure

To the Congress of the United States of America:

It is my duty, as Chief Executive of the Nation, to advise the Congress of world events which imminently threaten the peace and security of the United States.

Our future holds unprecedented danger. We must face that danger realistically and meet it with the courage and resolution of the brave men who won our freedom,

To the end that there shall always be a free United States of America, we, the people, the Congress, and the Chief Executive, must act together and we must act now.

Only a week ago, Nazi Germany, without warning and in violation of solemn treaty promises less than two years old, attacked the Russian people. This brutal assault is filled with lessons for those countries who have not been forced to learn from bitter experience. The folly of appeasing tyrants and of relying on a tyrant's word has once again been demonstrated.

But there is no time to review the mistakes of the past. I bring before the Congress today, after consultation with the officers of the War Department and the Navy Department, matters of immediate concern to our national security.

The greatest pincers movement in the history of the world is being aimed at the heart of the American people. The jaws of the pincers are aimed across the Pacific and across the Atlantic in a gigantic plan of encirclement.

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On the Pacific flank the Nazis drive into Russia. We can be sure that if the Nazis conquer Russia their next steps will be against India and China, for the domination of the continent of Asia.

Even without these steps, the Nazi attack on Russia threatens the Western Hemisphere at Alaska. At the Bering Straits the mainland of Russia and the mainland of Alaska face each other across only sixty miles of water, and Russia's Big Diomedes Island is only four miles from our Little Diomedes Island.

Alaska is a rich prize in itself; a territory nearly one-fifth as large as the United States containing vast mineral resources. But — and this is strategically more important to the defense of the Western Hemisphere — Alaska is a land-bridge across the Pacific from Asia to the North American continent. On the Pacific, it is democracy's North-ernmost bridgehead.

If the Nazis conquer Russia, the Nazi military machine will be a more dangerous and covetous neighbor than we have ever had before. Imagine a sweep of the Nazi war machine into Russia similar to the sweep across France a year ago. Imagine another so-called armistice agreement, making Russia a new Nazi vassal state. Imagine, then, great squadrons of the Nazi armed forces — fighters and bombers, gliders and parachutists — drawn up opposite Alaska in battle array.

We cannot wish away these possibilities with talk. We must act to keep the Pacific battle-line away from Alaska and the Western Hemisphere.

- 3 -

On the Atlantic flank the danger is no less. The drive against Russia is Hitler's way of preparing for a mighty attack on the British Isles and Africa, and then on across the Atlantic to the Western Hemisphere. The defeat of Russia would free the Nazis from any threat from the East and loose their fullest blows against the West. It would strengthen four-fold the Nazi drive toward the British Isles and our shores by giving vast supplies of food and oil and raw materials to the Nazi war machine.

This is the menace to us from the German aggression against Russia. It is a menace which may speedily unfold. But if we act before it unfolds, there is hope, strong hope, that Hitler's onslaught upon the world will fail before it reaches our shores.

As long as Russian resistance continues, the Nazi forces are divided on two fronts. As long as Russian resistance continues, Germany's defense against British attacks on Nazi war industries will be weakened. If Russian resistance is strengthened, and if the British take action with increased aid from us, a terrible blow can be dealt the Nazis' hope of world conquest.

The Nazi attack on Russia is our greatest danger; it is also our greatest opportunity. We must seize the opportunity before the danger overwhelms us.

These are the facts - the hard unhappy facts we must keep before us in securing the safety of these United States. Nazi propagandists and their accomplices within our borders, trying to obscure these facts, will declare this a war against Communism.

- 4 -

But we know the Nazi propagandists. We know the confusion they wrought in Austria and Czechoslovakia and Poland; in Denmark, and Norway, and Holland; in Belgium, and Luxembourg, and France; and in the Balkan nations.

The Nazi war is not an attack on Communism. It is an attack on Russian people of all beliefs, an attempt to conquer the riches of the Russian land in order to crush our world and our way of life.

When it furthered their aims against the world, the Nazis declared their enmity to Communism. Then for two years the Nazis sought the fullest friendship with the Communists in Europe and abroad - shared the partition of Catholic Poland with them, gave them a free hand in Finland and the Baltic. Now the Nazis again declare that they are fighting Communism. We will not be duped by brazen maneuvers of the Nazi Fuehrer, who has boasted that "the great masses of the people will more easily fall victims to a great lie than a small one."

We know that it is Russia's wheat, her oil, her factories, her raw materials and her bread lands for which the Nazis war.

Men who believe in God will never forget the Nazi taunts at religion, the Nazi assaults on churches in Germany and in the countries they have overrun. If the Nazis think their attack on Russia will gain them sympathy in the United States, they are mistaken. The attack on Russia only makes us more aware of our own danger, of the duplicity of Nazi professions, and of the futility and folly of any appeasement.

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of Nazi Germany. Our hatred of Communism shall not deter us from any action necessary or appropriate to defend American liberty and American security.

Our policy is clear. We will take every action which will stall the Nazi machine in the fields of Russia or on the channel guarding the British Isles.

We shall aid the Russians fighting for their homeland. We shall aid them, not by words of encouragement alone, but by all the materials we can practically give them.

We shall do more.

We shall make possible British air attacks on a greater scale and with greater force than any that the heroic Royal Air Force has been able to make. In so doing we shall be aiding Britain and we shall be aiding Russia. We shall also be aiding the peoples everywhere who are resisting the aggression of Nazism or who hope some day to rise from under its yoke.

Today is Hitler's gamble. He has divided his air force to make possible his attack on Russia. While Russian resistance continues he must keep it divided.

Britain has her first chance to weaken the Nazi war machine by a total assault on Nazi war industries. We must make that chance reality.

We must operate as the line of supply to give Britain an advantage over the divided German air force. We must act at once to stop the paralyzing

- 6 -

shipping losses every day occurring on the Atlantic. If we act quickly and boldly and well, the Nazis may for the first time meet a foe as well armed as they.

We cannot lose this moment. We cannot longer delay.

Under my constitutional authority as President of the United States and as Commander-in-Chief of its Army and its Navy, and fully realizing the gravity of my decision, I have today taken the two steps which I believe essential to the defense of the United States and the democratic way of life.

First, I have directed the Secretary of War and the Secretary of the Navy to dig deep into the reserves of our Army and our Navy and into our current production to supply Britain with every available aircraft and all available material not immediately needed for the defense of the United States.

Second, I have directed the Secretary of the Navy to take all additional steps necessary to protect the increased shipments of defense articles to Britain. Piratical attacks upon American lives and upon the shipment of materials which the American Government deems necessary to its security must be met — and, if necessary, by force.

We have worked long and constantly for a world at peace. We yet will have a world at peace. But peace there will never be while international marauders are in command of a great and terrible war machine with which they may overrun and enslave their neighbors and the world. Peace will not be bought by yielding the seas to pirates.

- 7 -

In ordering increased shipments of defense articles to Great Britain, I am acting under express authority given me by the Congress in the Lend-Lease Act. In ordering naval protection of those articles as Commander-in-Chief of the Army and Navy, I am following precedents established by American Presidents from John Adams to Woodrow Wilson and Calvin Coolidge.

I have acted because the need is great and the time is very short.

The increased aid for Britain must be delivered before the Nazi rulers are ready to loose their greatest blows against the West. Democracy cannot be saved by arms rusting at the bottom of the sea.

I ask the Congress, acting with full expedition, to proclaim its support of this undertaking by a concurrent resolution of both Houses. An expression of the national will by the representatives of the people in Congress will strengthen and unite the American people.

By the immediate action of the Secretary of War and the Secretary of the Navy not a moment will be lost. By the resolution of the Houses of Congress the solid determination of our nation will be declared. By acting together, and acting at once, the Congress and the President will give the lie to those enemies of democracy who call it laggard, and indecisive, and weak.

By that action you will be treasuring more than our safety. You will be declaring the ideals of human decency and human freedom that make our country the kind of land in which free men wish to live. You will be

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recognising once again that these ideals are challenged by men who would destroy them in our land.

To the enslaved peoples of the world and to the free peoples of the world, you will be proclaiming that these ideals shall not be destroyed.

We go forward in the high-minded determination that our children and our children's children will be free to live in peace and walk in the paths of righteousness.

July 1, 1941

My dear Mr. Powell:

This will acknowledge receipt of your letter of June 25th transmitting, at the request of Sir Arthur Salter, certain figures on shipping. Thank you for sending me this information.

Yours sincerely,

(Signed) H. Morgenthau, 697

Mr. R. R. Powell,
British Merchant Shipping Mission,
Box 680, Benj. Franklin Station,
Washington, D. C.



BRITISH MERCHANT SHIPPING MISSION

25th June, 1941

SECRET

*Please say thank you
for information*

Dear Mr. Morgenthau,

Before he left for Canada, Sir Arthur Salter asked me to send you certain information on British shipping losses and informed me that you particularly wished to know the relation between sinkings in the North Atlantic and elsewhere.

We have got out the following figures for the five weeks between April 28th and June 1st, 1941, inclusive. They are: -

	<u>North Atlantic</u>	<u>Mediterranean</u>	<u>Elsewhere</u>
British Ships	346,000	47,000	77,000
Allied and Neutral Ships	<u>105,000</u>	<u>108,000</u>	<u>15,000</u>
	<u>451,000</u>	<u>155,000</u>	<u>92,000</u>
Total	698,000 gross tons.		

These figures cover total sinkings by enemy action or due to cause unknown, notified in the five weeks ending June 1st. In addition, 13,000 gross tons were captured by the enemy and 20,000 gross tons lost by marine accident. These figures cover vessels of 1600 gross tons and over.

The "North Atlantic" in the above classification is the area North of the Equator. The Ministry of War Transport say that they can, if asked, give figures on a narrower definition of North Atlantic, but that the figures would not in any case be substantially altered.

- 2 -

For the week ending 8th June, 103,000 gross tons of British ships, including 7,000 tons lost through unknown cause and 7,000 tons captured by the Italians, and 65,000 tons of Allied and Neutral ships were lost, a total of 168,000 tons.

For the week ending 15th June, figures were - British losses, 66,000 tons; Allied and Neutral losses, 27,000 tons, a total of 93,000 gross tons in all.

You will no doubt have noticed that there was a very considerable difference between the figures for losses for the month of May issued by the Admiralty on June 15th and published in the press, and the figures for the five weeks ending June 1st given above. The explanation is as follows: -

The losses announced by the Admiralty are based on date of actual occurrence and hence, give the losses which actually-occurred in a given period so far as they are definitely known at the date of announcement. They embrace vessels of all sizes but exclude naval commissioned vessels. Furthermore, they embrace losses by enemy action only, and hence exclude all vessels which are overdue and presumed lost.

The losses given in the Ministry of War Transport's weekly reports on which the information above was based, are based on date of notification. They include losses of naval commissioned vessels and vessels overdue and presumed lost through cause unknown. The figures quoted above are for vessels of 1600 tons gross and over.

Sir Arthur Salter was anxious that you should have this explanation as soon as possible.

Yours very truly,



R. R. Powell

Honourable Henry L. Morgenthau, Jr.
Secretary of the Treasury
Washington.

July 1, 1941

My dear Mr. Postmaster General:

Since I received your letter of June 20th, I have had very good reports of the progress that is being made by Post Office and Treasury representatives in the development of our cooperative program for selling Defense Bonds and Stamps.

It was very helpful to the Treasury representatives to meet with your officials and postmasters and their assistants. The practical suggestions that came out of this meeting are now being incorporated in the plan. This makes certain that the activity on Bonds and Stamps will not interfere with the regular postal functions. I understand that, as a result of this meeting, it was decided to go ahead with the distribution of material on a national basis rather than conduct tests in a few selected cities.

It is gratifying to me to know that this joint effort on Defense Savings Bonds and Stamps seems to be working out to the satisfaction of everyone. I am sure the results are going to reflect the interest and careful consideration that have been given to this whole program.

Sincerely yours,

(Signed) H. Worgenthau, Sec.

The Honorable,
The Postmaster General,
Washington, D. C.

Wtg

File to Mr. Thompson

By H. Worgenthau

OFFICE OF THE POSTMASTER GENERAL

WASHINGTON, D. C.

June 20, 1941

My dear Mr. Secretary:

I have noted with much interest the contents of your letter of June 12, outlining the tentative program which has been agreed upon by representatives of the Post Office and Treasury Departments in promoting the sale of National Defense Bonds and Stamps through the post offices of the country.

The plan as outlined by you is along the general lines which I have had in mind with reference to Post Office Department participation in this sales campaign. I was particularly pleased to learn that it is not the wish of the Treasury Department that this program shall, in any way, delay or impede the prompt and efficient handling of the regular postal functions. As you probably know, postal volume is greater today than at any time in the history of the postal service and with the added burden of handling mail for the several military camps throughout the country, I feel that it would be a grave mistake if this program were handled in such a way to interfere in any manner with the normal postal operations. In this, I am sure, you will concur.

I have assigned Mr. A. A. Iams, Mr. Fred Ironside, and Mr. Harold Ambrose to represent the Post Office Department on the joint Treasury-Post Office committee to handle the Defense Bonds and Stamps promotional program. With a view to obtaining first-hand information and suggestions, I have instructed a representative group of postmasters and their assistants from post offices, large and small, to report to the Post Office Department on Monday, June 24, for a two-day conference with the Post Office and Treasury committees. This meeting will be very beneficial, I feel, in bringing to the attention of those handling the program, problems, questions and suggestions which arise at the actual scene of the sales in post offices, - namely, the stamp windows.

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The program as tentatively worked out will, I am sure, be a most effective and dignified one, and it is my opinion that it will accelerate considerably the sale of Defense Bonds and Stamps through post offices over a long period.

Sincerely,

/s/ Frank A. Walker

Postmaster General

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

JUL 1 1941

Dear Mr. Tinsman:

This is in reply to your letter of May 16th regarding the intention of the British Government with respect to the disposition of British wholly-owned insurance companies and industrial properties in this country. I regret that considerable pressure of work at the Treasury has delayed my reply to your letter.

The fundamental purpose for which the British Government is seeking dollar exchange is to secure payment to American producers. It is important, therefore, that British assets in the United States be used so as to yield the greatest possible amount of dollar proceeds. Whether it would be preferable from either the American or the British point of view to sell these properties or to use them as collateral for loans depends in each instance upon the nature of the property and the state of the market. Under adverse conditions, an outright sale of British property through a public offering of securities might yield a disproportionately small amount of dollar exchange and at the same time tend to depress already weak security markets. On the other hand, a loan secured by the property, to be repaid out of earnings over a period of years, might provide more dollar exchange now while remaining as a source of income available for meeting British obligations in the United States at some future time.

When I appeared before the House Committee on Foreign Affairs I stated that the British Government planned to sell all their assets in the United States. At that time it seemed to me that loans to the British on their direct investments could not appropriately be made without violating the spirit of the Johnson Act and the neutrality legislation, and that the only feasible procedure to enable the British to raise sufficient dollars to meet their existing commitments would be for them to sell their direct investments in the United States. Since then Congress has passed a Bill permitting the Reconstruction Finance Corporation to make loans on British holdings in this country. By the enactment of this Bill, Congress gave its approval to this method of realizing dollar exchange on British direct investments. The modification of procedure, however, involves no change in the ultimate objective.

Mr. Edward Peacock and his staff have been at work determining the best means of realizing on British direct investments in this country. He has made progress in this direction despite the

- 2 -

complexity of the problem. The sale of the American Viscose Company subsequent to my testimony was the result of extensive investigations and negotiations undertaken by the British company and the American underwriters.

With reference to the specific cases which you cite in your letter, the realization of dollar exchange from the Brown & Williamson Tobacco Company involved a loan rather than a sale. The transaction was undertaken with the cooperation of the Federal Loan Agency with the understanding that the loan transaction was not to constitute a precedent but was rather a result of special circumstances justifying that arrangement at that time.

It is intended that British assets should be used as much as possible to provide dollar exchange. However, there is no reason for thinking that insurance companies are better suited for early liquidation than industrial properties or other British assets in the United States. The precise manner and order in which these properties are utilized to secure dollar exchange are of secondary importance. It is to our interest that the realization of British assets in the United States proceed in an orderly manner and without adverse repercussions on the American economy. There are many circumstances in which massive sales of large properties would be detrimental to the United States as well as to Great Britain.

I feel quite certain that the liquidation of British assets has not interfered with or impeded the financing of our defense program.

Very truly yours,

(Signed) E. W. Ferguson, Sec

Secretary of the Treasury

Honorable George Holden, Finckh,
House of Representatives,
Washington, D. C.

HDW:SA:dlm:DNB:ice
7-1-41

File to Mr. Thompson

By Messenger

Committee on Foreign Affairs

CONGRESS OF THE UNITED STATES

House of Representatives

Washington, D. C.

May 25, 1941

My dear Mr. Secretary:

At the time of the discussion of the "lend-lease" bill before the Committee on Foreign Affairs of the House of Representatives I gained very definitely the belief that the British government desired that the impression be made that all British assets in the form of British wholly-owned American companies were to be sold or their assets and income otherwise used to produce American dollars to aid in the purchase of munitions and other military supplies in this country by that government. The appointment of Sir Edward Peacock as a Commissioner to accomplish this avowed purpose certainly lent definite color to my contention.

During the discussion of the "lend-lease" bill a sale was made of the American Viscose Company, a wholly-owned British company, within a matter of some forty-eight hours after negotiations started to further indicate the good intentions of the British and the haste was rather obviously made to impress the public with their good will and thereby assist in the passage of the "lend-lease" bill.

Since the sale of the American Viscose Company to American Bankers, I understand one further transaction has been undertaken by the British with a United States governmental agency which in effect capitalizes the income over a period of years of the Brown Williamson Tobacco Company, a British wholly-owned company operating in America, which, while it continues the spirit of the undertaking by the British government, nevertheless can be questioned as to its results, first, because it resulted in the use of taxpayers' money obtained in competition with the sale of government securities for defense purposes and, therefore, tapped a reservoir of funds sorely needed to be kept for future use instead of using the open market for the same operation or for the purpose of a direct sale, a market which does not ordinarily supply the bulk of defense funds to this government; and, second, because it is questionable whether the R. F. C. was the best medium available to undertake this operation and whether the proceeds of the transaction were as satisfactory as if raised by negotiated sale.

Recognizing that the British government may have difficulty in disposing by sale of some of its other industrial assets wholly British owned, it is with misgivings that I observe that the most available means of carrying out what evidently was intended to represent intentions of the British government are, to the best of my knowledge,

- 2 -

being disregarded, and unless some definite and tangible information as to what the British are intending to do with respect to the sale or other disposition of British wholly-owned insurance companies (which I consider the most feasible means of accomplishing the undertaking we in this country were led to believe was the intention of the British government), then the time will come and may now be here when the question as to the present intentions of the British government in this regard must be raised.

In view of statements which you made before the Committee on Foreign Affairs with respect to certain assets of the British to which I have referred in this letter, it is obvious that before anything is done or any erroneous impression is created, I, as a member of the Committee on Foreign Affairs of the House of Representatives, should first address you on the subject of the creation of dollars available to the British government, through the sale or other disposition of British-owned insurance companies operating in this country, in order that whatever enlightenment you may vouchsafe to give me on this subject may be used better to guide whatever action may seem appropriate and may serve to assist in creating on the part of the public whatever is clearly the correct view of the subject.

With appreciation of your attention, I remain

Sincerely yours,

/s/ George Holden Tinkham

GEORGE HOLDEN TINKHAM

The Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury
Washington, D. C.

MEMORANDUM

FROM British Supply Council in North America
TO Mrs. Henrietta Klotz

Compliments of E.N. Gray

7/1/41

STATEMENT NO. 21.

AIRCRAFT SHIPPED TO U.K. & OVERSEAS COMMANDS.

TYPE	DESTINATION	ASSEMBLY POINT	By Sea	By Air
			During week ending June 7th, 1941	During week ending June 29th, 1941
<u>BRITISH</u>				
Tomahawk	M.E.	Port Sudan	50	
<u>UNITED STATES</u>				
Chesapeake	U.K.	U.K.	2	
<u>GLASGOW</u>				
Boston III	U.K.	U.K.	18	
<u>ST. MARTIN</u>				
Maryland I	S.A.	Capetown	14	
<u>NEW ZEALAND</u>				
Hudson V	U.K.	U.K.	1	
Hudson V	U.K.	U.K. via Gander	--	10
<u>SOLIDATED</u>				
Catalina	U.K.	U.K. via Gander	--	1
TOTALS			85	11

British Air Commission,
June 30, 1941.

JUL 1 1941

The Honorable,

The Secretary of the Treasury.

Dear Mr. Secretary:

The War Department notes with considerable satisfaction the information contained in your letter of June 25, 1941, in which it appears that legislation passed by the House to authorize construction of three Arctic icebreakers will soon be reported favorably to the Senate.

The Treasury Department can count upon the wholehearted support of the War Department in securing the necessary funds for their construction.

Sincerely yours,

(Sgd.) HENRY L. STIMSON

Secretary of War.

*Original in original
documents file -*

COPY

June 25, 1941.

The Honorable

The Secretary of War.

My dear Mr. Secretary:

The suggestions contained in your letter of June 14, 1941, that ice breakers suitable for duty in the Arctic regions be constructed by the Coast Guard in order that they may be available to render service to the Army in the interest of national defense, is very much appreciated.

Authority for the construction of three large ice breakers for duty in Arctic waters is contained in H.R. 4887, which has passed the House of Representatives and is expected to be reported favorably to the Senate within a few days. The President has forwarded to Congress an estimate for funds for the construction of these ice-breaking vessels, and action on this estimate is now pending in the Appropriations Committee of the House of Representatives.

In view of the urgent need of these vessels in connection with national defense, it is hoped that you will render full support in securing the necessary funds for their construction.

Sincerely yours,

(Signed) John L. Sullivan
Acting Secretary of the Treasury.

July 1/41

Photostatic copies to:

Mr. Bell ✓

Mr. Foley ✓

Admiral Waesche ✓

THE WHITE HOUSE
WASHINGTON

June 24, 1941

My dear Mr. Secretary:

Section 3(a)(2) of the Act of March 11, 1941--the Lend-Lease Act--empowers me to authorize you to transfer to any country whose defense is vital to ours defense articles procured from funds appropriated prior to March 11, 1941 to the extent of \$1,300,000,000.

Will you please let me know as soon as possible what defense articles your department has available and will have available for transfer under this Section 3(a)(2) now and month by month until the end of the fiscal year 1942.

Sincerely yours,



The Honorable

The Secretary of the Treasury

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

STRICTLY CONFIDENTIAL

DATE July 1, 1941

TO Secretary Morgenthau
FROM Mr. Klaus

The round-up of 29 persons on a charge of espionage conspiracy, of which the papers have been full the last few days, may, in part, be the result of a memorandum which I prepared. The memorandum, copies of which went to Oscar Cox as well as to Messrs. Foley and Gaston, set forth a legal theory for indicting the various persons who were conspiring to prevent the success of our lease-lend program by watching ship movements etc. and urged an end to the FBI practice of merely watching people and filing reports instead of breaking up espionage and subversive activities by legal action. Oscar Cox tells me that his copy of the memorandum went through to the Attorney General by way of Harry Hopkins and that this round-up followed. I still think, as a result of the work which I have been doing since October, that much more vigorous and more wide-scale action should be undertaken and that the FBI-Department of Justice policy of watchful waiting was legally unnecessary and from the point of view of national interest a mistake. I append herewith, if you care to read it, a copy of the memorandum in question.

I am writing you this in view of your suggestion the other day that I should not hide my light under a bushel.

8K.

Enc. 1

STRICTLY CONFIDENTIAL

June 2, 1941

Each of the information we have been receiving concerning Axis and Communist activities in this country deals with efforts to frustrate our Aid to Britain program. Thus far no Federal agency appears to have undertaken any criminal action of consequence to cope with this problem.

FBI has, in general, followed the principle that its chief function is to observe and file. True, where sabotage within the United States is suspected to be imminent, FBI will take preventive measures. So far, however, there does not seem to have been any case of importance or magnitude, no doubt because sabotage has not yet become a necessary method for Axis activities in the United States.

The reasons for FBI's inaction are perhaps two-fold. In the first place, FBI has proceeded under the assumption that it is better that agents who have not yet created unmanageable difficulties in the United States (such as sabotage) be watched than apprehended; for if they were apprehended, they would only be substituted by other agents whose identities would have to be established, while known agents, by the very process of being observed, are kept under control. In the second place, FBI apparently has been unable to find a crime in any act that does not violate the specific terms of the Espionage Act. The Espionage Act of 1917 (specifically Section 31 of Title 50 of the United States Code) in general makes it a crime only to do certain enumerated things. Above all else there must be a finding that the purpose of the defendant was to obtain information respecting the national defense. Beyond that, it must be found that he sought the information with reason to believe that it would be used to the injury of the United States or the advantage of a foreign nation, and that with that intent in mind, he went into a naval station, submarine base, et cetera, or obtained information concerning "a place connected with the national defense;" or that he took a sketch, photograph, note, et cetera, of something "connected with the national defense" and so on. Violations of the Registration of Foreign Principals Act are, it seems, not easily demonstrated, or perhaps are not considered to be present.

The fact, of course, is that the Aid to Britain program involves a pattern of policy that is novel and not encompassed by the criminal penalties established for the last war. Hence, if we are to engage

- 2 -

in criminal prosecution at all, we must rely upon broader concepts and more general provisions of the criminal law.

I believe that the well-known conspiracy statute (Title 18, United States Code, Section 88), and the long-established course of decisions under it, provide an adequate and sound basis for immediate investigation, indictment, and prosecution.

The fast pattern with which we are concerned is indicated in the following types of cases:

1. The Germans have set up in ports in the United States, from which the British would have to draw their seamen for transportation of American materials to Britain, a full-blown scheme to discourage enlistments on ships for Britain. A considerable number of Coast Guard, FBI, and ONI reports establish that foreign seamen (for example, Dutch, Norwegian, Yugoslav) have for some time been receiving money, lodgings, and the like through German sources in seamen's homes, seamen's clubs, et cetera, conditioned on their not signing on with British ships or ships destined to carry British cargo. There is some indication that Communists have cooperated in this work, especially through Scandinavian seamen's clubs.
2. An organization exists in the United States to send information to the German Navy concerning the departure from American harbors of ships destined for Britain. It is true, of course, that in some instances these communications are effected through illegally operated radio stations. FBI has, however, apparently believed that the crime of violation of the Federal Communications Act is, in itself, not of sufficient moment to warrant immediate prosecution; perhaps FBI has been too busy with other matters. The fact is, however, that various ships carrying Lease-Lend cargoes may have been destroyed in consequence of this information.
3. The Comintern, through its G.P.U. agents in the maritime unions, has directed the enlistment of Communists in key positions with the Standard Oil Company's tanker fleet with a view to sabotaging oil shipments, presumably to Britain.

In each of the foregoing cases there are present factors of (a) a conspiracy, (b) of stealth, (c) to frustrate the announced policy of the United States Government to aid Britain, (d) for which the Government has appropriated or given, leased or lent great sums.

Section 58 of Title 18 in the United States Code makes it a crime to conspire "to defraud the United States in any manner or for any purpose." The courts have frequently held that the phrase "defraud the United States" is to be broadly construed. Thus a conspiracy to falsify Department of Agriculture crop reports (Mass v Henkel, 216 U.S. 462 (1910)) was held to fall under this statute. Judge Lurton said, sustaining the indictment:

"The statute is broad enough in its terms to include any conspiracy for the purpose of impairing, obstructing or defeating the lawful function of any department of Government. Assuming, as we have, for it has not been challenged, that this statistical side of the Department of Agriculture is the exercise of a function within the purview of the Constitution, it must follow that any conspiracy which is calculated to obstruct or impair its efficiency and destroy the value of its operations and reports as fair, impartial and reasonably accurate, would be to defraud the United States by depriving it of its lawful right and duty of promulgating or diffusing the information so officially acquired in the way and at the time required by law or departmental regulation. That it is not essential to charge or prove an actual financial or property loss to make a case under the statute has been more than once ruled."

In U.S. v Amster (275 F 532 (1921)), the court said:

"...if the charge relates to a material matter, and if the government is to be deprived of some right which is given to it under the laws, and particularly if the right presumably will cause the government monetary loss as well, then the government is being defrauded, and such an act can be charged as the object of a conspiracy, whether or not it might also be indictable as an offense."

There are other cases to the same effect.

In my view, there ought to be a thorough and prompt investigation of the leading types of cases falling under this pattern (for example, a case against the Nazis for the seamen's desertion scheme, which is relatively easily provable; a case against the Nazis on the radio station operation which Coast Guard has pretty thoroughly investigated, and in which the sinking of the *Ville de Liege* might be brought out; and a case against the Communists on the oil tanker plot). These cases will have a very salutary effect, especially in the present emergency.

- 4 -

I do not concur in the view held by some officials in the FBI that we can wait until N Day. There may never be an N Day in the old-fashioned sense, and if there ever is an N Day, it may be, if the day is chosen by the Nazis, too late for effective action by us. In a realistic sense, moreover, our N Day is already long past.

I shall be glad to discuss this problem further. I believe the Treasury has a real interest at stake, at least in the Coast Guard situation. In any event, its interest is as real as that of any other agency. Exclusive jurisdiction is by no means given to FBI for these types of cases by any existing Presidential order.

SK:mr

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

STRICTLY CONFIDENTIAL

DATE July 1, 1941

TO Secretary Morgenthau
FROM Mr. Klaus

Mr. Wiley suggests that you may be interested in the attached Pearson and Allen story on the Stefanie Hohenlohe case. You will see that Hoover, or somebody on his behalf, seems to have told almost the entire story and that there seems to be a feud between Hoover and the Immigration Service.

W.

Enc. 1

WASHINGTON TIMES-HERALD

July 1, 1941

Washington Daily Merry-Go-Round

(Trade Mark Registered)

By DREW PEARSON and ROBERT S. ALLEN

Today the famous Princess Hohenlohe no longer faces deportation back to Germany, while the German consul general in San Francisco, Capt. Fritz Wiedemann, does.

But what is not known about either of them is that at one time they hatched up a German-British peace plan between them, after conferences with a well-known Britisher in the United States.

Princess Stefanie Hohenlohe-Waldenburg-Schillingfuerst, Vienna born, is about 45 years old, a woman of great culture and charm, who attracts many admirers. She has friends in almost every capital of Europe, once was called "London's leading Nazi hostess." The late Lord Rothermere, just before war broke, co-operated with the princess in an appeasement program.

When she came to the United States, one of her close friends was Captain Wiedemann, former commander of Adolf Hitler when der Fuehrer was a corporal in the last war. Both lived in San Francisco. Both motored extensively around California, frequently stopping at tourist camps in the California mountains.

The Princess lived at the Mark Hopkins Hotel in San Francisco, where Captain Wiedemann was a frequent caller. And it was at this hotel in November of last year that Princess Hohenlohe received an interesting British visitor.

British Secret Service

He was Sir William Wiseman, head of the British Intelligence Service in the United States during the World War, and now a member of the banking firm of Kuhn, Loeb in New York.

Sir William flew to San Francisco, where he stopped at the Mark Hopkins Hotel and immediately went into huddle with Princess Hohenlohe and the German Consul General. The huddle lasted three days.

During it, a peace plan was worked out—a plan not unlike many such plans previously hatched, by which Germany would keep the entire continent of Europe. With her huge army this would make it possible for her to attack England at any time.

Sir William Wiseman's part was to arrange with Viscount Halifax, then Foreign Minister, to permit Princess Hohenlohe to return to England with her peace proposals. Sir William flew back to New York. But after that nothing happened; the peace proposals apparently fell flat.

It was shortly after this that the Justice Department moved to deport Princess Hohenlohe. It was at that time also that she suddenly became ill. An overdose of sleeping powder was reported to be the reason, and Public Health Service doctors called it "hysteria."

No One Watches Princess

For some time, Immigration officials of the Justice Department dabbled over her future. Finally, Lemuel Schofield, chief of the Immigration and Naturalization Service, went to San Francisco and spent several days interviewing the lady. In the end, he wrote a long report on her activities, and the order for her deportation was rescinded.

However, Schofield has never shown his report to members of the Federal Bureau of Investigation. Although they are under the same roof, and both are bossed by the Attorney General, Schofield operates his own investigation service and makes

little effort to correlate his activities with the streamlined organization of J. Edgar Hoover. Whenever Hoover's men ask for the report on Princess Hohenlohe, they get the reply: "It hasn't been transcribed yet."

Today the Princess, recovered in health immediately after the deportation order was dropped, is free to do whatever she pleases in California. Despite her past, the Immigration Service is keeping no special eye on her.

C
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P
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(CONFIDENTIAL)

PARAPHRASE

A telegram of July 1, 1941 from the officer in charge of the American Embassy at Nanking reads substantially as follows:

According to reliable information received by the Embassy, approval of the "Central Reserve Bank" was obtained from the Japanese by Wang and his associates during their recent visit to Japan. Although as yet details are not available in regard to the uses to which the reported Japanese loan to the Nanking regime of 300,000,000 (Chinese national currency) is to be put or the terms of payment of the loan, the Embassy's informant expected greater economic cooperation, including a modification of monopolistic exploitation of the Nanking area by Japanese and possibly a relaxation of restrictions on navigation on the Yangtze River. In order to arrange details Chou Fu-hai is remaining. It is expected that the military forces of the Wang regime which are to relieve some Japanese soldiers of police duties in the interior of the occupied area will be given more police functions.

Copy:lg 7/7/41

gmw

PLAIN

London

Dated July 1, 1941

Rec'd 2:05 p.m.

Secretary of State,
Washington.

2770, First.

FOR TREASURY.

1. The Exchequer returns for the first quarter of the fiscal year show revenue at £319 million which is an increase of £131 million over the corresponding quarter a year ago. This increase achieved in the first quarter of the year, represents over 34 percent of the total increase in revenue provided in the budget. The collection of income tax at source from wages and salaries influences the returns of income tax which are up by £56 million, but other items also show relatively large increases, namely, customs up £11 million and excise £20 million compared with the budget estimates of increases of £6 million and £42 million for the whole year. Expenditure for the quarter at £1,074 million (which excludes lease-lend items) was £379 million more than the figure for the corresponding quarter last year when payments for all purchases, et cetera, in the United States were included.

The

-2- 2770, First from London

The cost of debt services at £87 million was up by £17 million while "supply" expenditure at £985 million was up by £372 million. Thus, nearly 30 percent of expenditure was met by taxation, et cetera, while £498 million of the deficit of 47 percent of total expenditure was met from subscriptions to savings loans and £250 million or 23 percent by an increase in the floating debt.

2. In spite of the Chancellor of the Exchequer's Budget speech statements regarding cost of living stabilization reported in the Embassy's 1374, April 7, Paragraph 4, and his reassurance on wage policy reported in no. 2663, June 26, paragraph 4, there appears to be no evidence of concrete results in that direction. Wage increases notably in coal mining (accompanied by a rise in the price of coal) and other wage increases granted and under negotiation are tending to lead observers to the conclusion that Sir Kingsley Wood's "important development of policy" was made on behalf not of the whole Cabinet but of the Treasury alone. Bevin is said to believe that any fixed wage policy would be unwise, and his influence, with manpower now a primary problem, is such that the use of other methods to combat inflation will have to be increasingly resorted to. Clothes rationing will help considerably, especially if soon followed
by

-3- 2770, First from London

by similar measures to restrict spending on household and other goods, while a new savings drive aiming at increasing the weekly savings rate of present savings group members and the membership of groups is being energetically launched this week.

3. With reference to the Embassy's 2449 of June 14 and earlier cables a denial published here last week of a report that the United States Treasury was to investigate the profits resulting from the viscose deal and obtain a million dollar refund has not closed the question and the prospective Reconstruction Finance Corporation loan against British direct investments has thrown the spotlight on the viscose deal again. The following comments on it are typical:

NEWS CHRONICLE:

"If the operation comes off, it will make the Courtauld's viscose sale look more than ever like a sacrificial offering on behalf of the community and it will make Courtauld's claim to be paid fair compensation more potent than ever."

FINANCIAL NEWS:

"Aside from the general and weighty opposition to the outright sale of direct investments it is felt that the viscose deal must have been badly mismanaged. Neither
the

-3- 2770, First from London

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FINANCIAL NEWS:

"Aside from the general and weighty opposition to the outright sale of direct investments it is felt that the viscose deal must have been badly mismanaged. Neither
the

-4- 2770, First from London

the British taxpayer or the Courtauld's shareholders, it is argued, should be expected to shoulder the burden."

THE NEW STATESMAN:

"There has been a good deal of heart-burning over the sale of Courtaulds' interest in the American viscose Corporation, which realized less than 50 percent of the net value placed on these American assets by a conservative valuation. Not only was this valuable British property sold at a great sacrifice, but the sale put nearly \$8 millions of profits into the pockets of the American bankers."

THE TIME AND TIDE financial editor notes that the Chancellor of the Exchequer in reply to a question in the House of Commons last week as to how the valuation was arrived at stated that the price was the best at which it appeared to an American syndicate that they could resell the shares on this market and expresses the hope that parliamentary questioners will pursue the matter and refuse to be "robbed off by such evasions".

WINANT

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P
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DEPARTMENT OF STATE

Washington

In reply refer to
EA

July 1, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of telegram no. 2588 dated June 27, 2 p.m., from the American Embassy at Berlin quoting a translation of the order of June 24 blocking American property in the German Reich.

Enclosure:

Copy of telegram
no. 2588, June 27,
2 p.m., from Berlin.

Copy:jpt

RS

PLAIN

Berlin

Dated June 27, 1941

Rec'd 7 p.m.

Secretary of State,
Washington.

2588, June 27, 2 p.m.

Embassy's 2482, June 21, 5 p.m.

The following is a translation of the order of June 24 regarding the blocking of American property in the German Reich issued by the Reich Minister of Economic Affairs and promulgated in the DEUTSCHER REICHSANZEIGER June 26.

"Since the Government of the United States of America by decree of the President dated June 14, 1941 blocked German property in the United States I order the following on the basis of Article 60 of the law relating to foreign exchange control December 12, 1938 (Reichsgesetzblatt Part 1, Page 1734 FF):

Article One. one, citizens of the United States of America with the exception of those who have had their residence or usual place of abode steadily and exclusively in the territory of the German Reich since June 17, 1940; two, the Embassy of the United States of America in Berlin, the Consulates General and Consulates of the United States of America in the German Reich; three, the American Chamber of Commerce in Germany; four, the diplomatic and

-2-, #2588 from Berlin, June 27, 1941; 7 p.m.

consular officers and employees of the American Embassy and of the American Consular establishments if they are citizens of the United States, may not exercise disposition of their property in Germany except with a permit from the Foreign Exchange Control officers which are locally competent for them. Article two, the persons described under Article 1 ciphers 1 and 4 may together with the members of their families draw from their bank accounts sums totaling in each case not more than reichsmarks one thousand monthly without a permit."

In this connection it would be very helpful to the Embassy to be informed as to whether the German Embassy and Consular personnel in the United States are permitted freely to liquidate their personal property and obligations; if not, the extent of restrictions. As this is of importance to our consular officers here in view of the above decree and as time is an element a rush reply is requested.

MORRIS

HPD

Copy: jpt

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE July 1, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£63,000
Purchased from commercial concerns	£65,000

The Federal Reserve Bank of New York sold £15,000 in registered sterling to the American Express Company.

Open market sterling held steady at 4.03-1/2. The only reported transactions consisted of £6,000 purchased from commercial concerns.

At the opening of business this morning, the New York agencies of Japanese banks were reported to have advanced their selling rate for Japanese yen by 1/8¢. Since these agencies have been virtually the only suppliers of yen in New York, this action had the effect of raising the market quotation to .2358, as compared with the offered rate of .2345 which has prevailed since September, 1939. It is possible that the appreciation of the yen is associated with the reported concentration, as of today, of all Japanese dollar holdings in the Yokohama Specie Bank in connection with a plan to indemnify Japanese banks against exchange losses.

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

Canadian dollar	11-3/4% discount
Argentine peso (free)	.2375
Brasilian milreis (free)	.0505
Uruguayan peso (free)	.4405
Mexican peso	.2070
Cuban peso	15/16% discount

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

There were no gold transactions consummated by us today.

No new gold engagements were reported.

- 2 -

We were informed that the Bombay gold price on June 28 was equivalent to \$34.04, which is the approximate export parity on gold shipments to the United States. Silver in Bombay was priced at the equivalent of 44.81¢ on June 28, or 1/16¢ higher than the quotation for June 21.

A price of 23-3/8d was again fixed in London for spot and forward silver, equivalent to 42.44¢.

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

We made one purchase of silver amounting to 200,000 ounces under the Silver Purchase Act. This represented new production from Peru, and was bought for forward delivery.

The report of June 25 received from the Federal Reserve Bank of New York giving foreign exchange positions of banks and bankers in its district, revealed that the total position of all countries was short the equivalent of \$6,032,000, a decrease of \$658,000 in the short position since June 18. Net changes were as follows:

Country	Short Position June 18	Short Position June 25	Change in Short Position*
England**	\$1,230,000	\$ 485,000	- \$745,000
Europe	3,040,000	3,045,000	+ 5,000
Canada	463,000 (Long)	535,000 (Long)	- 72,000
Latin America	523,000	467,000	- 56,000
Japan	639,000	643,000	+ 4,000
Other Asia	1,777,000	1,880,000	+ 103,000
All others	56,000 (Long)	47,000	+ 103,000
Total	\$6,690,000	\$6,032,000	- \$658,000

*Plus sign (+) indicates increase in short position, or decrease in long position.
Minus sign (-) indicates decrease in short position, or increase in long position.

**Combined position in registered and open market sterling.



CONFIDENTIAL

BRITISH EMBASSY,
WASHINGTON, D.C.

1st July, 1941

PERSONAL AND
SECRET

Dear Mr. Secretary,

I enclose herein for your personal and secret information a copy of the latest report received from London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Halifax

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

TELEGRAM RECEIVED FROM LONDON JUNE 29TH, 1941

Another British ship of 6,000 tons in the same half of convoy was torpedoed night of June 28th/29th. Though the losses of this convoy heavy, on balance we have scored. One tanker 2,000 tons previously reported torpedoed now known safe. Naval force of one cruiser three destroyers swept the Syrian coast night June 26th/June 27th bombarding enemy positions dawn June 27th.

2. Night June 27th/June 28th, over 80 tons of bombs dropped on industrial and railway centre Cologne. June 28th we made further sweep over France for the loss of three fighters (one pilot safe), five Messerschmidt 109's shot down certain, 2 probably. On June 27th considerable increase of German fighter patrols over France. Benghazi and Tripoli Harbour where large merchant vessel hit have been again attacked. On June 27th of 25 Macchi 200, ^(ITALIAN FIGHTERS) approaching Malta escorting one S. 79, Hurricanes shot down six certain, ^(HEAVY BOMBER) 2 probably and damaged the S. 79.

3. Abyssinia, June 28th. Our troops occupied enemy positions across the River Didessa, west of Lakenti and now advancing towards Ghinbi. Further South we are established on line of River Didessa in Dambi area.

4. Syria. Enemy aircraft attacks continue Palmyra. We have taken Saba Biya, sixty miles to south-west Free French captured Nebek. On Beyrouth road we have taken part of Jebel Masar (13 miles west of Damascus). Coastal sector June 27th area Chehim Marboud, 8 miles northeast of Sidon, captured in face of Vichy A.F.V. opposition. Further progress towards Damour was also made.

-2-

5. Iraq. Protective detachments now guarding pumping stations on oil pipe line.

6. Russia. Though formations believed armoured and motorized have reached line Minsk-Vilna-Liban, they must have by-passed Russian infantry, who are thought holding back German infantry considerable distance behind armored troops. Elsewhere Russians appear holding on well. Estimated 2,000 German operational aircraft engaged against Russia.

RESTRICTED

G-2/2657-220 No. 431 M.I.D., W.D. 12:00 M., July 1, 1941.

SITUATION REPORT

I. Eastern Theater.

Ground: The main effort in the Minsk area has broken through the Russian fortifications and Minsk is probably in German hands. In this area heads of German columns are at Bobruisk, 90 miles to the southeast of Minsk, and Borisov, some 45 miles northeast of that city. Further Russian forces have been encircled in the Minsk area and, like the troops surrounded near Bialystok, are attacking to the east and south in efforts to cut their way out.

The German thrust south of the Pripet marshes is near Rovno, where there is heavy fighting. Due to this threat to their north flank the Russian forces in Galicia are obviously evacuating that area. The Pruth river front is relatively inactive, with the Russians across the river in the extreme south.

In the north the Germans have captured Mitau, Jacobstadt, on the Dvina, and probably Riga.

In the Finnish theater there is fighting at Murmansk and on the Karelian Isthmus. Hango is being attacked.

Air: Definite recession of the Russian air effort.

II. Western Theater.

Air: German. Unimportant activity.

British. Normal night attacks on the Ruhr.

III. Middle Eastern Theater.

Ground: Nothing of importance.

Air: Fairly strong British attacks over Syria.

RESTRICTED

* | A total of 145 bombers were sent out. (15
bombers were initially stated as unreported.)
The corrected figure of the loss of 29 bombers
is twenty percent of the total - an unbearable
rate of losses. |

CONFIDENTIAL

Paraphrase of Code Cablegram
Received at the War Department
at 10:07, July 1, 1941.

London, filed 16:34, July 1, 1941.

1. British Air Activity over the Continent.

a. Night of June 27-28. Of the previously given number of British bombers unreported from the raids of this night, twenty-nine are believed to have been lost from German antiaircraft fire and nightfighters. The extraordinarily good visibility which prevailed is thought to have greatly aided the Germans.

b. Night of June 29-30. 45 tons of high explosive bombs and 3600 incendiaries were dropped upon Hamburg and 65 tons of high explosive bombs and 1500 incendiaries were dropped upon Bremen.

c. Day of June 30. Six Blenheim dispatched to Nordernay had to abandon their objectives because of fog; of the fifteen sent to Bremen, all but one attacked secondary targets; and seven attacked Sylt. Kiel was attacked by five Halifax aircraft; and three of the same aircraft had to abandon an attack on Hamburg. The power station at Lille was successfully attacked by eighteen Blenheims escorted by nineteen squadrons of fighters.

d. Night of June 30-July 1. To Cologne 23 bombers were dispatched, to Dusseldorf, 23, to Duisburg, 18. Four aircraft performed sea mining off Lorient. The results of all of these operations are believed to be good, with eighty per cent of the objectives being attacked.

2. German Air Activity over Britain.

a. Day of June 29. Germany operated against England with 15 reconnaissance aircraft and 10 long range bombers. Defensive patrols were maintained over German-occupied territory by 90 fighters.

CONFIDENTIAL

CONFIDENTIAL

1. Night of June 29-30. The Germans employed 10 mine-laying aircraft, 20 long range bombers, 5 reconnaissance aircraft and 10 fighters.

2. Day of June 30. Operations were small except as to strong defensive fighter patrols in the area of Dunkirk and Calais during British daylight attacks.

3. Night of June 30-July 1. Only a small amount of activity occurred off the eastern and southwestern coasts of England.

3. Aircraft Losses Reported.

a. British losses. Four bombers were unreported from the raids of the night of June 30-July 1. One Halifax was unreported from the attack on Kiel during the day of June 30; also during this day one Spitfire was lost.

b. Axis losses. During the day operations of June 30, 6 Me-109's were shot down, 2 probably destroyed and 3 damaged.

4. British Air Activity, Other Theaters.

a. Middle Eastern Theater. During the day of June 29 British air activity increased in the Transjordan area.

LEE

Distribution:

Secretary of War
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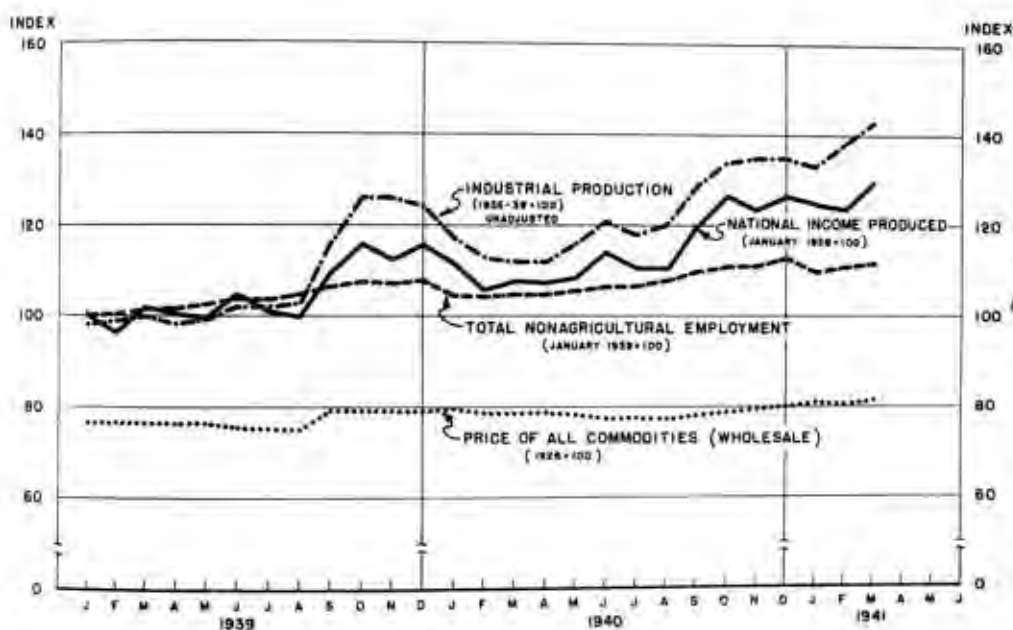
NATIONAL INCOME, PRICES, EMPLOYMENT, AND UNEMPLOYMENT

SECOND QUARTER REPORT 1941

TRENDS AND STABILIZATION SECTION
NATIONAL RESOURCES PLANNING BOARD

For the exclusive use of Mr. Morgenthau Jr

NATIONAL INCOME, PRICES, EMPLOYMENT, AND UNEMPLOYMENT



Production and national income are rising faster than employment.

The increase in wholesale prices has not yet become extensive.

TRENDS AND STABILIZATION SECTION
JUNE 1941

CURRENT TRENDS

Through the First Quarter of 1941

In summary and four parts, as follows:

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Summary of Current Trends

I. National Income, Consumer Outlays, and Unemployment

1. Consumer outlays have risen less than national income since 1939.
2. Consumer outlays for commodities have fluctuated more in recent years than consumer expenditures for services such as those rendered by theaters, garages, professional men, etc.
3. The national income in dollar terms will probably rise much more than the volume of goods and services in the next two years.
4. Government financing by taxes rather than by bond sales to the bank may restrict the rise in prices.
5. Employment has risen more slowly than output since 1939.
6. Unemployment will average about 5 millions in 1941 and will reach a low level in the latter part of 1942 unless an extraordinary rise in the labor force should occur as a result of emergency conditions.

II. Prices and Priorities

1. Inadequate facilities to meet both defense and consumer demands, coupled with priorities in favor of defense goods, threatens to cause a scarcity and increased prices of consumption goods.
2. Price control is being applied to individual commodities and is more successful in dealing with those having a narrow market and a restricted number of producers than in the case of commodities with a broader market, such as metal scrap.
3. There is likely to be a material scarcity of electric power because of insufficient capacity.
4. An embarrassing deficit is likely to develop in railroad freight cars.

III. Labor Supply, Employment, and Unemployment

1. The rise in employment in April was mainly seasonal although there was some uptrend in manufacturing employment.
2. There is a scarcity of skilled and semi-skilled labor in a limited number of occupations in various defense industries and in various localities.
3. Slight progress has been made during the first quarter of 1940 in increasing the percentage of employment in the second and third shifts of defense industries.
4. The training program requires material expansion to prepare unskilled labor to meet the needs of the growing defense industries.
5. As a result of defense contracts, employment has been increased in non-agricultural industries and decreased to some extent in the field of agriculture.
6. The increase in non-agricultural employment has been greatest in the construction industry and in manufactures.
7. The largest increase in manufacturing employment has occurred in the following defense industries: aircraft; shipping; machine tool; brass, bronze, and copper products; electrical manufactures; and in foundries and machine shops.

IV. Regional Changes in Employment in Relation to the Volume of Construction and the Distribution of Defense Contracts

1. The decline in agricultural employment has occurred mainly in the areas where there has been a large volume of defense contract work and an increase in non-agricultural employment.
2. The localities enjoying the largest increases in employment

have been the metropolitan areas of the cities where defense contracts have been awarded in large volume.

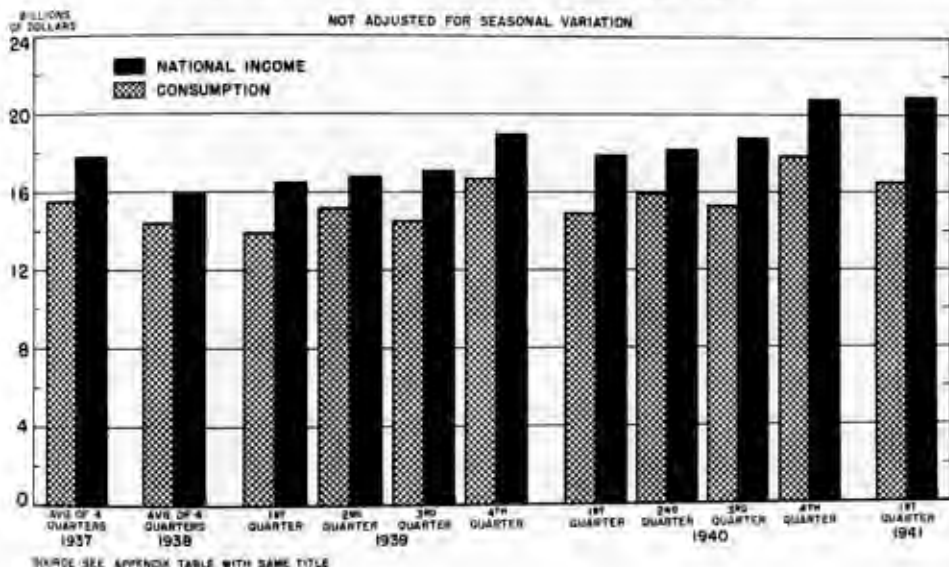
3. The greatest increase in plant facilities has occurred in the North Central States.
4. Residential construction has increased less than has nonresidential construction in the industrial areas of the country.
5. There are reports indicating scattered reductions in employment on account of a lack of materials such as steel, zinc, aluminum, brass, and copper. This condition is found in New England and in the Great Lakes Region.
6. Textile plants in the South attempting increases in the number of shifts are unable in some cases to secure the skilled and semi-skilled workers required.
7. There is a certain amount of race discrimination in employment, especially in New England and the Great Lakes Region.
8. Several states report a shortage of qualified applicants for defense training courses.

Section I

National Income, Consumer Outlays, and Unemployment

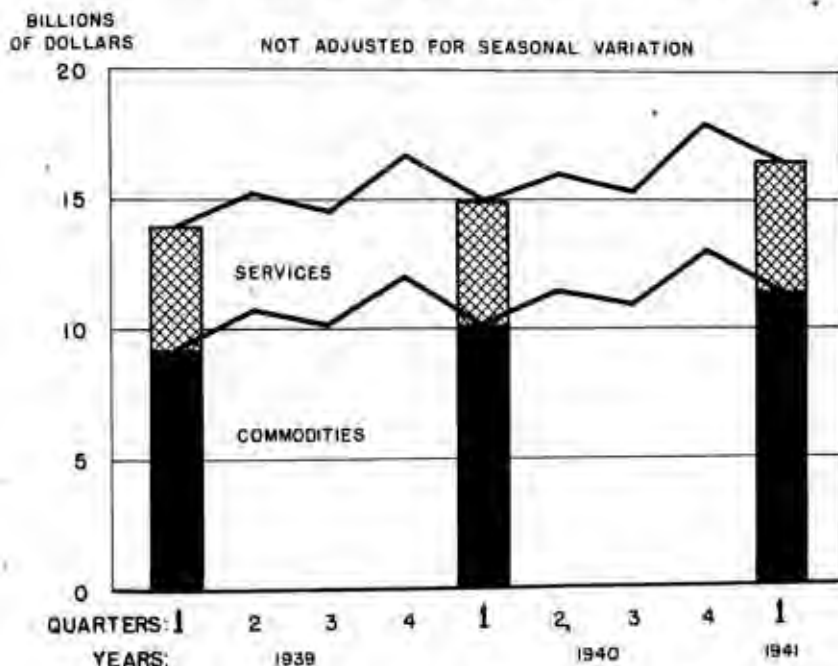
Consumer outlays tend to rise with the national income (see Chart below and Table on Page 3 of Appendix B). But in the period of activity beginning in 1939, consumer outlays have risen less rapidly than national income. The ratio of these outlays to national income was 84 in the first quarter of 1939, 83 in the first quarter of 1940, and 80 in the first quarter of 1941.

NATIONAL INCOME AND CONSUMPTION, 1937 TO DATE



Consumer outlays for commodities have fluctuated more than consumer outlays for services (see Chart below and Table on Page 3 of Appendix B). It is also evident from the chart that the seasonal fluctuations have been due mainly to the seasonal movement of consumer outlays for goods rather than for outlays for services. Moreover, the trend of consumer outlays for goods has risen faster than the trend of the outlay for services.

CONSUMPTION OF COMMODITIES AND SERVICES, BY QUARTERS, SINCE JANUARY 1939



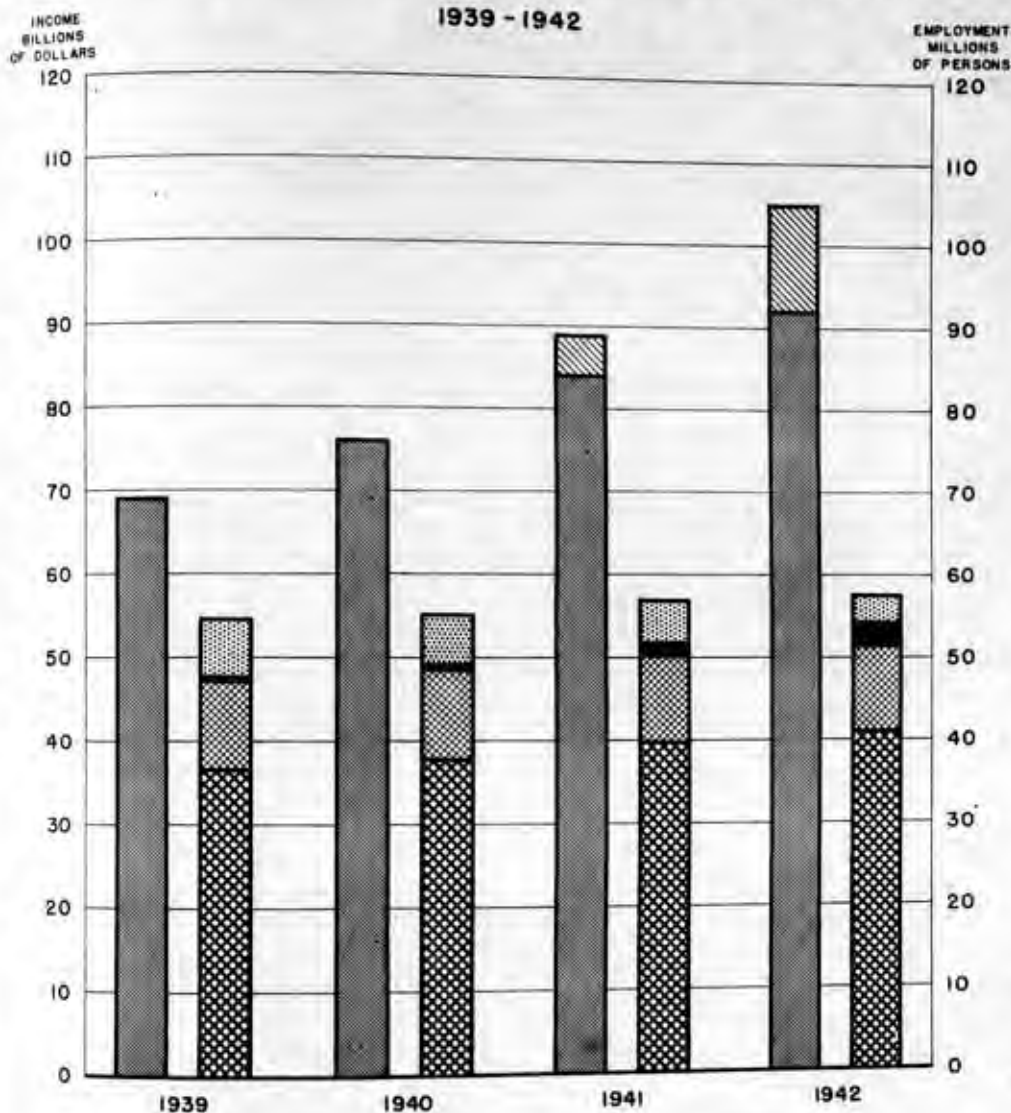
SOURCE: SEE APPENDIX TABLE, "NATIONAL INCOME & CONSUMPTION, 1937 TO DATE"

It is probable that the national income will rise more sharply in current dollar terms than in terms of real income during the next two years (see Chart on Page 8 and Appendix A). The estimated rise in current dollars is 17 percent in 1941 and 18 percent in 1942 while the rise in real dollars, or in volume of goods and services produced, is estimated to be 5 percent in 1941 and 12 percent in 1942. These estimates can be little more than informed guesses (for the basis of the estimates see Appendix A).

The estimated increase in the number of employed corresponds more closely with the rise in real national income than with the increase in current dollar income (see Chart referred to above). Unless the labor force rises more than usual because of emergency conditions unemployment is expected to reach a low level in 1942.

NATIONAL INCOME, EMPLOYMENT AND UNEMPLOYMENT

1939 - 1942



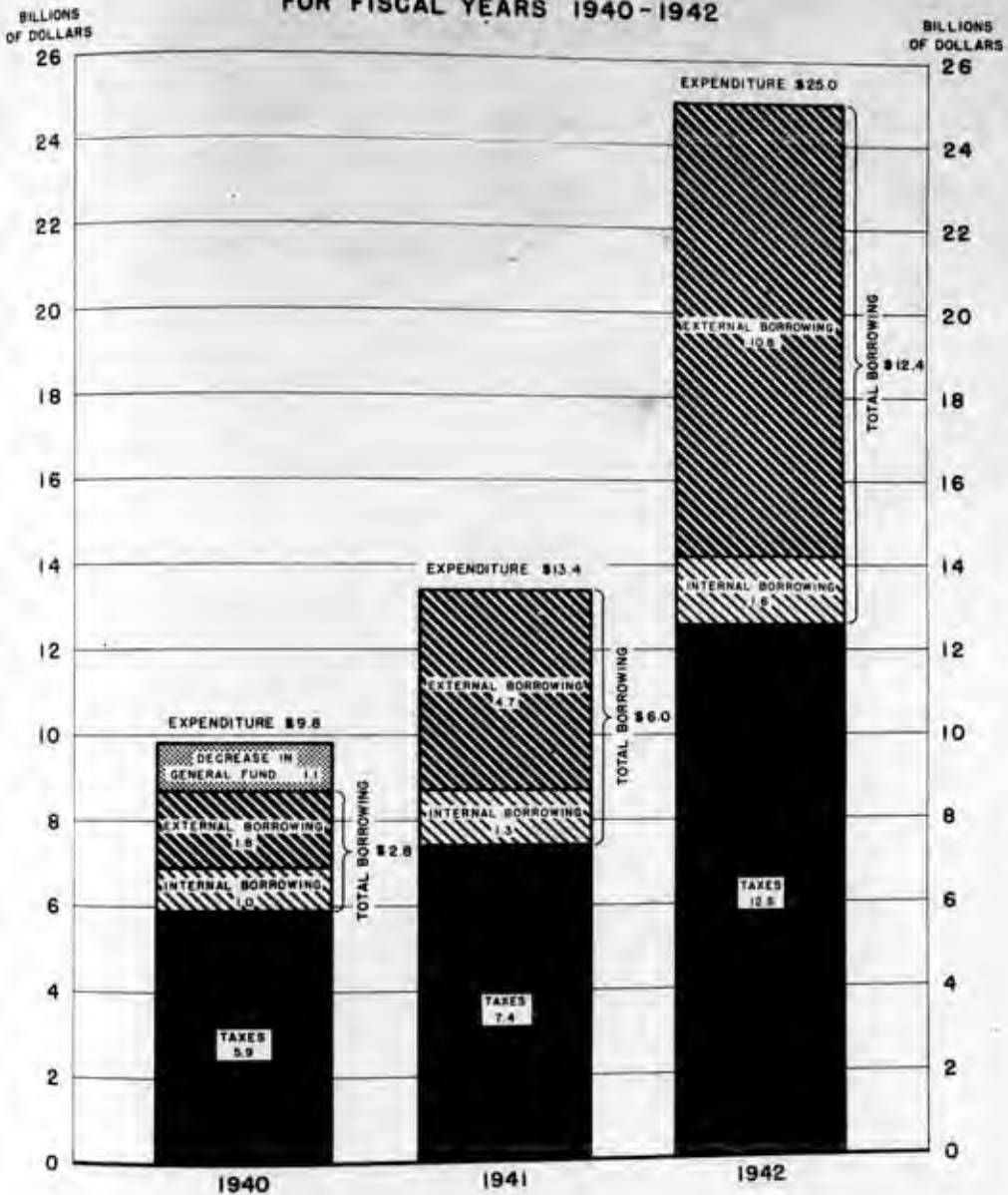
SOURCE - BUREAU OF LABOR STATISTICS, WORK PROJECTS ADMINISTRATION, CENSUS OF POPULATION

NATIONAL INCOME IN GOODS AND SERVICES	NONAGRICULTURAL EMPLOYMENT	ARMY AND NAVY
NATIONAL INCOME PRICE INCREMENT	AGRICULTURAL EMPLOYMENT	UNEMPLOYMENT

Both the external borrowing and the income from taxes are expected to rise sharply in 1941 and 1942 (see Chart below and Table on Page 32 of Appendix B). The external borrowing is of special importance in relation to the expansive effect of Government financing on national income and employment. Expenditures are expected to be about twice as large in 1942 as in 1941, while income from taxation will probably rise about 70 percent.

FUNDS FOR FEDERAL EXPENDITURES *

FOR FISCAL YEARS 1940-1942



SOURCE: SEE APPENDIX TABLE OF SAME TITLE

* INCLUDES FEDERAL CORPORATIONS; EXPENDITURES ESTIMATED FOR 1941 & 1942

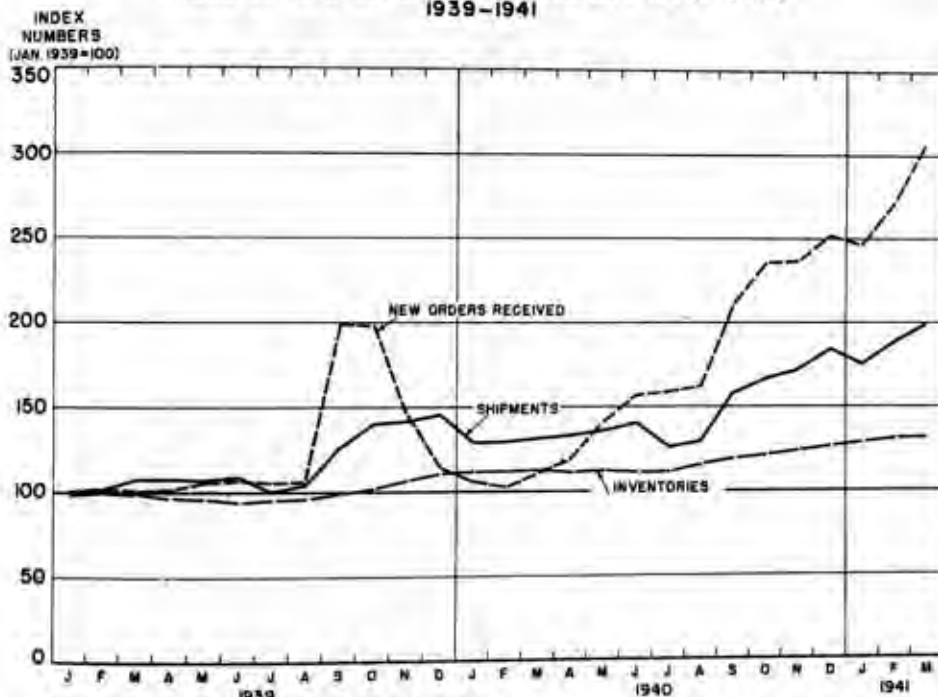
Section II

Prices and Priorities

Even before the recent expansion in the military program incident to the Lend-Lease Appropriation, there was a shortage in the materials required and in the output of goods as compared with the demand. This situation has been intensified by the enlargement of the program.

New orders in the durable goods industry are still rising sharply with respect to shipments (see Chart below and Table on Page 5 of Appendix B). Industry is being given orders in excess of its capacity to produce. Shipments are, however, rising sharply and inventories also are increasing from month to month.

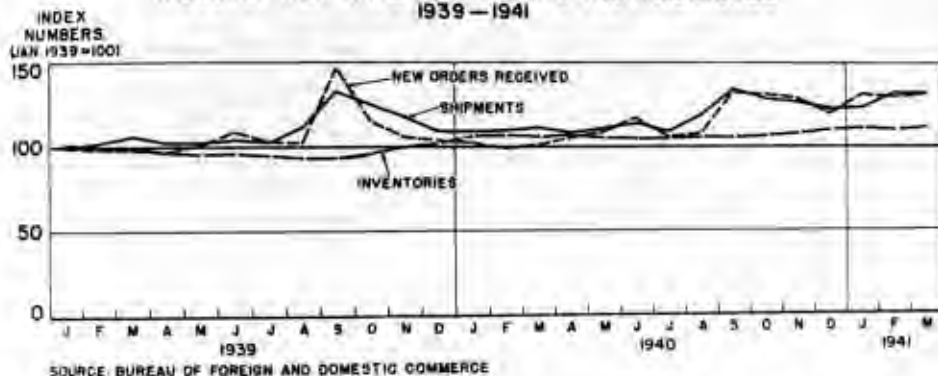
DURABLE GOODS MANUFACTURES
VALUE OF NEW ORDERS, SHIPMENTS AND INVENTORIES
1939-1941



Some decline in the rate of the upward movement of production during April is attributable to the coal strike and other labor disturbances.

Orders for non-durable goods manufactures are rising less than orders for durable goods (see Chart below and Table on Page 5 of Appendix B). It will also be noted that shipments are keeping pace with orders in the field of non-durable goods. Inventories show a relatively large rise in comparison with shipments in this area of production. The pressure of priorities and prospective priorities is evidently having its affect here. The emphasis on military goods growing out of the expansion of the defense efforts may reduce the rate of increase in the output of consumption goods and cause some unemployment in consumer goods industries.

NONDURABLE GOODS MANUFACTURES VALUE OF NEW ORDERS, SHIPMENTS AND INVENTORIES 1939-1941



The priority provision affecting defense production has increased the supply of these goods as compared with those available for individual consumers. In some instances, priority provisions may tend to substitute defense durable goods for durable goods available for individual consumption; in other cases, they may tend to increase the supply of durable defense goods in comparison with non-durable consumer goods. The aluminum priority provisions resulted in a decline of 2 percent in employment in the manufacture of aluminum wares during the month of March, and will doubtless produce further declines as available inventories of aluminum are used. The priority provisions for iron and steel on defense orders may lead to a curtailment of iron and steel for use in expanding the capacity for the production of ordinary consumption goods.

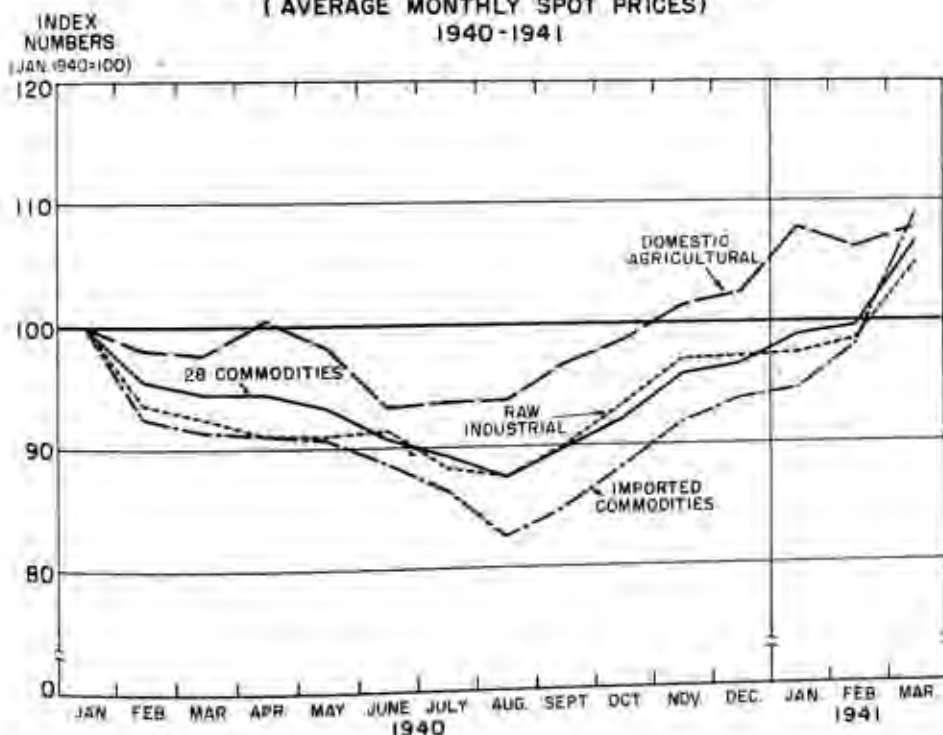
Prices have been rising sharply in the past four months. All wholesale prices rose from 80 to 83, or 3 3/4 percent in the period from January to April. Food prices rose 6.7 percent; textile products, 7 percent; raw material prices, 3 percent. (see Chart on title page.)

The indexes tend to underestimate the magnitude of the price movement as quoted prices become less reliable.

The prices of 28 basic commodities have been rising even more sharply (see Chart below and Table on Page 8 of Appendix B). These commodities were chosen partly because their prices have been found to be sensitive to conditions causing price change.

Prices of imported commodities have risen most. They have been affected especially by the scarcity of shipping space and the rise in shipping rates. In August 1939, vessels could be chartered in areas outside the war zone for a monthly rate of \$1 to \$1.75 per ton. Ship owners are now obtaining \$7.00 to \$8.25 per ton. Industrial raw materials prices have risen slightly more than agricultural prices since last August when the uptrend of prices began.

PRICES OF 28 BASIC COMMODITIES (AVERAGE MONTHLY SPOT PRICES) 1940-1941



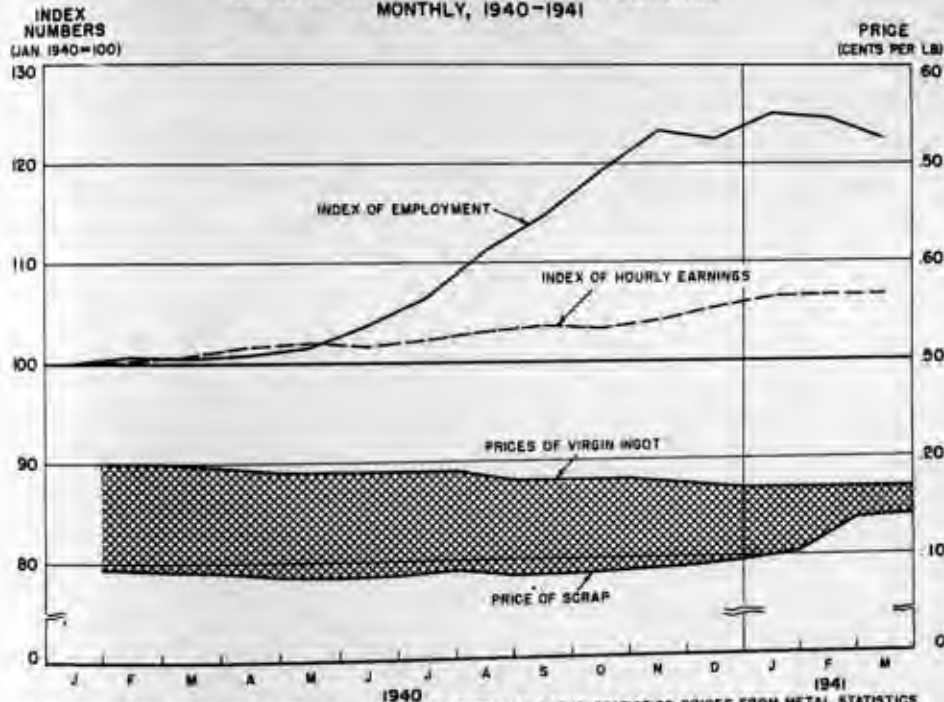
SOURCE: BUREAU OF LABOR STATISTICS

The present situation in the field of prices and supply may be illustrated by reference to a selected list of special commodities.

Aluminum -- Production of aluminum was reported to be at the rate of about 40,000,000 pounds per month in March 1941 as compared with 25,000,000 pounds in March of 1940. The industry probably will operate at 70 million pounds per month by the end of 1941. The 1941 output, however, will be about 27 percent below the requirements for civilian and military uses. The needs of 1941 call for 1,000,000,000 pounds, whereas output will fall about 275 million pounds short of this total. Notwithstanding current plans to increase capacity the shortage will probably be greater in 1942.

The application of priority regulations to the manufactures of aluminum has caused a decline of employment in the non-military output of that industry in recent months. Further declines may be anticipated with the further depletion of manufacturers' inventories of ingots (see Chart below and Table on Page 7 of Appendix B).

ALUMINUM
EMPLOYMENT, PRICES, AND HOURLY EARNINGS
MONTHLY, 1940-1941

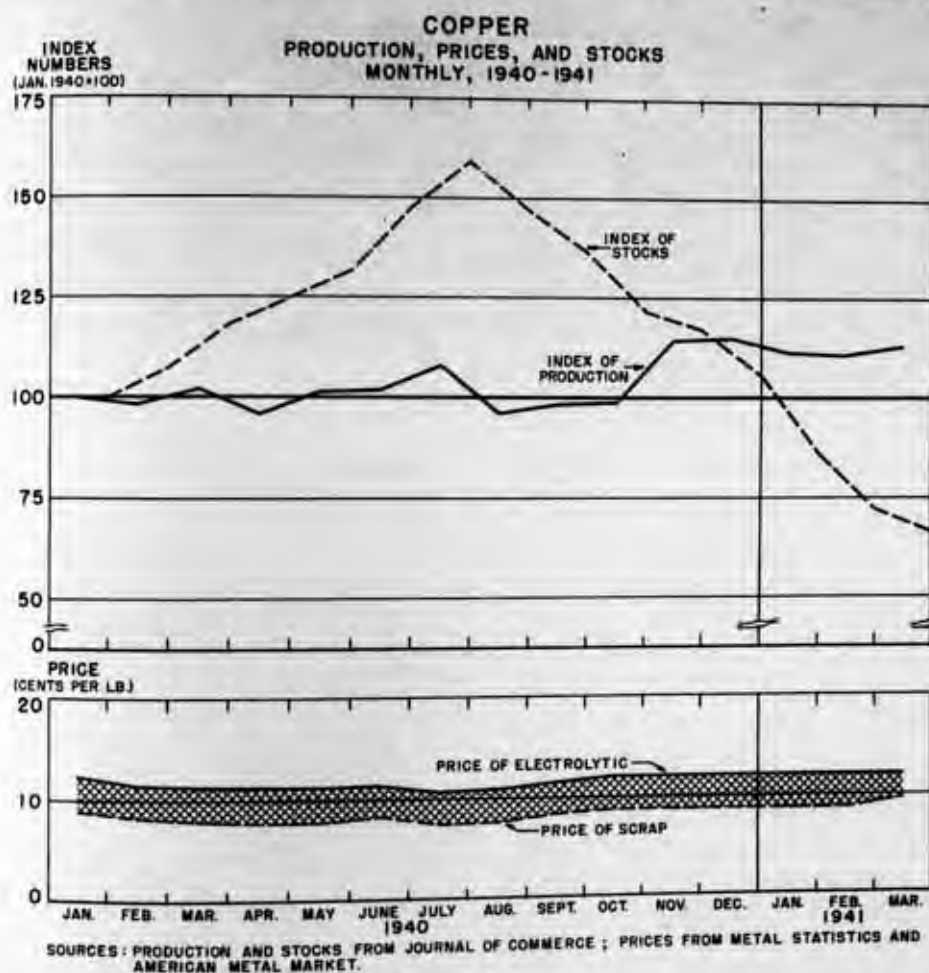


SOURCE: EMPLOYMENT AND HOURLY EARNINGS FROM BUREAU OF LABOR STATISTICS, PRICES FROM METAL STATISTICS AND AMERICAN METAL MARKET

Although the price of virgin aluminum has been held constant, there has been a sharp rise in the prices of scrap aluminum which is only partially reflected by quoted scrap prices. Prior to December 1940, the quoted prices of scrap were fairly representative of the prices at which sales

took place. Since December, however, scrap has been selling for much more than the quoted prices, in some instances reaching as high as 32 cents per pound -- almost double the price of the virgin metal. Consequently, it became necessary to fix maximum prices for scrap and secondary aluminum in March 1941. A certain amount of "bootlegging" at higher prices may be anticipated.

Copper -- Production of refined copper amounted to 95,332 net tons in March 1941 as compared with 86,295 tons in March 1940, and stocks have been decreasing steadily, which indicates that consumption is exceeding production (see Chart below and Table on Page 8 of Appendix B).



The output of crude copper, which consists of about 90 percent blister and 10 percent scrap, is running about 10,000 tons a month less than that

of refined, the difference being made up from stocks of crude which are declining rapidly.

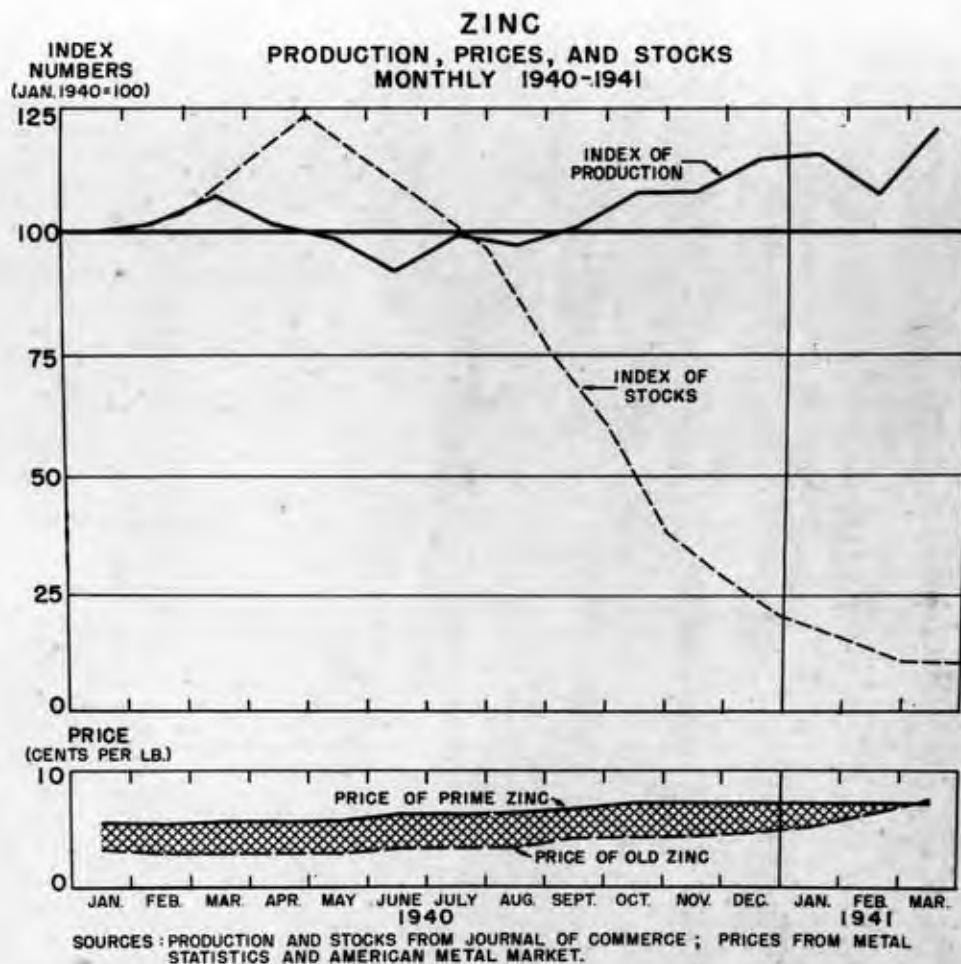
The capacity of mines and smelters to produce blister constitutes the bottleneck in expanding copper output, since there is capacity to refine nearly 130,000 tons a month. Unless mine and smelter capacity is greatly increased, a material shortage of copper can be expected to occur in 1942. Granting subsidies to higher cost mines may be a partial solution for expanding output.

There is an informal agreement with regard to prices of refined copper which have been held constant at about 12 cents a pound (see Chart on Page 15). "Outside" prices of copper, or non-defense sales, have been somewhat higher as a result of the copper scarcity. The prices of copper scrap shown in the chart are not entirely representative of the market which is said to be 2 or 3 cents higher than the quoted prices in many cases.

Zinc -- Consumption of primary (slab) zinc in March 1941 exceeded the production of 63,366 short tons by about 6,000 or 7,000 tons. By the end of the same month, stocks had been reduced to the low level of 6,969 tons (see Chart on Page 17 and Table on Page 9 of Appendix B).

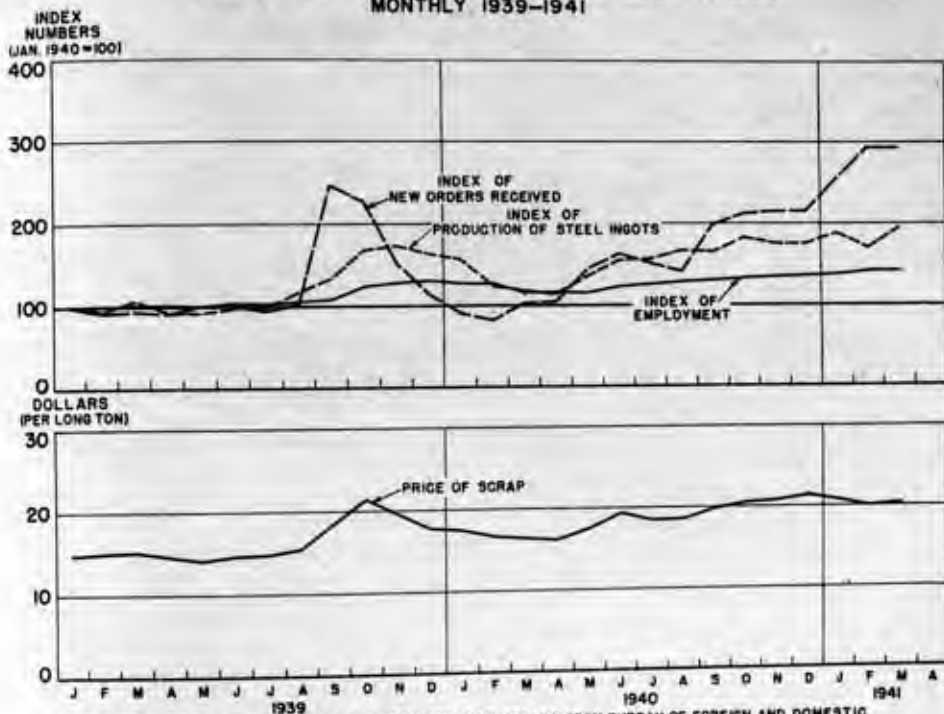
The bottleneck in the zinc industry is refining capacity. It is expected that in 1942 there will be about 80 thousand tons added to the refining capacity, but this also will be inadequate with the expansion in the defense program. Consequently, zinc will probably continue to be rationed under priority regulations. The estimated deficiency of primary zinc in 1941 is 90 thousand tons. The deficiency will probably be greater in 1942, even after 50 thousand tons have been added to the capacity.

Although the quoted price of prime zinc has been held constant for over half a year, in the last several months pure zinc has been reported as selling for two or three cents above the quoted price. The prices of zinc scrap have risen rapidly, which is only partially indicated by the quoted prices (see Chart on Page 17), since zinc scrap has been reported as selling for as high as 6 or 7 cents a pound above the quoted prices. Consequently, maximum prices for scrap and secondary zinc were established in April 1941.



Iron and Steel -- The rise of orders in the iron and steel industry as compared with output is similar to that noted in the durable goods industries as a group (see Chart below and Table on Page 10 of Appendix B). Informal priorities for defense orders have prevailed in the industry since the fall of 1940, and quoted prices are at rates accepted by the price control authorities of the Government.

IRON AND STEEL INDUSTRY
PRODUCTION, ORDERS, EMPLOYMENT, AND SCRAP PRICES
MONTHLY 1939-1941



SOURCE: PRODUCTION AND PRICE FROM THE IRON AGE; NEW ORDERS FROM BUREAU OF FOREIGN AND DOMESTIC COMMERCE; EMPLOYMENT FROM BUREAU OF LABOR STATISTICS.

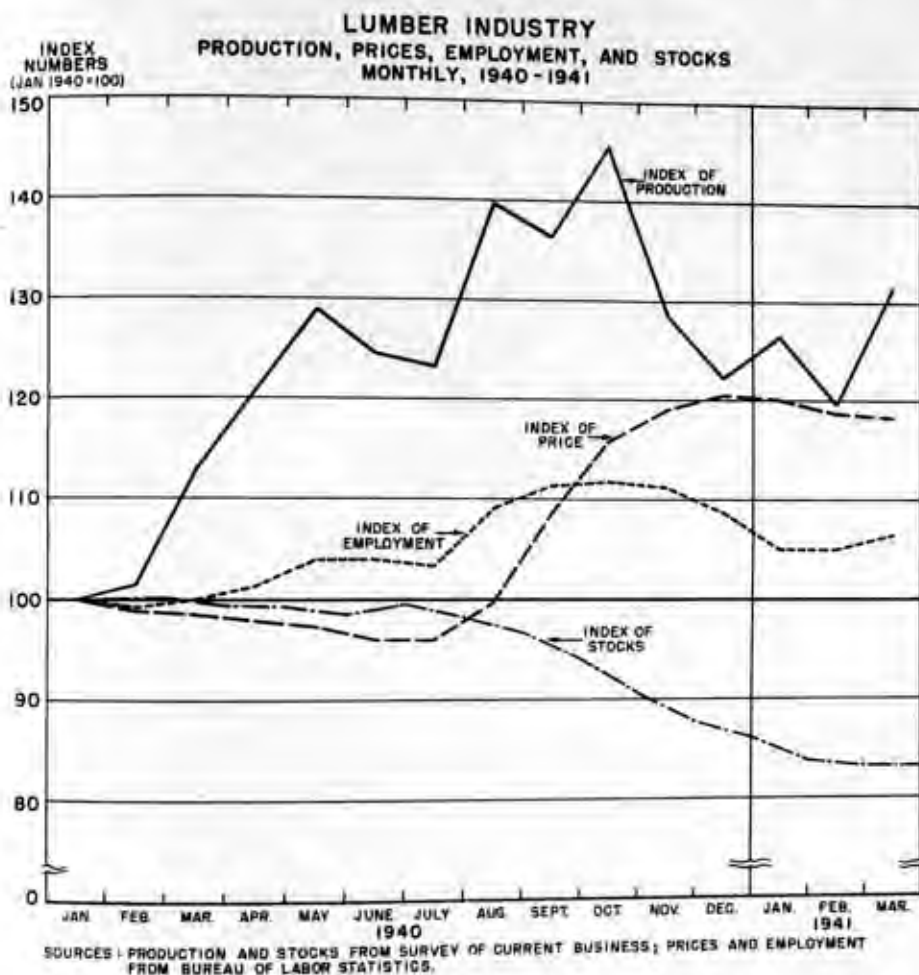
Quoted prices have been constant for over a year but are not regarded as representative of the market. It is reported by experts in the Bureau of Labor Statistics, U. S. Department of Labor, that the prices of some finished steel products have risen as much as 20 percent during this period. A price ceiling was established on April 17, fixing maximum prices at levels prevailing in the first quarter of 1941.

While quoted prices of steel have remained constant, the prices of scrap have risen. In order to check the rise in the price of scrap, a ceiling was placed on iron and steel scrap prices, effective April 3, 1941. The fixing of maximum prices tended to check the accumulation of scrap inventories and caused a slight reaction in prices below the maximum.

The price ceiling for steel was fixed to prevent a rise in steel prices at the time wages were increased. Published reports show a large increase of profits in the industry and suggest that it can stand the wage increase without a price advance, at least during the prevalence of high output as compared with capacity.

It is now commonly admitted that the industry has a capacity inadequate to meet current demands. The requirements for 1941 have recently been estimated to exceed capacity by 1.8 million tons. It was further believed that the gap between output and capacity will be further widened in 1942. A material increase in capacity is still suggested as necessary in view of the possibilities of further increases in requirements beyond those now apparent.

Lumber -- Production, demand, and prices of lumber rose sharply in 1940 because of the Army's buying for cantonment construction and extensive buying of various supply services of the War and Navy Departments, in view of contracts awarded in the period (see Chart below and Table on Page 11 of Appendix B).



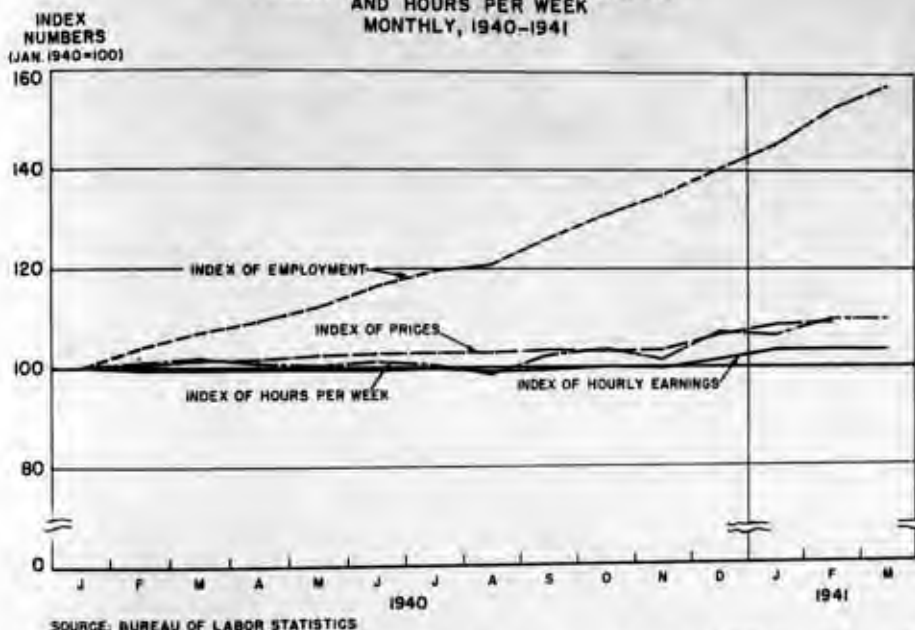
The demand for lumber is again rising and prices have tended to stabilize slightly below the top of the 1940 price rise.

While stocks of lumber have declined sharply, there is ample productive capacity in the industry and the increase of prices has been speculative in character.

Machine Tools -- The machine tool industry, from the beginning of the defense program, has been one of the chief bottlenecks limiting the expansion of production. There is no production index for the industry, but the rise of output may be roughly gauged by the increase in employment.

There has been a slightly increasing rate of expansion in the industry since August 1940 (see Chart below and Table on Page 12 of Appendix B). The continuous rise of prices is the best indicator of the scarcity of machine tools. However, the existence of a degree of control over the price of new tools prevented a rapid rise such as that occurring in the secondhand tools market where it was necessary to set maximum prices.

MACHINE TOOLS
PRICES, EMPLOYMENT, HOURLY EARNINGS
AND HOURS PER WEEK
MONTHLY, 1940-1941



The capacity of the machine tool industry can still be enlarged by an increase in the number of shifts and a broadening of the training program associated with this expansion. But this cannot take the place of further increased plant expansion in heavy forging and other areas where more facilities are required.

The production of cars and trucks for civilian needs is also to be curtailed 20 percent or more in 1942 for the purpose of making more machine tools available for defense uses, while automobile models for 1943 are to be the same as in 1942.

Transportation -- The transportation situation has been growing more serious since the first of the year. During the first twenty weeks accumulated carloadings totaled 14,668,491 as against 12,809,982 cars in the same period of 1940, an increase of 15.6 percent despite the reduction in coal loadings occasioned by the strike.

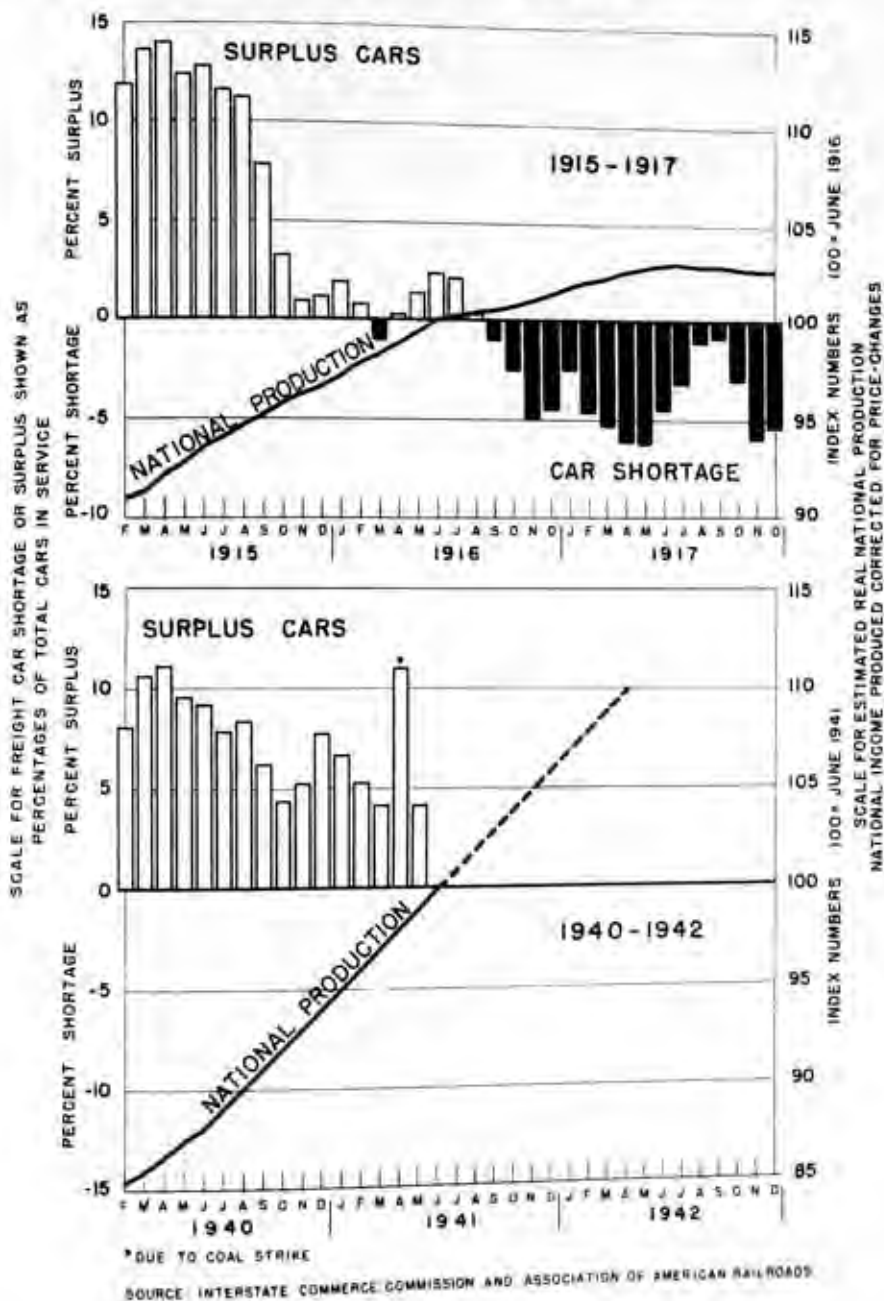
The carloadings reports show an accelerated rate of increase. For the week ended May 10, the loadings approached the October peak of 1940 and in the week of May 17 they exceeded any week since November 8, 1930. Although a portion of this recent increase may be attributed to the effects of the coal strike, a large part of it occurred in the miscellaneous category which includes manufactures. With carloadings running at this high level so early in the year, the prospect for the Fall peak indicates carloadings of about 1,000,000 per week. This would be well above the levels in any year since 1929.

Aside from the growth in volume which accompanies the defense program, there are numerous anticipated problems which will accentuate the demands upon land transportation facilities. These include the diversion of shipping from the coastwise and intercoastal operations for use with the Navy and in the foreign trade which will create serious problems for land transportation, especially in the movement of petroleum and petroleum products.

The carriers have announced a new program of car building calling for a net increase in supply of 120,000 cars by 1942 and an additional 150,000 cars by 1943. Petroleum producers are giving attention to plans for additional pipe lines. Motor carriers are becoming apprehensive because of the difficulty of procuring additional highway equipment. All of these programs are likely to conflict seriously with other defense demands, especially for steel and prime movers. They raise the difficulty of determining suitable priorities and bring sharply into focus the lack of comprehensive planning in the transportation industry.

A comparison of the present situation with regard to railway cars with that in the first World War, points to a shortage in the fall of 1941 and in 1942 (see Chart on Page 23 and Table on Page 13 of Appendix B). Delay in placing orders will be found to have imperiled the prompt execution of these orders by reason of defense program requirements.

COMPARISON OF TOTAL PRODUCTION OF ALL GOODS AND SERVICES IN THE U.S. WITH NET SURPLUS OR SHORTAGE OF RAILROAD FREIGHT DURING TWO IMPORTANT PERIODS.



Shortage of Electric Power Capacity -- The emergency requirements call for added capacity of some 3,000,000 kilowatts per year of electric production capacity. While it is planned to add 3,353,000 in kilowatt capacity in 1941, doubt is being entertained in regard to the ability of manufacturers to meet delivery dates. Orders for heavy forged shafts for turbines are now subject to 24 months delivery. Moreover, it requires an additional 10 to 14 months to build the turbine after the shaft is delivered. Arrangements were recently made for cooperation between the Tennessee Valley Authority and 17 other power systems for a "Southwest defense power pool" in 17 States to prevent a shortage.

Section III

Labor Supply, Employment, and Unemployment

Explanations of the labor supply are becoming somewhat more complex as more information is gathered about the nature of its fluctuations. The former assumption of a regular increase in the labor supply based on rising population made it relatively simple to estimate unemployment, if a fair estimate of employment could be secured.

However, both employment and the labor supply have rather wide seasonal movements. The Work Projects Administration estimated an increase of 11 hundred thousands in employment in April as compared with March 1941. An examination of the seasonal indexes of employment in agricultural and non-agricultural industries suggests that the whole movement was largely seasonal. However, the labor turnover reports on manufacturing employment, released by the U. S. Department of Labor, show employment accession in excess of separations by an amount materially higher than the usual seasonal movement would require. Hence, it is fair to conclude that there has been some trend rise of manufacturing employment in recent months, although no accurate measure of its amount can be stated.

Unemployment declined very slightly in April because the labor supply had a seasonal rise almost as large as that of employment. While employment rose 1.1 millions, the labor force increased about 950 thousands.

The changes in the labor supply, in employment and in unemployment during March and April, were as follows (see Page 5 of Appendix A):

	In millions of persons	
	April	March
Labor force	56.8	55.7
Employed.	50.2	48.9
Unemployed.	6.6	6.8

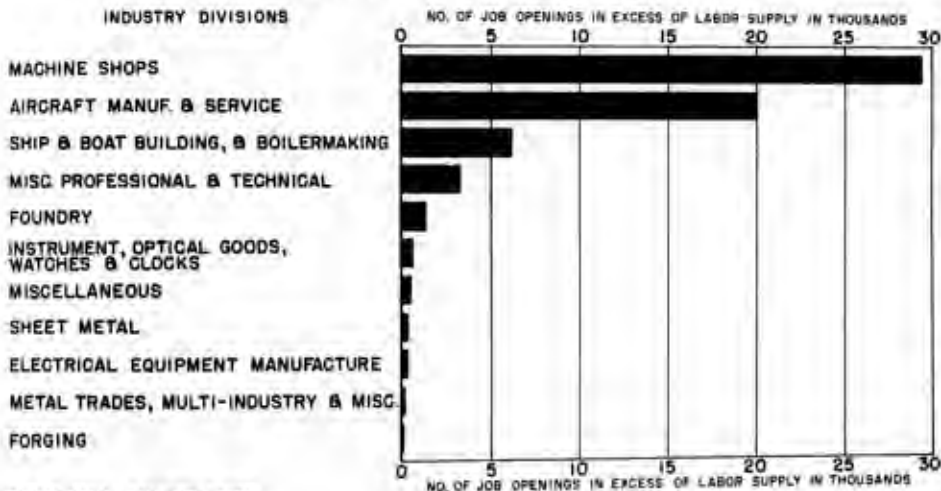
Of the 6.6 millions estimated to be unemployed in April, some 1.5 to 2 millions may be regarded as not readily employable. There remain only about 2 millions unemployed and not provided for by Federal emergency employment. The Federal emergency employment was as follows:

Work Projects Administration	1,718,000
National Youth Administration	930,000
Civilian Conservation Corps	244,000
Other	17,000
Total	2,909,000

The active file of about 5 millions of job seekers for April is approximately equal to the unemployed who may be regarded as readily employable.

The employment bottleneck arises from the relatively small number of skilled and semi-skilled workers available (chart below and Table on Page 16 of Appendix B). At the end of the first quarter of 1941, the skilled and semi-skilled registrants for defense employment were about 7 percent of the active file of the U. S. Employment Service. About 75 percent of the employees in defense industries, however, are skilled or semi-skilled, and these two groups are about 62 percent of all industrial wage-workers. It is apparent, therefore, that the bringing of the unemployed into active employment involves an extensive program of training.

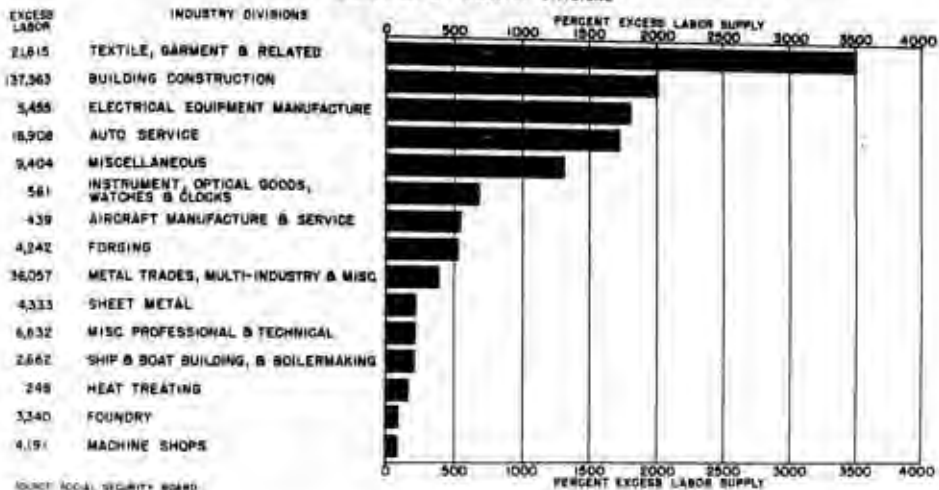
LABOR SHORTAGE IN SELECTED DEFENSE OCCUPATIONS CLASSIFIED BY INDUSTRY DIVISIONS



SOURCE: SOCIAL SECURITY BOARD

To date, however, the scarcity of skilled and semi-skilled workers has been confined largely to certain localities and certain skilled occupations. It has not become as serious a bottleneck as the lack of industrial capacity. The Social Security Board collected data recently as to the job openings then available and estimated to be available in May. There were various occupations in which the job openings exceeded the labor supply in some of the important defense industries (see Chart below and Table on Page 16 of Appendix B). The data reported below are illustrative in character and no great weight need be given to the figures cited.

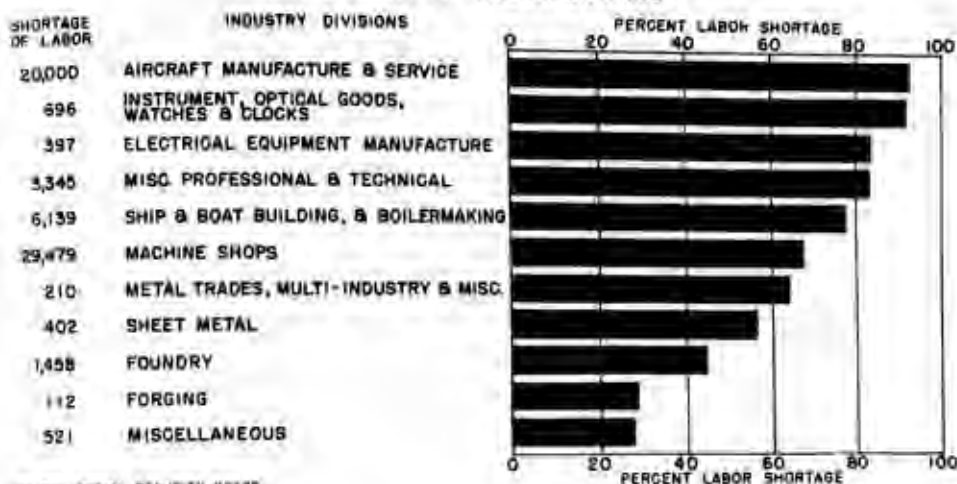
LABOR SUPPLY AS A PERCENT OF JOB OPENINGS IN SELECTED DEFENSE OCCUPATIONS
CLASSIFIED BY INDUSTRY DIVISIONS



There was a shortage of nearly 30,000 workers in various occupations in the machine shop industry, a shortage of about 20,000 in selected occupations in the manufacture and servicing of aircraft, about 6,000 in certain shipbuilding occupations, etc.

The shortages in these occupations may be stated as percentages of the demand for labor in the occupations involved (see Chart below and the Table on Page 16 of Appendix B).

**LABOR SHORTAGE AS A PERCENT OF JOB OPENINGS
IN SELECTED DEFENSE OCCUPATIONS
CLASSIFIED BY INDUSTRY DIVISIONS**



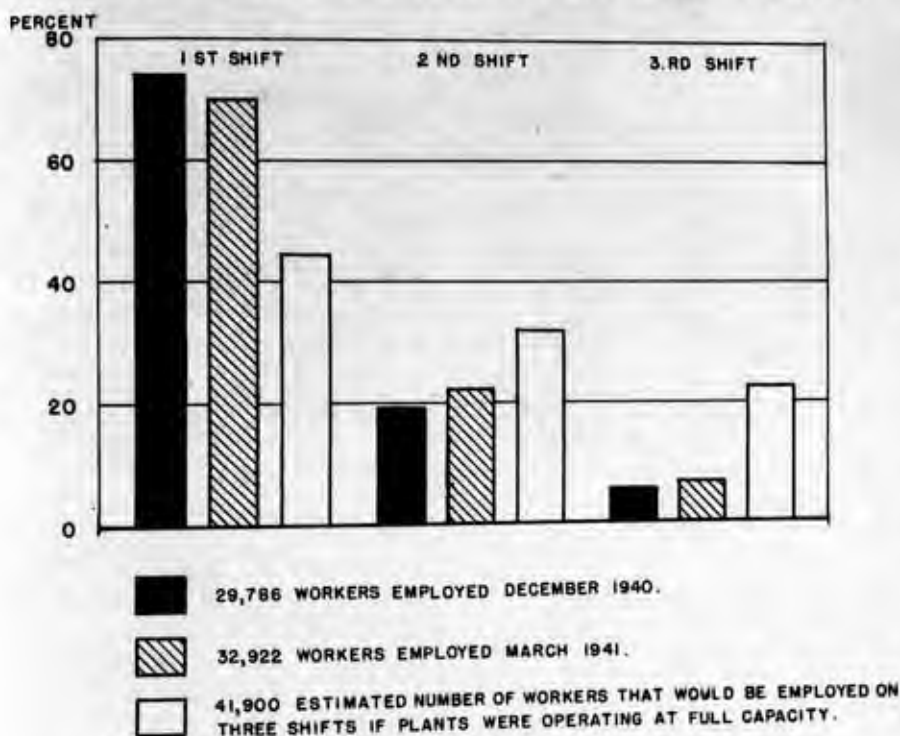
SOURCE: SOCIAL SECURITY BOARD.

For other occupations in these same industries, however, there was a surplus of skilled and semi-skilled labor. As a percentage of demand, the surplus was largest in the textile and garment industries (see Chart on Page 27 and the Table on Page 16 of Appendix B). It should also be noted that in some building occupations there was a surplus, and a small surplus in some of the occupations in the manufacture and servicing of aircraft.

The labor shortages, however, were largest as a percent of the job openings in certain occupations in the aircraft field (see Chart shown above). The amount of the shortage in the occupations where it appeared was much greater in terms of number of jobs than was the surplus in the occupations where it appeared. In the machine shops, also, the number of jobs for which there was a shortage of labor was very large as compared with the number of jobs for which there was a surplus of labor available.

The output and employment in a group of machine tool plants could be increased about 29 percent by increasing employment in the second and third shifts (see Chart below and Table on Page 17 of Appendix B). The slight decline in the percentage of employees in the first shift between December and March represented an improvement in the capacity of the plants. But, if the decline had gone further to the distribution shown in the blank columns employment in the plants would have increased 29 percent.

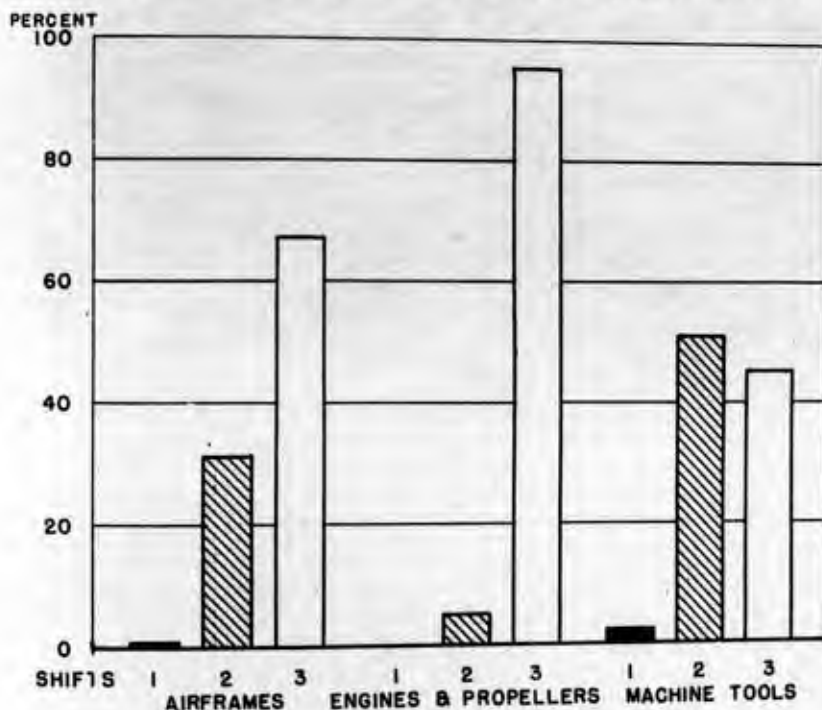
DISTRIBUTION OF EMPLOYEES IN 26 PLANTS OPERATING ON 3 SHIFTS, MACHINE TOOL INDUSTRY



SOURCE: B.L.S., U.S. DEPARTMENT OF LABOR

A larger percentage of employees work in three-shift plants in the production of airplane engine and propellers than in any one of three types of plants studied by the Bureau of Labor Statistics in March (see Chart below and Table on Page 17 of Appendix B). Airframe production ranks second in terms of the number of employees working in three-shift plants, while the machine tool industry ranks third. The Bureau of Labor Statistics had reports from 38 airframe plants, 18 engine and propeller plants, and 90 machine tool plants.

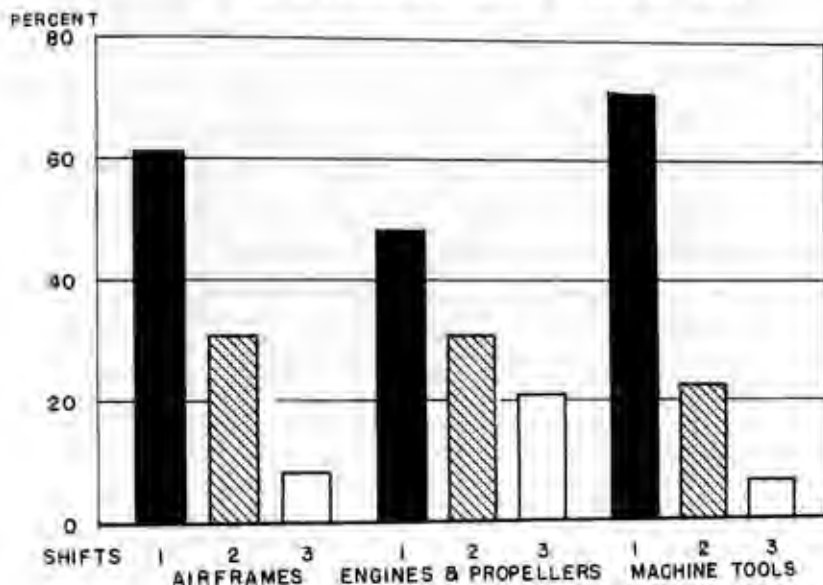
PERCENTAGE OF EMPLOYEES IN REPORTING PLANTS OPERATING 1, 2 OR 3 SHIFTS, MARCH 1941



SOURCE: B.L.S., U.S. DEPARTMENT OF LABOR

The engine and propeller plants also ranked highest in terms of the percentage of employees working in the third shift (see Chart below, and the Table on Page 17 of Appendix B). In the entire number of aircraft plants (66), 11 percent of the employees worked in the third shift, 31 percent in the second, and 58 percent in the first. In the machine tool industry about 5 percent of the employees of reporting plants worked in the third shift, 22 percent in the second, and 71 percent in the first.

PERCENTAGE OF EMPLOYEES IN THE RESPECTIVE SHIFTS IN REPORTING PLANTS, MARCH 1941



SOURCE: B.L.S., U.S. DEPARTMENT OF LABOR

The shipyards showed an increased tempo of operations, but little change in percentage employment in the second and third shifts during the first quarter of 1941. The increase in employment in 25 establishments was 15.5 percent. Of the 25 shipyards, 20 worked the same number of shifts at the end of the quarter as at the beginning, 3 changed from two-shift operations to three-shift operations, and 2 changed from two-shift to one-shift operations. At the end of the quarter about 5 percent of the employees in 36 shipyards examined worked in the third shift and 16 percent in the second shift, leaving 79 percent working in the first shift.

The percentage of employment in second and third shifts rose in electrical manufacturing during the first quarter of 1941. Employment rose in the industry 15 percent, and more than 40 percent of the rise consisted of additional employment in the second and third shifts.

Employment in the second shift increased more than in the first in 35 of the copper, bronze, and brass products industry plants in the first quarter of 1941. Total employment in the plants rose 7.8 percent in the period. The increase in the number of employees was 1,600 in the first shift, 1,700 in the second, and 1,000 in the third.

While there were no reports on progress as to shift distribution for the chemical and aluminum manufacturing industries studied in March, it was shown in the Department of Labor study that for the chemical industry, 68.4 percent of the employees worked on the first shift; 17.4 percent on the second; and 14.2 percent on the third. In the aluminum manufacturing industry, 86.5 percent of the employees worked on the first shift; 20.6 percent on the second; and 12.9 percent on the third.

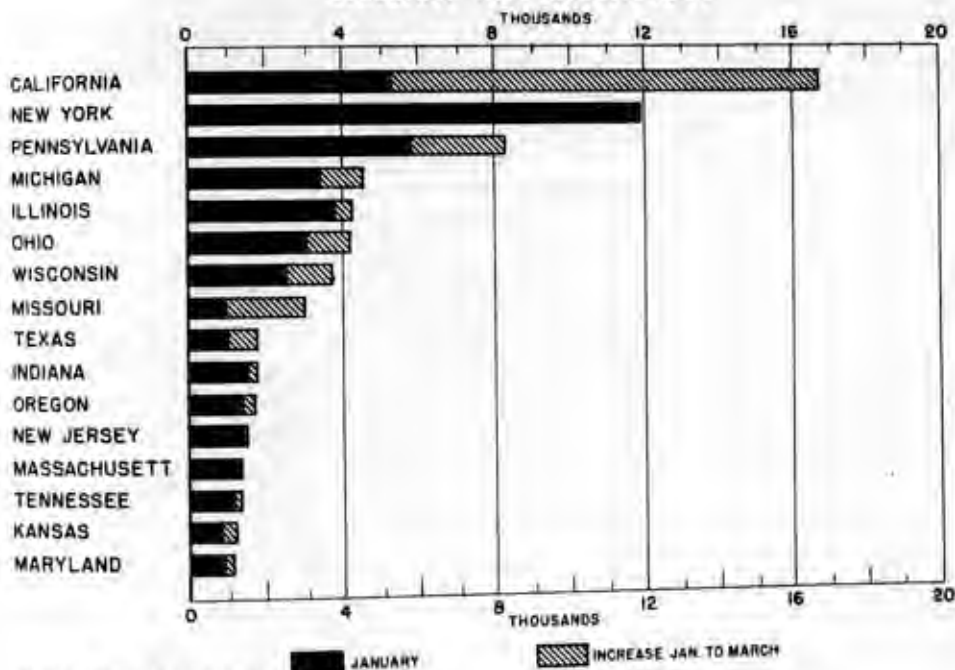
The estimated requirements of additional employees in the chief defense industries in the year ending April 1942, are as follows:

Shipbuilding.....	324,000
Aircraft.....	408,000
Machine tool and ordnance.....	292,000
Other.....	<u>385,000</u>
Total.....	1,409,000

The preemployment-refresher courses given under the auspices of the U. S. Office of Education have been relatively important as sources for employee recruits in defense industries. The enrollment in introductory preemployment courses has risen from about 85,000 in November 1940 to 83,000 in April 1941. Between July 1, 1940 and April 1, 1941, about 273,000 persons have been enrolled in these courses. It has been estimated that about half of those students find employment while they are enrolled or on completion of their work. The "supplementary courses" given under the auspices of the U. S. Office of Education had an enrollment of 129,000 on April 1 in comparison with 85,000 as of February 1. The enrollment in the supplementary courses is composed of those who have secured jobs and desire additional training.

During the first quarter of 1941, California showed the greatest activity in the expansion of the training program (see Chart below and the Table on Page 18 of Appendix B).

ENROLLMENT IN DEFENSE TRAINING COURSES JANUARY AND MARCH 1941



SOURCE: OFFICE OF EDUCATION

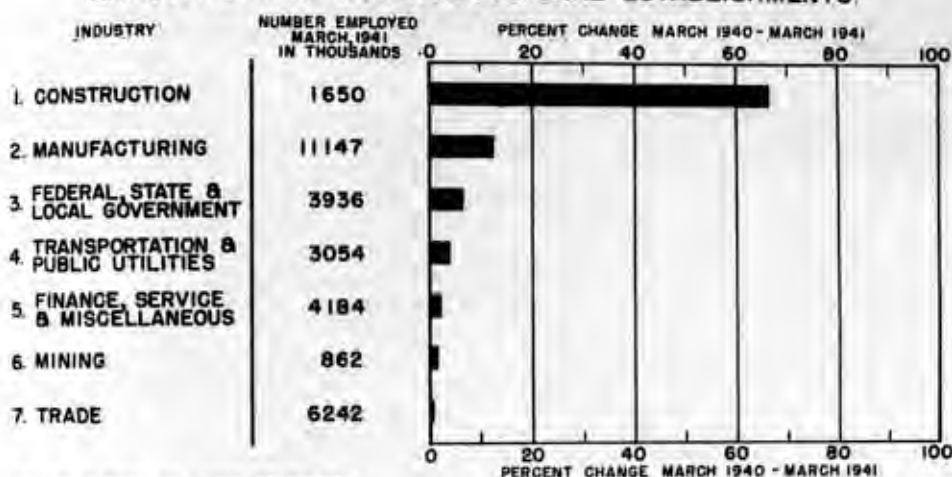
The enrollment referred to in the chart is for the preemployment-refresher courses. It is apparent that there was a general expansion in the program during recent months, although the enrollment seems small in consideration of the magnitude of the training problem confronting the country, if the 5 million unemployed are to be absorbed in an expanding program.

The "out-of-school work program" of the National Youth Administration is assuming greater importance as a source for recruits of employees in defense industries. The enrollment in the program was 481,988 in February, if account is taken of all the persons enrolled at any time during the month. Many of these are also students in the preemployment courses offered under the auspices of the U. S. Office of Education.

The "in plant training program" is also expanding and now has over 220 offices over the country where industries can secure consulting advice on the training programs. There is no available measure, however, of the extent of the contribution of this voluntary organization in expanding the force of skilled and semi-skilled workers.

The defense program may be expected not only to cause a scarcity of workers in various areas of employment, but it will also create a certain distortion in the distribution of the working force among the several industries. The largest increase of employment during the past year has taken place in the construction industry, where total employment has risen 66.5 percent. In the field of manufacturing, employment has risen 12.3 percent in comparison with an increase of 6.8 percent in civil non-agricultural employment (see Chart below and Table on Page 19 of Appendix B).

EMPLOYMENT IN NON-AGRICULTURAL ESTABLISHMENTS



SOURCE: BUREAU OF LABOR STATISTICS

The large increase in employment in the construction industry suggests the possibility of a shortage of employment in that area. However, the 2,500,000 now employed in the industry represent a lower level than that attained in the twenties. The scarcity of skilled workers is mainly local in character and does not threaten to become general at an early date.

A better picture of distortions or extraordinary rises in employment is shown by the data on employment changes in defense industries (see Chart below and the Table on Page 20 of Appendix B). The aircraft and shipbuilding industries show the largest percentage changes in employment, although the number of employees added is relatively large in some of the industries where the percentage rise is of a less phenomenal character. The percentage rise of employment in the explosive industry is large but the number of employees added has not represented significant changes in manufacturing employment.



Section IV

Regional Changes in Employment in Relation to the Volume
of Construction and the Distribution
of Defense Contracts

The rise of non-agricultural employment in the United States during the past 9 months has been relatively large in those states where the volume of contracts awarded has been greatest (see Charts on Pages 38, 39, and 40, and Tables on Pages 21, 22, and 23 of the Appendices). The increases in employment have been especially large in the New England States, the South Atlantic States, the Central States, and the Pacific States. Changes in the number employed have been relatively small in the Mountain States and the West and North Central States.

There is, however, a more marked correspondence between the volume of contracts and the rise of employment in the industrial areas where contract work is carried forward (see Charts on Pages 39 and 41, and Tables on Pages 22 and 24 of the Appendices).

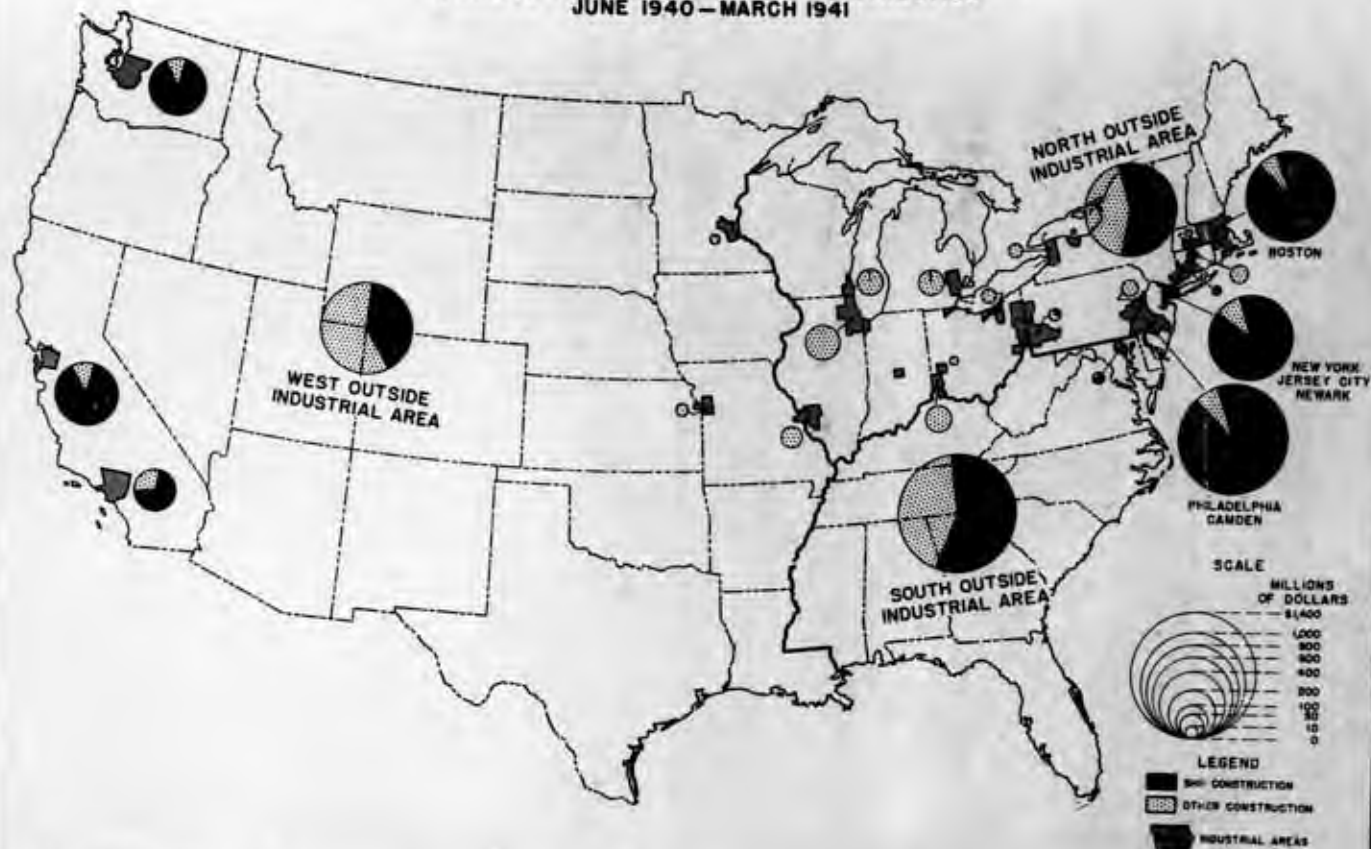
Non-agricultural employment has risen most in the metropolitan cities of industrial areas where the volume of defense contracts has been large (see Chart on Page 41). If there are to be "ghost towns" after the defense period, it seems likely that they will appear in the metropolitan areas of the large cities of the country where the major part of defense contract work is being carried out.

The raw materials expenditure on construction contracts, amounting to 510 millions of dollars in the first quarter of 1941, was doubtless distributed mainly to the industrial states. Iron and steel purchases largely affected the North Central States, while the South - Outside Industrial Area will be affected most by aluminum purchases. In similar fashion, it is necessary to consider each of the raw material items separately if one is to judge where an increase in demand affects employment.

Farm employment has tended to decline somewhat in 1941 in the areas where defense employment has increased most (compare Charts on Pages 42 and 40, and Tables on Pages 25 and 23 of the Appendices). For example, farm employment has declined in 1941 as compared with 1940, and in 1940 as compared with 1939, in the South Atlantic States and also in the South Central States, which are relatively important agricultural areas. Similar trends appear in the North Central Area and in the Pacific States.

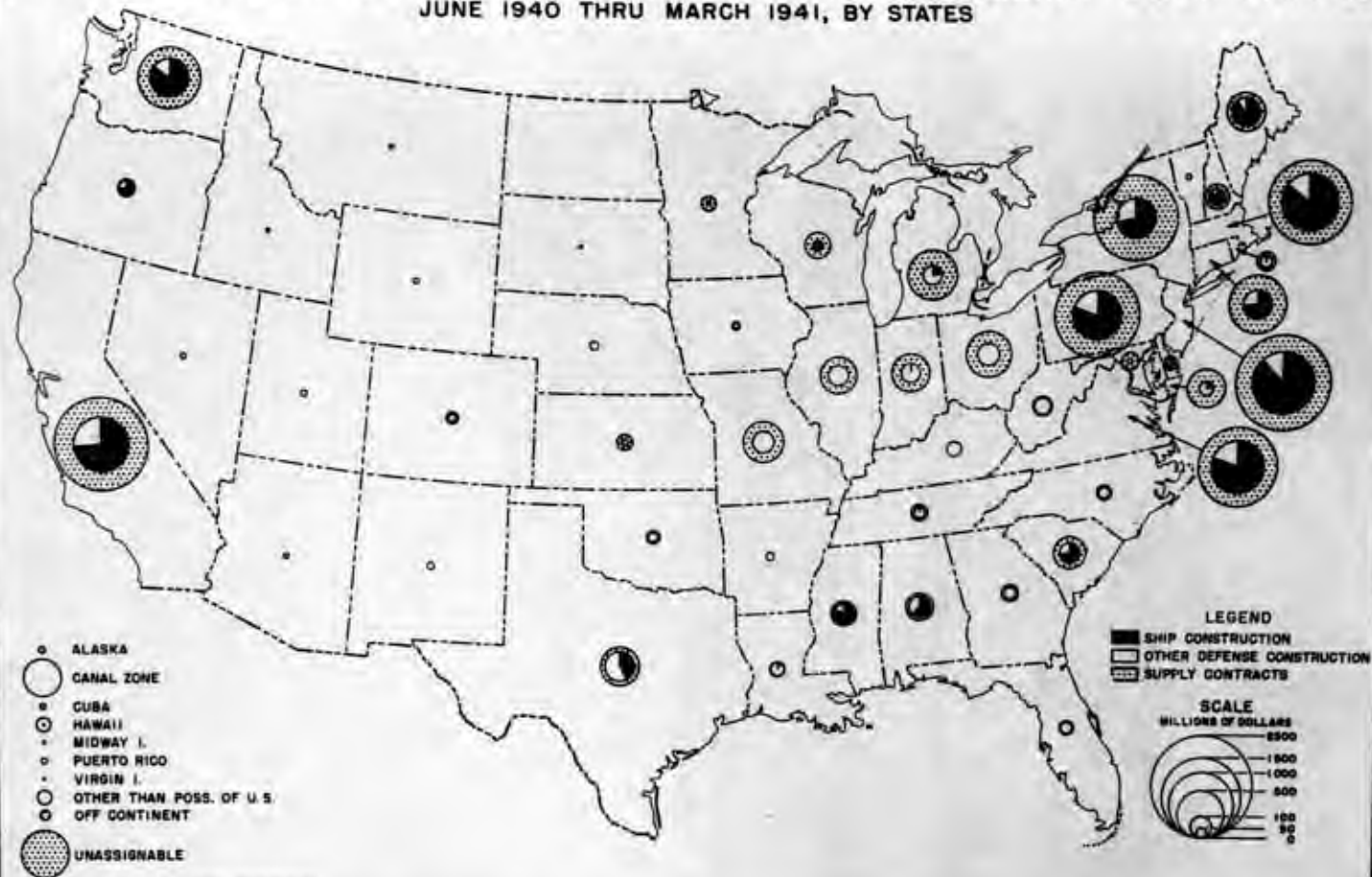
Industrial plant building has shown large increases in the West Central States, in New York and Pennsylvania, and in Texas (see Chart on Page 43 and Table on Page 26 of Appendix B). Since the data are taken from the F. W. Dodge Corporation reports, they do not furnish information for the Pacific States. If it be considered that the plant expansion program is in its early stages, it becomes apparent

DEFENSE CONSTRUCTION
VALUE OF CONTRACTS AWARDED AND FORCE-ACCOUNT WORK
STARTED FOR SHIP AND OTHER CONSTRUCTION
JUNE 1940 - MARCH 1941

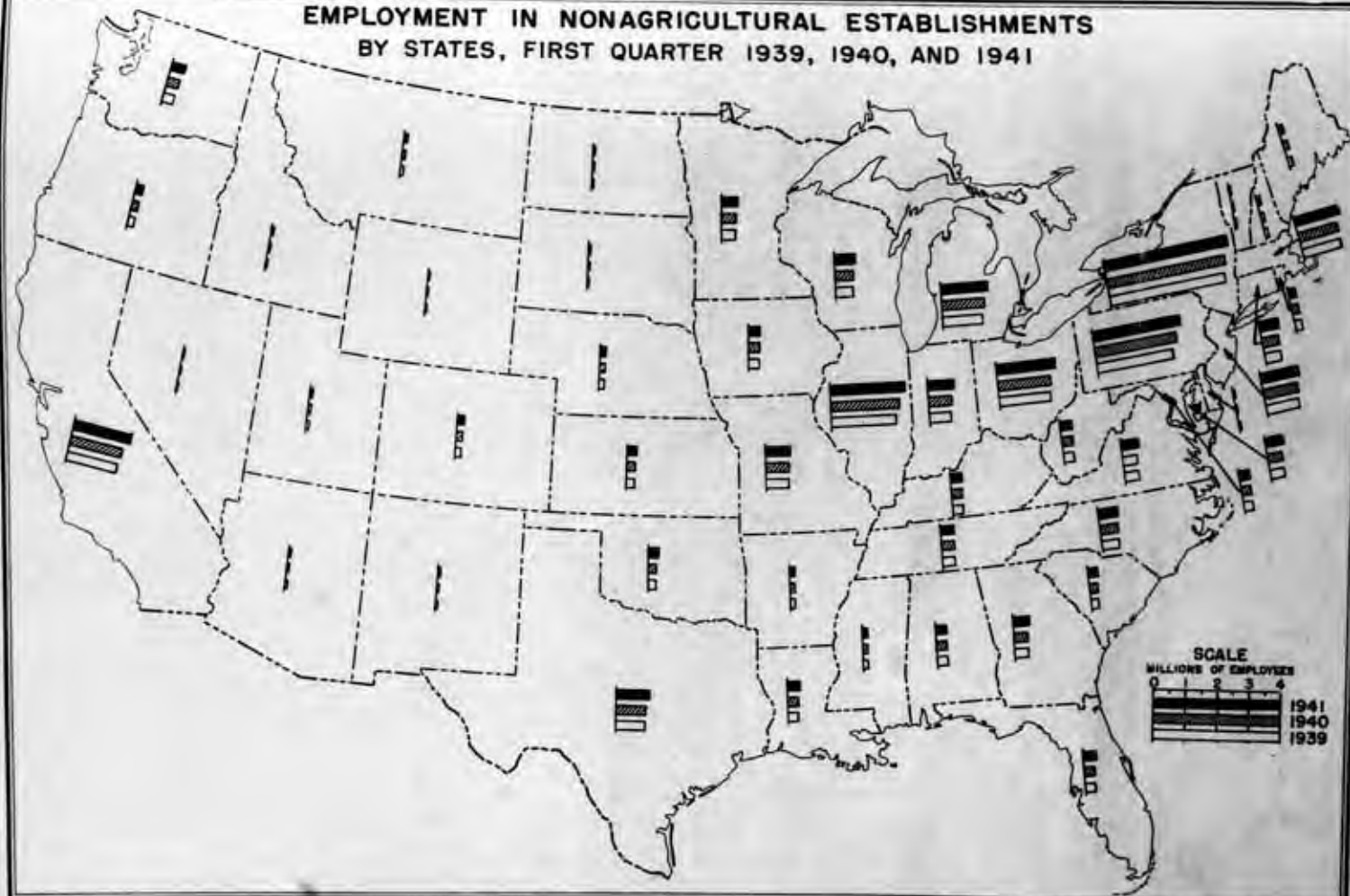


SOURCE: BUREAU OF LABOR STATISTICS

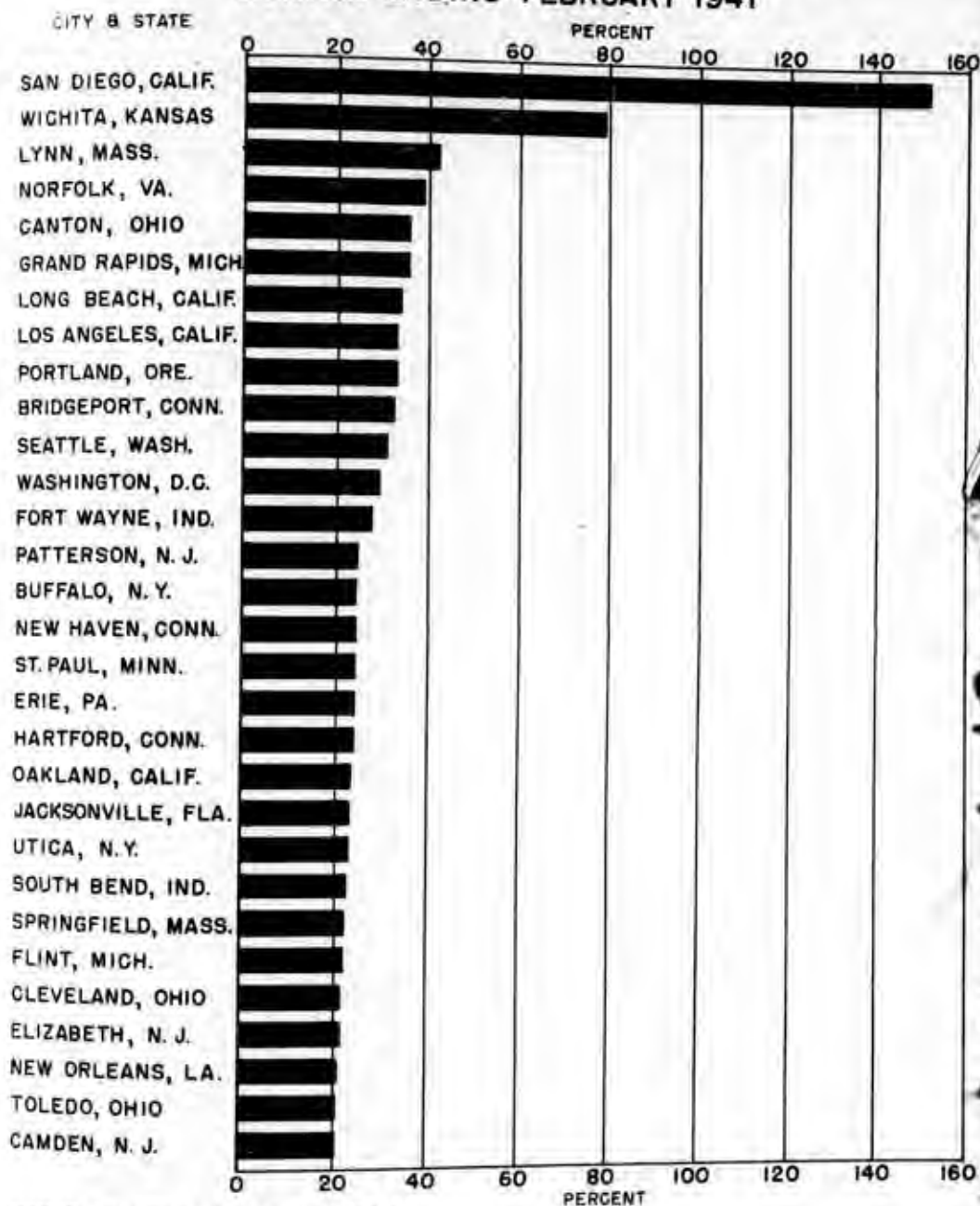
VALUE OF DEFENSE CONTRACTS AWARDED AND FORCE-ACCOUNT WORK STARTED JUNE 1940 THRU MARCH 1941, BY STATES



EMPLOYMENT IN NONAGRICULTURAL ESTABLISHMENTS BY STATES, FIRST QUARTER 1939, 1940, AND 1941



CITIES IN WHICH MANUFACTURING EMPLOYMENT HAS RISEN 20% OR MORE IN THE TWELVE MONTHS ENDING FEBRUARY 1941



SOURCE: BUREAU OF LABOR STATISTICS

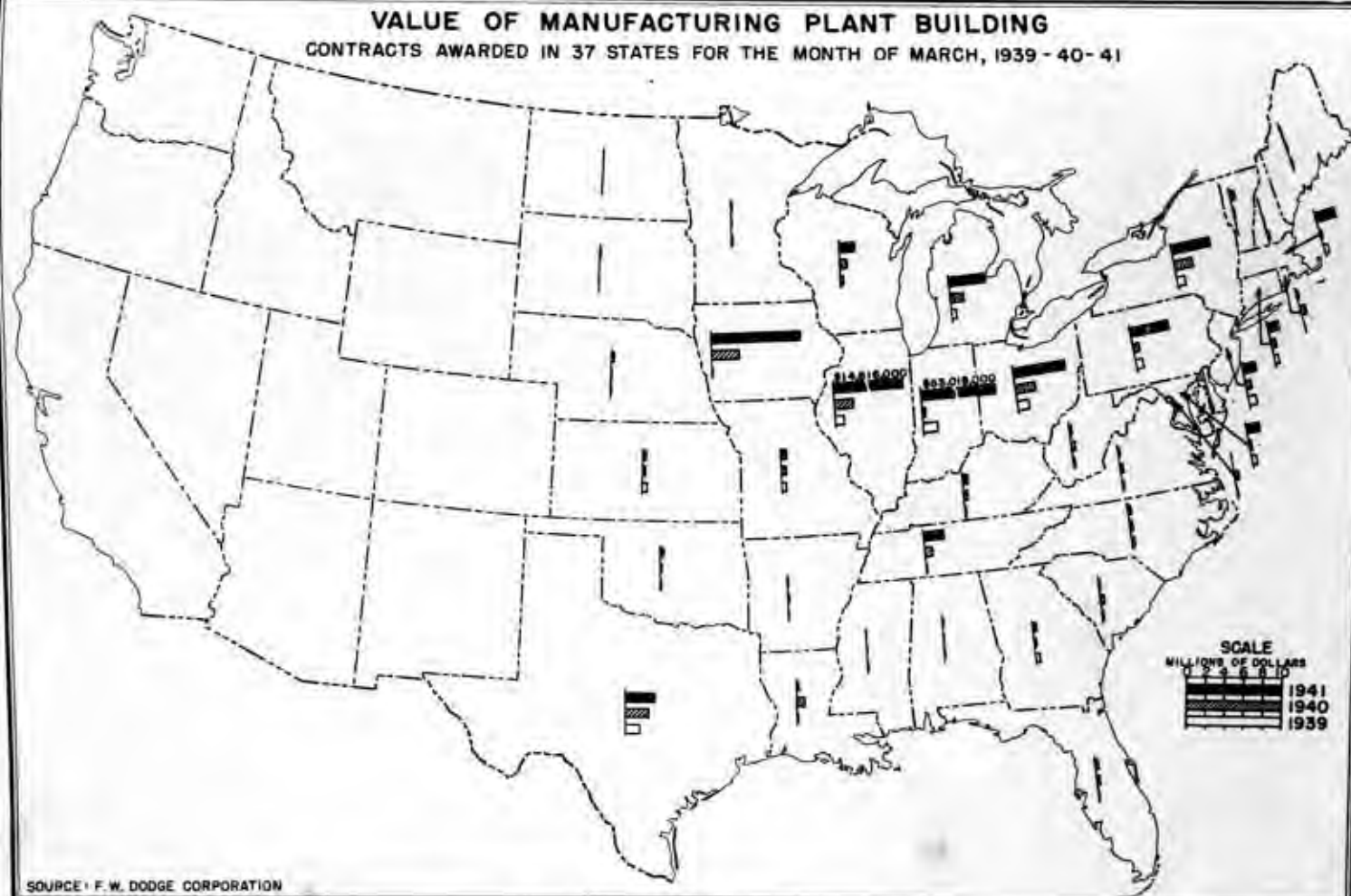
FARM EMPLOYMENT
BY REGIONS, FIRST QUARTER 1939, 1940, AND 1941

SCALE
MILLIONS OF EMPLOYEES
0 2
1941
1940
1939

SOURCE: U.S. DEPARTMENT OF AGRICULTURE

42

CONTRACTS AWARDED IN 37 STATES FOR THE MONTH OF MARCH, 1939 - 40-41



SOURCE: F. W. DODGE CORPORATION

that plant development will be extensive in the North Central States. There will probably be a tendency for concentration of industrial production in these areas to persist after the defense period; at least, the experience succeeding the World War justifies such an inference.

The rise in non-residential construction has affected the same states as have been affected by the rise in plant construction (see Chart on Page 45 and Table on Page 28 of Appendix B). While non-residential construction includes a great deal of public works and engineering construction of a defense character, it appears that the increase in the non-plant industrial and engineering construction has not materially altered the picture already given in the preceding chart on the distribution of plant construction.

The increase of residential construction in various sections of the country has been less than that of non-residential construction (see Chart on Page 46 and Table on Page 30 of Appendix B). There has been a sharp rise in residential construction in the Pacific States, the Eastern Seaboard, the North Central Area, and the New England States, but little change as compared with the two preceding years has occurred in the agricultural states.

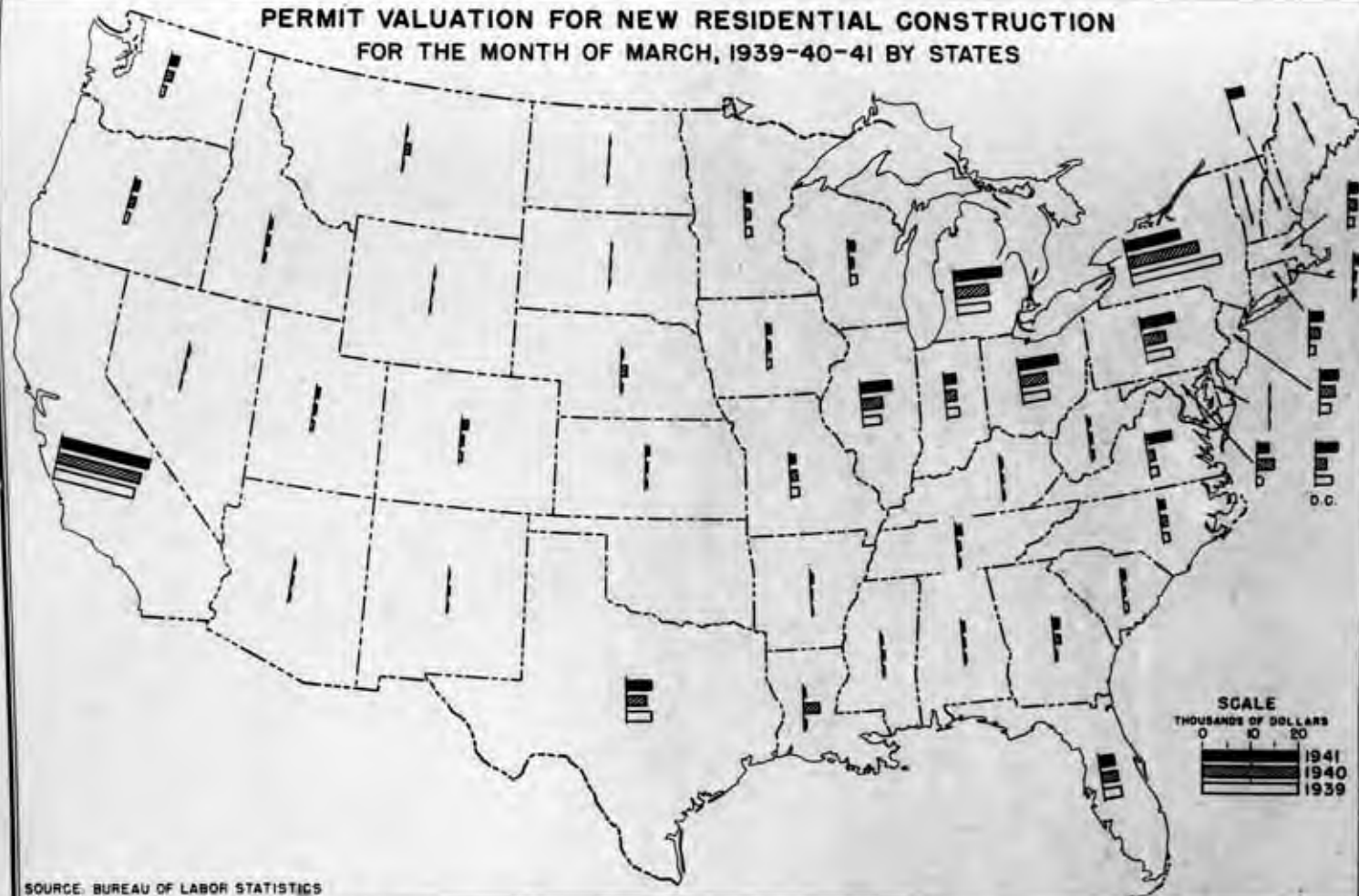
The active file of job seekers is still large in the industrial states of the country (see Chart on Page 47 and Table on Page 15 of Appendix B). However, the skilled and semi-skilled registrants for defense occupations are a relatively small percent of the active file. The percentage is relatively high in the Middle Atlantic States and the North Central Area. It will be noted, too, that in these same sections there has been a considerable rise in the registration for the preemployment and refresher courses (see Chart on Page 33). In all parts of the country, however, the number of skilled and semi-skilled registrants for defense employment seems small compared with the active file, and the training program seems inadequate in view of the large number of unemployed persons yet untrained to meet current industrial needs.

VALUE OF NONRESIDENTIAL CONTRACT CONSTRUCTION
CONTRACTS AWARDED IN 37 STATES FOR THE MONTH
OF MARCH, 1939-40-41 BY STATES



SOURCE: F.W. DODGE CORPORATION

PERMIT VALUATION FOR NEW RESIDENTIAL CONSTRUCTION
FOR THE MONTH OF MARCH, 1939-40-41 BY STATES



SOURCE: BUREAU OF LABOR STATISTICS

THE SKILLED AND SEMI-SKILLED REGISTRANTS FOR DEFENSE OCCUPATIONS COMPARED WITH THE ACTIVE FILE OF JOB SEEKERS



NOTE: ACTIVE FILE OF THE U.S. EMPLOYMENT SERVICE AS OF MARCH 31, 1941,
SKILLED AND SEMI-SKILLED REGISTRANTS AS OF FEBRUARY 21, 1941

SOURCE: SOCIAL SECURITY BOARD

Regional Labor Market Notes

(Social Security Labor Market Report for April)

New England Region

Non-agricultural Labor Supply

Labor shortages are most acute in the skilled occupations and domestic service. Lack of skilled workers is causing employers to lower skill requirements; less skilled workers are being accepted and trained on the job. Trainees in the defense training program are being rapidly absorbed.

Agricultural Labor Supply

Increased industrial activity has resulted in the transfer of domestics and farm laborers to production industries. Much concern is expressed over the inadequacy of the supply of farm hands for the spring and summer months.

Shortage of Material in Small Firms a Bottleneck Rather than Shortage of Labor

Although a number of employers are unable to operate multiple shifts because of a lack of skilled workers, a number of small firms are curtailing operations because of shortages of steel, zinc, aluminum, brass, copper, and other material. This shortage, rather than a shortage of labor, has become a bottleneck.

Training and Conditions Affecting an Adequate Labor Supply

Defense and private training courses for training the workers are becoming more prevalent. Employers are relying heavily on the promotion and in-service training programs to enable them to train adequate supplies of skilled labor. Employers are modifying their specifications on age limits and experience. Many are hiring WPA workers and women, according to the physical requirements of the work. No general liberalizations of personnel requirements are being made. There is a certain amount of race discrimination in employment.

Middle Atlantic Region

Non-agricultural Labor Supply

The supply of skilled workers, except in the construction industry, is limited. Temporary surpluses of construction workers exist because of completion of military camps and cantonments. These will probably disappear when industrial plant expansion gets under way.

Bottlenecks are developing because of shortages of machinists, tool and dye makers, machine tool operators, and power sewing machine operators. The shifting of labor to better paying industrial and defense work has contributed to high rates of labor turn-over and has created shortages in office, restaurant, domestic, and other low-wage workers.

Agricultural Employment

Migration of farm workers to defense projects and industrial employment has left the farmers with a greatly diminished supply of workers from which to draw. It is doubtful whether the farmers will be able to obtain their labor requirements during the spring and summer.

Training Program

Deficiencies of skilled workers are being met by an attempt to organize training courses to meet the needs of specific employers. The most rapid promotion of workers to higher skills is by breaking down the more skilled jobs into simpler tasks.

Great Lakes Region

Non-agricultural Labor Supply

All of the States report increased employment in manufacturing industries. While the supply of semi-skilled and unskilled labor is reported to be adequate in most localities, the supply of skilled labor, particularly in the metal trades, is practically exhausted. In spite of the strong demand for construction workers, no shortage in the labor supply has developed. A prevalent occurrence is lack of materials and machinery, which, in turn, has delayed production and the anticipated demand for workers. Although employer specifications are beginning to break down under the pressure of labor shortages, personal prejudices in regard to race, sex, and citizenship tend to persist.

Training Program

Trainees in public and private schools are absorbed by industry as rapidly as they complete their work. Training in industries is practically universal.

Cooperative Arrangements for Sharing Skilled Workers

Manufacturers are establishing cooperative arrangements by sharing the services of skilled workers. This results in a more efficient utilization of the skills in the labor force. As an example, a manufacturer facing the seasonal decrease in employment will transfer his employees to another concern which is expanding its production.

Southeast and Gulf Region

Non-agricultural Labor Supply

Completion of labor construction projects has resulted in a temporary surplus of construction workers. Shortages of skilled textile workers are developing as plants expand production by adding shifts. Inclement weather has caused a lag in employment in saw mills and logging activities.

Agricultural Labor Supply

Farmers are experiencing difficulties in obtaining labor and tenants because of more attractive job opportunities in construction industries. Because the supply of experienced construction workers will be ample to fill prospective demands, it is anticipated that many farm laborers will be compelled to return to the farms after temporary construction projects now under way are completed.

Training Program

Efforts in the national defense vocational training program are being geared to the type of training necessary for local needs. Many employers are inaugurating foundry and machine shop training courses.

Southwest Region

Non-agricultural Labor Supply

No serious labor shortage exists in any of the States in this region. Federal defense construction projects, plant expansion, and the building of housing facilities are the chief causes of new employment. Shortages in skilled workers will not occur in the near future because plants now being built will not be ready to start production for some time. Some difficulties experienced in hiring domestics are due primarily to low wages and long hours, rather than to a shortage of workers. Training programs are geared to meet the needs of local employers.

Farm Labor Supply

There is a surplus of farm labor in the Southwest region.

Training Program

Training programs are closely geared to the industrial needs of this region. Training schools for skills required to assemble airplanes operate on a 24-hour schedule. Numerous training courses have been established in public schools and at various plants and machine shops.

North Central Region

Non-agricultural Labor Supply

In general, the labor supply has been adequate. Some shortages of skilled workers in metal working occupations have developed.

Agricultural Labor Supply

Demand for farm hands seems to be greater than usual. The supply of farm workers is being depleted by the induction of men into military service and the migration of workers to defense industries. A serious shortage of farm hands is expected to develop.

Training Program

Lack of placement opportunities has caused a curtailment in the number of courses offered in auto mechanics, blueprint reading, and drafting, in the training programs.

Rocky Mountain Region

Non-agricultural Labor Supply

Shortages of skilled construction workers exist in certain localities. Although employment in mines has reached a peak in some areas, a shortage of experienced miners exists in the copper and zinc mines at Butte, Montana. Seasonal declines in employment in coal mining are occurring.

Agricultural Labor Supply

There has been a sharp upturn in agricultural employment in the southern States. There is some apprehension over the unavailability of farm labor in the northern States.

Training Program

Several States report a shortage of qualified applicants for the defense training programs.

In-migration of Workers

Announcements of large defense projects have been accompanied by in-migration of workers. In Denver, Colorado, registrations by employment offices have practically doubled by the addition of workers from outside States.

Pacific Coast Region

Non-agricultural Labor Supply

Construction work on military establishments, housing projects, and plant expansions offers the greatest opportunity for employment. Workers released from these projects are reemployed in new plants reaching the production stage. There are no serious labor shortages reported in general manufacturing fields. Some shortages of skilled workers occur in ship building and aircraft industries. White collar and service workers are hard to obtain because of prevailing wages. Firms are enforcing their demand for citizenship of employees.

Agricultural Labor Supply

No shortage in agricultural labor has been reported, although agricultural employment has expanded despite inclement weather.

Training Programs

Training programs are closely geared to Federal defense industries. Classes originally planned to last 10 weeks were shortened to 5, and have now been cut to 2 or 3 weeks. Many labor unions are carrying on training programs of their own. To supplement the skilled labor supply from training organizations, aircraft companies are recruiting workers from as far away as the Eastern States.

APPENDIX A.

ESTIMATES OF NATIONAL INCOME AND EMPLOYMENT IN 1941 AND 1942

The estimates of national income pretend to be little more than informed guesses. They are based upon appraisals of the effects of Federal fiscal policies and private investment and consumption outlays upon levels of incomes and employment. The basis of the analysis and the relationships was sketched in the two preceding Quarterly Reports.

Some of the more general assumptions underlying the estimates are as follows:

1. That Federal expenditures, including those of Government corporations, in fiscal 1942 will approximate 25 billions of dollars -- 18 billions for defense, and 7 billions for all other purposes.

2. That new taxes applicable to fiscal 1942 will be levied to yield approximately 2.3 billions of dollars in the fiscal year ending June 30, 1942.

3. That there will be some increase in the rate of saving in proportion to national income between 1941 and 1942. In general, if the rate of saving in proportion to national income increases, as it may if prices are kept in check while outlays for consumers' durable goods and residential construction are restricted by priorities and tightened credit terms, the estimates of national income will need revision downward. On the other hand, if prices show a tendency to move rapidly, the rate of saving will probably decrease and the estimates of national income will need revision upward.

4. That the estimates are not so high that more production-mindedness could not make them higher; nor are they so low that shortsighted restrictions and failures to expand capacities could not make them lower.

I. Estimates of National Income and Employment.

The estimates may be summarized as follows:

Calendar Year	National Income ^{1/}		Indicated :	
	Current :	Constant :	Price :	Employment ^{3/}
	Dollars	(1940) Dollars	Level ^{2/}	
	Billions			Millions
1939	69	69	100	47.6
1940	76	76	100	49.2
1941	89	84	106	51.8
1942	105	92	114	54.1

1/ National income produced.

2/ In the prices of goods and services constituting consumers' outlay and capital formation.

3/ Non-agricultural employment, as measured by the Bureau of Labor Statistics, U. S. Department of Labor, plus agricultural employment.

II. Basis of These Estimates.

1. National Income in Current Prices.

National income in current prices is related to offsets to saving. Estimated offsets to saving will be 20% larger in 1941 than in 1940, and 25% larger in 1942 than in 1941. This result is accounted for principally by Federal fiscal policy. Tax revenues are expected to increase sharply as the result of the increased yield of old taxes and the imposition of new ones, but spending on an expanding scale is expected to quadruple the Government's net cash deficit from 1940 to 1942. (On a consolidated basis, i.e., including Government corporations.) This deficit will increase from 4 billions of dollars in 1940, to 7.4 billions in 1941, and to 15 billions in 1942.

Adjusted Offsets to Saving. There is a lag in the relationship of national income to offsets to saving. This lag may conveniently be summarized by a relationship between national income and adjusted offsets, where adjusted offsets are equal to 60% of the current year's offsets plus 40% of the preceding year's offsets:

	<u>Current Offsets</u> <u>Billions</u>	<u>Adjusted Offsets</u> <u>Billions</u>
1940	\$17.6	\$16.4
1941	21.0	19.6
1942	26.5	24.3

The movement of national income under the stimulus of these offsets depends in large part upon the course of savings as the economy breaks into new high levels of activity. In terms of goods and services, the economy is already substantially above 1929. In the best pre-1930 years, an increase of one billion dollars in adjusted offsets was associated (in years of rising income) with an increase of roughly

3.2 billions of dollars in national income; in 1938-40, however, the associated increase was apparently 25% lower than in the best pre-1930 years. Some decline in the expansionary effects of offsets upon national income is expected between 1941 and 1942.

The six principal categories of offsets to saving are expected to move in the following general directions:

Offsets to Saving

	<u>1940</u>	<u>1941</u>	<u>1942</u>
	<u>B i l l i o n s</u>		
1. Net Government Contribution	\$ 4.0	\$ 7.4	\$15.0
2. Residential Construction	2.6	3.3	3.6
3. Change in Consumer Credit	0.9	0.9	-0.3
4. Private Outlays for Plant & Equipment	7.9	9.4	10.6
5. Change in Inventories	0.8	1.7	.7
6. Net Foreign Balance	1.4	-1.7	-3.0
Total Offsets	\$17.6	\$21.0	\$26.6

Net Government Contribution (Line 1) for calendar 1941 and 1942 was estimated by distributing 5.6 billions of dollars for fiscal 1941 and 10.2 billions for fiscal 1942 by quarters on the basis of 1940 experience. Federal expenditures in fiscal 1942 are projected at 25 billions of dollars, receipts from existing taxes at 11 billions, and receipts from the tax programs under discussion at 2.3 billions. Borrowing from pension funds, etc., and inter-fund interest payments may be 1.5 billions. The consolidated net cash deficit is, therefore, estimated at 10.2 billions.

The stimulating effect of government spending will depend, in part, upon who buys the to-be-issued Government bonds and, in part, upon whether the bonds are paid for with savings out of current income or with bank credit. The more bank credit is used, the larger will be the effects upon national income and prices. The larger the amount of bonds bought by individuals out of current savings, the smaller will tend to be the expansionary and/or inflationary effects of borrowing.

Residential Construction (Line 2) The outlay in 1941 is equivalent to almost a 12% increase in the physical volume of construction accompanied by a 16% increase in building costs. The increase in the estimated outlay for 1942 is due solely to higher costs. It is expected that the physical volume of building will be lower in 1942 than in 1941.

Consumer Credit (Line 3) This is expected to increase in 1941 along with larger automobile, refrigerator, furniture, and other consumers' outlays. Reduced outputs of durable goods by 1942, coupled with tightened credit terms and shorter periods are expected to decrease the volume of consumer credit outstanding in 1942.

Outlays for Plant and Equipment (Line 4) do not include Government financed outlays, which are part of the Government's net cash deficit.

Change in Inventories (Line 5) This is based generally upon estimates by the Department of Commerce for fiscal 1941 and 1942. Tightening up production and instituting stricter rationing controls may reduce inventory accumulation below these estimates.

Net Foreign Balance (Line 6) The Lease-Lend Plan is expected to change our net foreign balance materially by transferring what would otherwise have been net foreign balance to net Government contribution. Investments abroad will be under public rather than private auspices. Exports are expected to rise from 4 billions of dollars in 1940 to 5.3 billions in 1941 and 1942; imports for general consumption from 4.5 billions in 1941 to 5 billions in 1942; and Lease-Lend exports from 2.5 billions in 1941 to 3.3 billions in 1942. It is not unlikely that these estimates will need revision upward as the war becomes more and more intensive.

2. National Income in Constant (1940) Prices.

National income, adjusted for price changes, is estimated to increase slightly more than 10% in 1941 over 1940; and slightly less than 10% in 1942 over 1941. In these estimates, no one method of estimation was used. The results represent a balancing of forecasts of the increases in employment, price increases, and national income added by each additional worker. The increases in real national income will depend greatly upon public and private policies with respect to restricting consumption, vocational training, placement service, and time lost through labor disputes.

3. Prices.

The indicated general price increase is 6% in 1941 over 1940, and 14% in 1942 over 1940.

These price increases are substantial. They do not refer to wholesale prices, but to final prices paid by consumers, the Government, home builders, and business enterprises. No current price indexes of this type are readily available. The nature of the index would be indicated in normal times by a cost of living index, with a weight of four, and a cost of capital goods and construction index with a weight of one. During the next few years, attention must be paid to the prices of the things Government, as a final consumer, buys for the defense program.

Wholesale prices may be expected to increase much faster than the final prices discussed here.

4. Employment.

Employment is expected to rise by 2.6 millions of workers in 1941 and by 2.3 millions in 1942. Since about 2 millions of workers are regarded as unemployable, there might arise a general scarcity of labor toward the end of 1942 except for such increase in the number of gainful workers as may arise from the emergency conditions likely to prevail in the period. These estimated changes in employment are based upon the rates which have tended to prevail during periods of rapid rise in employment and take into consideration also the present composition of the labor force. Some question may be raised in regard to the continued rise in the military forces. It is assumed, however, that as the emergency reaches a more advanced stage, provision will be made for a further enlargement of the military forces. The table of estimate is presented in detail below:

ESTIMATED AVERAGE MONTHLY VOLUME OF EMPLOYMENT,
UNEMPLOYMENT, AND LABOR FORCE, 1939-1942

	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>
Military <u>1/</u>	0.4	0.6	1.6	2.8
Non-Agricultural <u>2/</u>	36.6	37.6	39.8	41.1
Agricultural <u>3/</u>	10.6	10.8	10.4	10.2
Total Employment	47.6	49.2	51.8	54.1
Unemployed	7.0	6.9	6.1 <u>5/</u>	3.4
Labor Force <u>4/</u>	54.6	55.1	56.9	57.5

- 1/ Bureau of Labor Statistics reports. It is assumed the military and naval forces will increase at an average rate of 100,000 per month in 1941 and 1942.
- 2/ Bureau of Labor Statistics non-agricultural estimates for 1939-1940 increased by 2,000,000. This increase was based on a comparison of Bureau of Labor Statistics reports with reported employment by the Bureau of Old Age and Survivors' Insurance.
- 3/ Estimated from 9,656,000 gainful workers reported by the Census of 1940 and the monthly estimates of agricultural employment reported in the Work Projects Administration Sample.
- 4/ Includes naval and military personnel. The estimate for 1942 does not allow for extraordinary additions to the labor force which might arise from war conditions.
- 5/ Includes over 2.5 millions of workers employed on Federal emergency work programs.

TABLES

CONSUMPTION SINCE 1937 IN DOLLARS OF CURRENT AND CONSTANT

. (1935 - 1939 = 100) PURCHASING POWER

Period	Consumption of Goods and Services in Current Dollars ^{1/}	Cost of Living (1935 - 1939 = 100) ^{2/}	Consumption of Goods and Services in 1935-1939 Dollars
	Billions of dollars		Billions of dollars
<u>1937</u>			
Average of four quarters	15.5	102.7	15.1
<u>1938</u>			
Average of four quarters	14.4	100.8	14.3
<u>1939</u>			
1st quarter	13.9	99.1	14.0
2nd quarter	15.2	98.6	15.4
3rd quarter	14.5	100.6	14.4
4th quarter	16.7	99.6	16.8
<u>1940</u>			
1st quarter	14.9	99.8	14.9
2nd quarter	15.9	100.5	15.8
3rd quarter	15.3	100.4	15.2
4th quarter	17.9	100.7	17.8
<u>1941</u>			
1st quarter.	16.5	100.8	16.4

1/ Consumers' outlays for goods and services. Outlays for goods were computed as follows: Data for 1937 and 1938 from Kuznets, Commodity Flow and Capital Formation in the Recent Recovery and Decline, 1932-38, National Bureau of Economic Research, Bulletin No. 74, 1939. Annual figures were divided by four to get the average for four quarters. Data for 1939 through 1941 are based upon unpublished and preliminary estimates of retail trade.

Outlays for services were computed as follows: Figures for 1937 and 1938 represent estimates by Martin Taitel on the basis of data compiled by V Lewis Bassie. Quarterly figures for 1939 through 1940 were computed by applying to an estimated level of annual expenditures for services, percentages for each quarter derived from indexes of expenditures for transportation, transit expenditures, and other consumers' outlays for services.

2/ Compiled by the Bureau of Labor Statistics: National Income Produced is estimated on the basis of data on income payments compiled by the Department of Commerce.

NATIONAL INCOME AND CONSUMPTION SINCE 1937

Not Adjusted for Seasonal Variation

Period	Consumption of			National Income 3/
	Commodities 1/	Services 2/	Total	
Billions of dollars				
1937				
Average of four quarters	11.0	4.5	15.5	17.8
1938				
Average of four quarters	10.0	4.4	14.4	15.9
1939				
1st quarter	9.2	4.7	13.9	16.5
2nd quarter	10.7	4.5	15.2	16.8
3rd quarter	10.1	4.4	14.5	17.1
4th quarter	12.0	4.7	16.7	19.0
1940				
1st quarter	10.1	4.8	14.9	17.9
2nd quarter	11.4	4.5	15.9	18.2
3rd quarter	10.9	4.4	15.3	18.8
4th quarter	13.1	4.8	17.9	20.8
1941				
1st quarter	11.4	5.1	16.5	20.9

1/ Data for 1937 and 1938 from Kuznets, *Commodity Flow and Capital Formation in the Recent Recovery and Decline, 1932-38*, National Bureau of Economic Research, Bulletin No. 74, 1939. Annual figures were divided by four to get the average for four quarters. Data for 1939 through 1941 are based upon unpublished and preliminary estimates of retail trade.

2/ Figures for 1937 and 1938 represent estimates by Martin Taitel on the basis of data compiled by V. Lewis Bassie. Quarterly figures for 1939 through 1940 were computed by applying to an estimated level of annual expenditures for services, percentages for each quarter derived from indexes of expenditures for transportation, transit expenditures, and other consumers' outlays for services.

3/ National Income Produced is estimated on the basis of data on income payments compiled by the Department of Commerce.

Monthly Estimates of the Changes of Assets or Funds of Selected Savings Channels, 1929-1941.

(In millions of dollars)										
Month	Life Insurance 1/	Savings and Loan Associations 2/	Mutual Saving Banks 3/	Member Banks of the Federal Reserve System 4/	Postal Savings 5/	U. S. Savings Bonds 6/	Selected Federal Pension and Trust Funds 7/	Total	Total (including Federal Pension and Trust Funds)	
1929 January	164	48	-	8	7	189	9	278	584	
February	109	22	3	48	4	62	258	806	542	
March	128	29	7	40	5	58	-40	223	523	
April	111	24	27	30	-2	60	-35	205	540	
May	126	24	28	30	-2	84	195	484	589	
June	113	28	22	42	-	82	-27	273	529	
July	171	21	27	27	6	81	-17	288	548	
August	127	21	2	10	1	65	188	414	523	
September	160	18	-11	4	-4	86	-30	171	501	
October	144	21	-10	68	4	41	10	227	547	
November	148	21	-18	40	4	48	210	488	548	
December	147	42	-21	28	4	58	-52	232	588	
Total	1,488	388	68	368	27	798	568	2,818	5,233	
1940 January	178	28	-34	45	11	164	12	282	590	
February	128	22	-30	30	7	127	128	284	521	
March	185	28	-24	58	4	96	-22	291	517	
April	141	29	-18	22	2	112	-12	227	500	
May	109	22	-18	40	-4	51	182	286	504	
June	99	28	-7	18	-4	34	-22	142	478	
July	177	20	-1	41	4	51	-37	228	502	
August	122	19	3	40	1	42	191	418	527	
September	202	28	10	20	-2	38	-17	274	521	
October	122	20	10	40	-	40	-12	241	522	
November	129	28	17	20	2	28	201	484	526	
December	128	28	22	27	6	72	-4	230	524	
Total	1,746	291	-85	472	25	882	684	4,250	5,282	
1941 January		51			10	178	2			
February		33			2	109	283			
March						119				

1/ Changes in total assets less policy loans and premium notes for 206 legal reserve life insurance companies and for Federal orders. Estimated on the basis of monthly figures for forty-nine companies compiled by the Association of Life Insurance Presidents and published in the Survey of Current Business. It was estimated that assets less policy loans of forty-nine companies were 78.7% of assets less policy loans of the 206 companies and the Federal orders covered by the Spectator Company Life Yearbook.

2/ Changes in private repurchasable capital of insured savings and loan associations reported by the Federal Home Loan Bank Board in the Federal Home Loan Bank Review.

3/ Changes in total loans and investments of mutual savings banks included in abstracts issued by State banking departments. March, June, and December figures are published in the Federal Reserve Bulletin. Other months are estimated by interpolation.

4/ Changes in time deposits in Federal Reserve member banks. Includes only time deposits of individuals, partnerships, corporations, etc. March, June, September, and December figures for 1929; and March, June, and December figures for 1940 are published in the Federal Reserve Bulletin. Other months are estimated by interpolation.

5/ Changes in balance to the credit of depositors, from the Survey of Current Business.

6/ Net receipts from sale of United States Savings Bonds as of end-of-month, as published in the Daily Statement of the United States Treasury. June, 1940, is the June 28 figure.

7/ Includes Railroad Retirement (Trust) Accounts; Federal Old-Age and Survivors' Trust Fund; and Unemployment Trust Fund. Monthly figures are published in the Bulletin of the Treasury Department. Estimates are made by the following procedure: Railroad Retirement - Total receipts less benefit payments and administrative expenses; Federal Old-Age and Survivors' - Total receipts (employment taxes relating to old-age insurance plus tax on employers of eight or more) less administrative expenses; grants to States (for old-age assistance, etc., and for unemployment compensation administration); and benefit payments. Unemployment - Total deposits (by States and for railroad unemployment benefits).

INDEXES OF VALUE OF MANUFACTURERS' NEW ORDERS,
SHIPMENTS, AND INVENTORIES, BY MONTHS,
1939 - 1941
(January 1939 = 100)

Year	Month	Durable Goods			Non-Durable Goods		
		New	Ship-	Inven-	New	Ship-	Inven-
		Orders	ments	tories ^{1/}	Orders	ments	tories ^{1/}
		Received			Received		
1939	Jan.	100	100	99.6	100	100	100.2
	Feb.	100	101	100.4	99	103	99.2
	Mar.	102	108	99.6	98	106	98.3
	April	102	108	97.9	97	102	97.1
	May	105	106	96.4	101	102	96.6
	June	107	109	94.6	109	104	96.6
	July	105	100	94.4	103	103	96.0
	Aug.	107	104	96.1	103	112	94.9
	Sept.	199	126	99.0	147	133	94.9
	Oct.	197	140	102.7	116	125	96.9
	Nov.	147	142	106.6	106	118	100.6
	Dec.	115	145	110.0	104	110	103.0
1940	Jan.	106	129	112.2	103	109	106.2
	Feb.	103	129	112.8	99	110	107.0
	Mar.	112	131	112.6	101	112	106.8
	Apr.	118	133	111.5	105	108	106.2
	May	141	136	112.1	109	111	105.8
	June	157	140	111.8	118	114	105.2
	July	159	127	111.9	107	109	106.4
	Aug.	163	129	115.4	108	119	106.0
	Sept.	211	158	118.4	133	134	105.5
	Oct.	235	167	121.2	131	128	107.1
	Nov.	237	172	124.1	129	127	106.5
	Dec.	252	184	127.9	120	123	110.1
1941	Jan.	246	175	129.7	132	124	111.2
	Feb. ^r	277	189	130.7	132	133	110.8
	Mar. ^p	305	198	130.9	133	133	111.9

Source: U. S. Department of Commerce, Bureau of Foreign and Domestic Commerce.

^{1/} December 31, 1938 = 100.

r - revised.

p - preliminary.

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MONTHLY INDEX OF SPOT MARKET PRICES OF
28 BASIC COMMODITIES, 1940 - 1941
(January 1940 = 100)

Year	Month	General Index	Raw Indus- trial ^{1/}	Domestic Ag- ricultural ^{2/}	Imports ^{3/}
1940	Jan.	100.0	100.0	100.0	100.0
	Feb.	95.6	93.6	98.2	92.6
	Mar.	94.5	92.5	97.8	91.4
	April	94.5	91.0	100.4	91.0
	May	93.3	91.0	98.3	90.7
	June	90.8	91.2	93.2	88.7
	July	89.1	88.2	93.8	86.3
	Aug.	87.4	87.4	93.9	82.6
	Sept.	89.9	90.0	96.8	84.9
	Oct.	92.1	93.4	98.7	88.1
	Nov.	95.9	97.0	101.5	91.8
	Dec.	96.6	97.1	102.4	93.8
1941	Jan.	99.0	97.5	107.9	94.5
	Feb.	99.7	98.6	106.1	98.1
	Mar.	106.6	104.8	107.8	108.8

Sources: Computed from data published by the Bureau of Labor Statistics in Wholesale Prices, December and Year 1940.

- 1/ Consists of 16 commodities as follows: flaxseed, shellac, rubber, hides, rosin, print cloth, silk, wool, burlap, cotton, tin, copper, lead, zinc, and steel scrap at Chicago and at Philadelphia.
- 2/ Consists of 7 commodities as follows: barley, wheat, corn, hogs, steers, wool, and cotton.
- 3/ Consists of 11 commodities as follows: flaxseed, sugar, coffee, cocoa beans, shellac, rubber, hides, silk, wool, burlap and tin.

ALUMINUM

Indexes of Employment and Hourly Earnings,
and Prices, by Months, 1940 - 1941

Year	Month	Employ- ment	Average Hourly Earnings ^{1/}	Price of Pure Aluminum ^{2/}	Price of Scrap Castings ^{3/}
		1/ (January 1940 = 100)	1/ (January 1940 = 100)	2/ (Cents per pound)	3/ (Cents per pound)
1940	Jan.	100.0	100.0	20.00	9.48
	Feb.	100.7	100.4	20.00	9.25
	Mar.	100.7	100.9	19.75	9.13
	Apr.	100.8	101.7	19.00	8.63
	May	101.6	102.0	19.00	8.65
	June	103.8	101.8	19.00	8.60
	July	106.5	102.1	19.00	9.02
	Aug.	111.2	103.0	18.00	8.38
	Sept.	114.8	103.6	18.00	8.55
	Oct.	119.3	103.3	18.00	8.94
	Nov.	123.2	104.0	17.50	9.04
	Dec.	122.6	105.2	17.50	9.70
1941	Jan.	125.0	106.3	17.00	10.39
	Feb.	124.8	106.4	17.00	13.97
	Mar.	122.6	n.a.	17.00	14.00

^{1/} U. S. Department of Labor, Bureau of Labor Statistics.
Employment in aluminum manufactures and average hourly
earnings in aluminum manufactures.

^{2/} Metal Statistics, 1941, p. 551, and American Metal Market,
April 2, 1941. Quoted New York price of No. 1, virgin
ingot.

^{3/} Metal Statistics, 1941, p. 559, and American Metal Market,
April 2, 1941. Quoted New York price of scrap castings.

n.a. - not available

COPPER

Indexes of Production and Stocks, and
Prices, by Months, 1940 - 1941

Year	Month	Production, Refined 1/ (January 1940 = 100)	Stocks, Re- fined, at End of Month 1/ (January 1940 = 100)	Price of Electro- lytic 2/ (Cents per pound)	Price of Heavy Scrap 3/ (Cents per pound)
1940	Jan.	100.0	100.0	12.22	8.91
	Feb.	98.0	107.3	11.40	8.02
	Mar.	102.2	118.0	11.38	7.95
	Apr.	95.9	124.9	11.33	7.84
	May	101.9	131.9	11.32	7.86
	June	102.0	147.4	11.37	8.07
	July	107.8	159.3	10.81	7.46
	Aug.	95.8	146.7	10.95	7.54
	Sept.	98.1	136.8	11.54	8.23
	Oct.	98.4	121.5	12.00	8.81
	Nov.	114.1	117.0	12.00	8.87
	Dec.	114.9	105.4	12.00	8.87
1941	Jan.	111.2	86.3	12.00	8.87
	Feb.	110.9	72.1	12.00	8.91
	Mar.	112.9	66.4	12.00	9.60

1/ Journal of Commerce, April 14, 1941.

2/ Producers' price of electrolytic copper quoted at Connecticut Valley. Metal Statistics, 1941, p. 339, and American Metal Market, April 2, 1941.

3/ Metal Statistics, 1941, p. 373, and American Metal Market, April 2, 1941. Quoted at New York City.

ZINC

Indexes of Production and Stocks, and
Prices, by Months, 1940 - 1941

Year	Month	Production	Stocks of	Price	Price
		of Slab	Slab at End	of	of
		1/	of Month	Prime 2/	Old 3/
		(January 1940 = 100)		(Cents per pound)	
1940	Jan.	100.0	100.0	5.64	3.10
	Feb.	101.9	103.7	5.54	2.94
	Mar.	107.2	113.6	5.75	2.94
	Apr.	101.3	123.4	5.75	2.94
	May	98.2	114.3	5.81	2.94
	June	92.0	105.3	6.24	3.28
	July	99.4	96.6	6.25	3.37
	Aug.	97.3	76.1	6.40	3.44
	Sept.	100.9	60.7	6.94	4.11
	Oct.	107.6	38.1	7.25	4.37
	Nov.	107.7	28.9	7.25	4.40
	Dec.	114.3	20.3	7.25	4.82
1941	Jan.	115.2	15.7	7.25	5.14
	Feb.	107.5	11.2	7.25	6.17
	Mar.	120.9	11.0	7.25	7.49

- 1/ American Zinc Institute, reported in Journal of Commerce, April 8, 1941.
- 2/ Metal Statistics, 1941, p. 519, and American Metal Market, April 2, 1941. Price quoted at East St. Louis.
- 3/ Metal Statistics, 1941, p. 497, and American Metal Market, April 2, 1941. Price quoted at New York City.

IRON AND STEEL INDUSTRY

Indexes of Production, Orders, and Employment, and
Scrap Prices, by Months, 1939 - 1941

Year	Month	Production of	Value of	Employ-	Composite
		Steel Ingots	New Orders	ment	Price of
		and Castings ^{1/}	2/	3/	Scrap ^{4/}
		(January 1939 = 100)			
1939	Jan.	100.0	100.0	100.0	14.94
	Feb.	94.1	93.0	100.6	15.01
	Mar.	107.3	94.0	101.6	15.20
	Apr.	93.7	91.0	101.6	14.77
	May	92.1	100.0	100.4	14.17
	June	98.5	100.0	101.6	14.71
	July	99.6	96.0	101.2	14.92
	Aug.	118.5	102.0	103.0	15.43
	Sept.	133.3	247.0	107.3	18.32
	Oct.	169.9	228.0	122.2	21.48
	Nov.	171.8	151.0	129.3	19.66
	Dec.	162.7	116.0	130.9	17.96
1940	Jan.	157.5	90.0	128.3	17.58
	Feb.	123.6	81.0	124.6	16.88
	Mar.	119.8	101.0	118.4	16.56
	Apr.	112.0	104.0	115.1	16.14
	May	135.6	145.0	115.8	17.61
	June	154.5	161.0	121.3	19.31
	July	156.3	151.0	126.3	18.47
	Aug.	168.9	140.0	129.6	18.72
	Sept.	165.4	199.0	130.8	19.91
	Oct.	181.4	211.0	132.9	20.63
	Nov.	176.6	214.0	135.1	20.84
	Dec.	177.3	216.0	137.5	21.31
1941	Jan.	189.5	256.0	139.4	20.88
	Feb.	170.6	295.0	141.5	20.08
	Mar.	195.1	295.0	141.5	20.31

1/ The Iron Age, February 13, 1941, p. 112, and March 13, 1941, p. 109.

2/ U. S. Department of Commerce, Industry Survey.

3/ U. S. Department of Labor, Bureau of Labor Statistics.

4/ The Iron Age, January 2, 1941, p. 106, and subsequent issues.
Dollars per long ton.

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LUMBER INDUSTRY

Indexes of Production, Stocks, Prices, and
Employment, by Months, 1940 - 1941

(January 1940 = 100)

Year	Month	Production 1/	Stocks at End of Month1/	Wholesale Price 2/	Employ- ment in Sawmills2/
1940	Jan.	100.0	100.0	100.0	100.0
	Feb.	101.5	100.1	99.0	99.3
	Mar.	112.9	99.4	98.7	100.0
	Apr.	121.0	99.3	98.0	101.3
	May	128.9	98.7	97.3	104.0
	June	124.5	99.6	96.0	104.0
	July	123.1	98.3	96.0	103.4
	Aug.	139.8	96.9	99.7	109.1
	Sept.	136.2	94.1	108.5	111.4
	Oct.	145.7	90.7	115.9	111.9
	Nov.	128.4	87.9	119.0	111.1
	Dec.	122.2	86.1	120.4	108.7
1941	Jan.	126.5	83.9	120.0	105.0
	Feb.	119.7	83.2	118.7	105.0
	Mar.	131.6	83.2	118.2	106.4

1/ U. S. Department of Commerce, Bureau of Foreign and Domestic Commerce, Survey of Current Business, March 1941, p. 47.

2/ U. S. Department of Labor, Bureau of Labor Statistics.

MACHINE TOOLS

Indexes of Prices, Employment, Hours Worked, and
Hourly Earnings, by Months, 1940 - 1941

(January 1940 = 100)

Year	Month	Prices of Standard Machine Tools ^{1/}	Employment in Machine Tools ^{2/}	Average Hours Worked Per Week ^{2/}	Average Hourly Earnings ^{2/}
1940	Jan.	100.0	100.0	100.0	100.0
	Feb.	100.8	104.1	100.8	99.6
	Mar.	101.5	107.2	101.9	99.7
	Apr.	101.8	109.9	101.1	99.7
	May	102.2	112.3	100.2	99.6
	June	102.5	116.4	101.1	99.6
	July	102.6	119.3	100.2	99.9
	Aug.	102.8	120.7	98.5	98.6
	Sept.	103.3	126.0	102.1	99.6
	Oct.	103.2	131.0	103.6	100.0
	Nov.	103.7	135.1	101.3	99.9
	Dec.	106.3	140.2	106.8	101.6
1941	Jan.	108.2	145.4	106.3	103.5
	Feb.	108.7	152.4	109.5	103.6
	Mar.	n.a.	157.6	n.a.	n.a.

^{1/} U. S. Department of Labor, Bureau of Labor Statistics, Machine Tool Prices, January 1937 - January 1941, 1941, p. 5.

^{2/} U. S. Department of Labor, Bureau of Labor Statistics.

n.a. - not available

RAILROAD FREIGHT CAR SHORTAGE OR SURPLUS (NET) COMPARED WITH TOTAL PRODUCTION OF ALL GOODS AND SERVICES IN THE UNITED STATES DURING TWO IMPORTANT PERIODS

1915-1917						1940-1942					
Year and Month	Real National Production (Estimated)		RR Freight Cars			Year and Month	Real National Production (Estimated)		RR Freight Cars		
			Total in Service	Net Surplus or (-) Shortage					Total in Service	Net Surplus or (-) Shortage	
	Bil-lions of 1935 Dol-lars	In-dex (100 = June 1916)	Est. from ICC (Thou-sands of cars)	From AAR	Per-cent of Tot. in Service		Bil-lions of 1940 Dol-lars	In-dex (100 = June 1941)	Est. from ICC (Thou-sands of cars)	From AAR	Per-cent of Tot. in Service
1915						1940					
Feb.	39.8	91.0	2345	280	11.9	Feb.	73.4	85.3	1684	126.3	7.5
Mar.	40.0	91.4	2344	321	13.7	Mar.	73.9	85.9	1686	177.8	10.5
Apr.	40.3	92.3	2343	327	14.0	Apr.	74.5	86.6	1688	187.9	11.1
May	40.6	92.7	2342	291	12.4	May	75.2	87.4	1690	162.7	9.6
June	40.9	93.6	2342	300	12.8	June	75.7	88.0	1690	154.1	9.2
July	41.1	94.0	2340	275	11.7	July	76.5	89.0	1692	125.6	7.4
Aug.	41.4	94.7	2338	265	11.3	Aug.	77.4	90.0	1694	132.6	7.8
Sept.	41.6	95.1	2336	185	7.9	Sept.	78.2	91.0	1696	104.4	6.2
Oct.	41.8	95.7	2334	78	3.3	Oct.	79.1	92.0	1698	75.0	4.4
Nov.	42.1	96.2	2332	23	1.0	Nov.	79.9	93.0	1698	88.1	5.2
Dec.	42.3	96.6	2330	29	1.2	Dec.	80.8	94.0	1700	130.2	7.7
1916						1941					
Jan.	42.5	97.1	2328	47	2.0	Jan.	81.7	95.0	1708	111.9	6.6
Feb.	42.8	97.9	2324	21	0.9	Feb.	82.5	96.0	1716	88.7	5.2
Mar.	43.0	98.2	2320	-20	-0.9	Mar.	83.4	97.0			
Apr.	43.2	98.8	2318	4	0.2	Apr.	84.2	98.0			
May	43.5	99.4	2316	33	1.4	May	85.1	99.0			
June	43.7	100.0	2314	57	2.4	June	86.0	100.0			
July	43.8	100.1	2316	52	2.2	July	86.9	101.0			
Aug.	43.9	100.3	2319	10	0.4	Aug.	87.7	102.0			
Sept.	44.0	100.5	2321	-20	-0.9	Sept.	88.6	103.0			
Oct.	44.1	100.8	2324	-61	-2.6	Oct.	89.4	104.0			
Nov.	44.2	101.0	2327	-115	-4.9	Nov.	90.3	105.0			
Dec.	44.3	101.4	2329	-105	-4.5	Dec.	91.2	106.0			
1917						1942					
Jan.	44.5	101.7	2333	-59	-2.5	Jan.	92.1	107.0			
Feb.	44.6	102.0	2337	-110	-4.7	Feb.	92.9	108.0			
Mar.	44.7	102.2	2341	-125	-5.3	Mar.	93.7	109.0			
Apr.	44.8	102.5	2345	-143	-6.1	Apr.	94.6	110.0			
May	44.9	102.7	2349	-145	-6.2	May					
June	45.0	102.9	2353	-105	-4.5	June					
July	45.0	102.9	2357	-75	-3.2	July					
Aug.	44.9	102.8	2361	-34	-1.5	Aug.					
Sept.	44.9	102.8	2365	-32	-1.4						
Oct.	44.9	102.7	2369	-71	-3.0						
Nov.	44.8	102.6	2374	-140	-6.0						
Dec.	44.8	102.6	2379	-127	-5.4						

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Sources: Real National Production - Figures for June of each year are as follows:

1915-17 from National Resources Planning Board,
Structure of the American Economy, p. 377;

1940-42 from National Resources Planning Board estimates;

Figures for other months are linear interpolations from data for June.

Freight Cars in Service - Figures for June of each year are taken from Interstate Commerce Commission, Statistics of Railways;

Figures for other months are linear interpolations from data for June.

Freight Car Net surplus or Shortage - From Association of American Railroads.

A COMPARISON OF TOTAL ACTIVE FILE WITH SKILLED AND SEMI-SKILLED REGISTREANTS
IN DEFENSE OCCUPATIONS, BY STATES

Geographic Division and State	Active File First Quarter 1941	Percent Change from First Quarter 1940	Skilled and Semi- Skilled Registrants in Defense Occupations February 21, 1941	Skilled and Semi- Skilled Registrants as Percent of Active File March 1941
Thousands				
United States	<u>Total</u> 5,108	- 9.7	557,004	8.9
New England	<u>Total</u> 948	- 2.8	18,772	8.4
Maine	28	- 7.8	3,229	10.3
New Hampshire	12	-10.0	1,185	6.3
Vermont	12	-23.2	1,082	8.8
Massachusetts	209	19.4	7,184	8.8
Rhode Island	25	-18.8	2,208	8.8
Connecticut	54	-24.1	2,627	7.3
Middle Atlantic	<u>Total</u> 1,118	-10.9	92,425	8.3
New York	820	-12.8	82,638	8.3
New Jersey	207	-25.0	14,642	7.2
Pennsylvania	288	24	25,215	8.6
East North Central	<u>Total</u> 988	- 0.4	90,922	8.8
Ohio	211	12.7	22,304	7.4
Indiana	170	0	14,322	7.7
Illinois	240	21.9	22,072	8.4
Michigan	188	-22.8	21,168	12.1
Wisconsin	117	-24.3	8,848	8.1
West North Central	<u>Total</u> 547	- 8.0	21,541	8.8
Minnesota	112	-22.4	7,780	8.8
Iowa	78	-21.1	4,327	2.8
Missouri	186	8.4	9,704	5.1
North Dakota	20	2.4	1,806	8.3
South Dakota	24	-22.4	1,482	3.9
Nebraska	47	4.4	1,910	4.0
Kansas	62	8.8	4,783	7.3
South Atlantic	<u>Total</u> 848	-12.0	23,745	8.1
Delaware	11	-25.7	985	8.5
Maryland	22	-25.8	1,025	2.5
District of Columbia	29	-25.6	1,841	8.3
Virginia	48	-14.2	2,081	4.1
West Virginia	68	- 9.7	2,214	4.3
North Carolina	104	6.1	7,266	7.7
South Carolina	47	-22.9	2,215	4.9
Georgia	121	-21.6	9,900	8.6
Florida	81	28.6	6,182	5.7
East South Central	<u>Total</u> 297	-12.0	18,921	4.9
Kentucky	22	4.8	4,880	5.1
Tennessee	120	- 9.1	5,474	4.4
Alabama	94	-29.9	5,712	5.4
Mississippi	59	- 4.8	1,855	2.8
West South Central	<u>Total</u> 454	- 9.5	28,729	8.8
Arkansas	40	-27.3	5,213	12.7
Louisiana	121	23.0	8,621	8.5
Oklahoma	49	-25.6	4,747	8.2
Texas	244	- 9.3	12,948	8.7
Mountain	<u>Total</u> 190	-10.4	12,422	8.5
Montana	24	-22.6	1,427	5.5
Idaho	20	23.2	1,750	9.8
Wyoming	8	-27.3	400	5.0
Colorado	61	3.2	4,236	6.8
New Mexico	20	-15.7	1,134	2.8
Arizona	19	-24.0	846	6.7
Utah	22	-12.0	2,139	8.2
Nevada	8	0	362	6.4
Pacific	<u>Total</u> 218	-23.4	28,538	8.7
Washington	88	-20.0	1,925	2.8
Oregon	41	- 8.2	5,228	8.5
California	419	-18.8	23,387	8.7

Sources: For Defense Registrants - Labor Supply Available at Public Employment Offices in Selected Defense Occupations, March 1941, Social Security Board.
For Active File - Social Security Bulletin, Social Security Board.

LABOR SUPPLY ^{1/} AND CURRENT AND ANTICIPATED JOB OPENINGS IN SELECTED DEFENSE OCCUPATIONS, AS OF FEBRUARY 21, 1941
(Includes Job Openings Anticipated to May 1, 1941)

Industrial Occupational Divisions	Registrants Sufficient to Meet All Current and Anticipated Job Openings				Registrants Sufficient to Meet the Sum of All Current and Anticipated Needs				Total for All Groups of Occupations			
	Available : Plus Antici- : pated Needs	Supply : of Labor : as a Percent : of Labor Demand	Available : Plus Antici- : pated Needs	Supply : of Labor : as a Percent : of Labor Demand	Available : Plus Antici- : pated Needs	Supply : of Labor : as a Percent : of Labor Demand	Available : Plus Antici- : pated Needs	Supply : of Labor : as a Percent : of Labor Demand	Available : Plus Antici- : pated Needs	Supply : of Labor : as a Percent : of Labor Demand	Available : Plus Antici- : pated Needs	Supply : of Labor : as a Percent : of Labor Demand
Miscellaneous Professional and Technical	9,718	3,084	6,632	312.0	880	4,028	2,342	12.8	10,398	7,129	3,267	146.2
Aircraft Manufacturing and Service	820	81	439	642.0	1,620	21,620	20,000	7.8	2,140	21,701	19,561	8.8
Automobile Service	30,007	1,099	13,908	1280.8	0	0	0	0	20,007	1,099	18,908	1280.8
Building Construction	144,212	6,456	137,756	2102.8	0	0	0	0	144,212	6,456	137,756	2102.8
Electrical Equipment Manufacturing	9,737	302	5,425	1506.2	80	477	297	16.8	5,437	779	5,058	749.2
Instruments, Optical Goods, Machines and Clocks	645	22	261	794.1	23	726	696	6.2	709	641	132	32.8
Steel Trades, Multi-Industry, and Miscellaneous ^{2/}	45,221	9,274	36,007	488.8	112	229	210	26.0	45,449	9,402	36,047	478.2
Forging ^{2/}	6,048	804	4,242	626.2	221	282	112	71.2	5,229	1,120	4,109	464.2
Foundry ^{2/}	4,900	2,460	2,440	194.2	1,212	2,271	1,059	85.4	5,212	9,721	1,509	128.0
Heat Treating ^{2/}	388	120	268	282.2	6	0	0	0	292	120	172	202.2
Machinist Shop ^{2/}	9,124	4,948	4,176	124.8	14,172	42,452	28,279	22.8	22,207	48,284	26,073	48.0
Sheet Metal ^{2/}	6,216	1,222	4,222	212.8	212	717	405	42.8	5,031	2,700	2,331	244.2
Ship and Boatbuilding, and Boatbuilding	2,216	1,222	2,422	212.8	1,210	7,449	6,239	22.8	5,724	9,202	3,477	62.2
Textile, Garment and Related	22,221	616	21,605	2006.2	8	0	0	0	22,221	616	21,605	2006.2
Miscellaneous	10,124	720	9,404	1406.2	1,240	1,271	221	72.2	11,474	2,202	9,272	442.2
Total	250,127	24,707	225,420	222.0	22,222	22,222	22,222	22.2	212,440	112,709	99,731	222.2

Source: Labor Supply and Demand in Selected Defense Occupations, March - April, 1941 - Social Security Board.

^{1/} Labor Supply or Available Registrants consists of workers classified in primary occupations by local employment offices as qualified and available.

^{2/} Metal Trades.

**Percentage of Employees in Each Shift in Reporting Plants,
March 1941**

Industry	Number of Reporting Plants	Number of Employees	Percentage of Employees in Each Shift		
			1st	2nd	3rd
Aircraft	56	140,868 ^{1/}	58.4	30.8	10.8
Airframes	38	110,563	61.1	30.8	8.1
Engines and Propellers	18	30,305	48.2	31.0	20.8
Machine Tools	90	59,974	71.3	22.5	6.2

**Percentage of Employees in Reporting Plants Distributed
by Number of Shifts, March 1941**

Industry	Number of Reporting Plants	Number of Employees ^{1/}	Percentage of Employees in Plants Having --		
			1 Shift	2 Shifts	3 Shifts
Aircraft	59	149,015	0.8	25.4	73.8
Airframes	39	115,257	1.1	31.4	67.5
Engines and Propellers	20	33,758	0	4.9	95.1
Machine Tools	90	59,974	2.1	52.8	45.1

**Comparison of Operations for March 1941, with
December 1940 in Machine Tool Industry**

Month	Number of Reporting Plants	Number of Employees	Percentage of Employees in Each Shift		
			1st	2nd	3rd
December 1940	26	29,788	74.3	19.9	5.8
March 1941	26	32,922	70.7	22.5	6.8
Ultimate Capacity	26	41,900	45.0	32.0	23.0

Source: Bureau of Labor Statistics, U. S. Department of Labor.

^{1/} Includes only productive workers. Non-productive workers, such as men engaged in engineering, development, administrative and maintenance operations, not included.

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NET EMPLOYMENT IN PREEMPLOYMENT-REFRESHER COURSES OF THE
NATIONAL DEFENSE VOCATIONAL TRAINING PROGRAM,
JANUARY AND MARCH 1941, FOR STATES WITH
ENROLLMENT OF 1,000 OR MORE

State	Enrollment at End of Month	
	January	March
California	5,361	16,693
Connecticut	1,474	992
Illinois	3,765	4,274
Indiana	1,573	1,795
Kansas	819	1,217
Maryland	853	1,107
Massachusetts	1,252	1,379
Michigan	3,400	4,575
Missouri	963	2,951
New Jersey	1,488	1,511
New York	11,973	11,847
Ohio	3,078	4,196
Oregon	1,362	1,762
Pennsylvania	5,865	8,331
Tennessee	1,131	1,369
Texas	1,012	1,797
West Virginia	1,038	994
Wisconsin	2,539	3,676

Source: Defense Training Statistical and Research Service, United States Office of Education, Federal Security Agency. Releases dated March 24, 1941 and April 28, 1941.

EMPLOYMENT IN NON-AGRICULTURAL ESTABLISHMENTS,
FOR SELECTED MONTHS

Type of Establish- ment	March 1941	February 1941		March 1940	
	(1,000's)	(1,000's)	Percent Change to March 1941	(1,000's)	Percent Change to March 1941
Total civil non-agricul- tural em- ployment	37,218	36,928	0.8	34,852	6.8
Employment in non-agricul- tural estab- lishments	31,075	30,785	0.9	28,709	8.2
Manufac- turing	11,147	10,982	1.5	9,926	12.3
Mining	862	854	0.9	849	1.5
Construc- tion	1,650	1,678	-1.7	991	66.5
Transpor- tation and public u- tilities	3,054	3,028	0.9	2,940	3.9
Trade	6,242	6,173	1.1	6,201	0.7
Finance, ser- vice, and miscellane- ous	4,184	4,164	0.5	4,100	2.0
Federal, State, and local government	3,936	3,906	0.8	3,702	6.3
Military and naval per- sonnel	1,343	1,145	17.3	457	193.9

Source: Bureau of Labor Statistics, U. S. Department of Labor.

EMPLOYMENT IN SELECTED DEFENSE INDUSTRIES,
IN SELECTED MONTHS

Industry	March 1941	February 1941		March 1940	
	(1,000's)	(1,000's)	Percent Change to March 1941	(1,000's)	Percent Change to March 1941
Aircraft and parts	156	150	4.0 ^{1/}	67	133.7 ^{1/}
Engines, turbines, tractors, etc.	78	75	3.9	43	82.0
Shipbuilding	148	139	6.5	82	81.0
Explosives	9	9	1.1	6	49.1
Machine tools	88	85	3.4	59	47.0
Brass, bronze, and copper products	117	116	2.5	84	40.2
Electrical machinery	314	303	3.6	226	38.9
Stamped and enameled ware	69	67	2.9	54	28.4
Foundry and machine shop products	492	477	3.1	386	27.3
Blast furnaces, steel works and rolling mills	548	542	1.1	453	20.9
Chemicals	91	88	2.8	77	17.6
Automobiles	529	523	1.2	461	14.9
Total of selected industries	2,639	2,573	2.6	1,998	32.1

Source: Bureau of Labor Statistics' monthly releases.

^{1/} Percents were computed before rounding employment figures.

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DEFENSE CONSTRUCTION

Value of Contracts Awarded and Force-Account Work Started
for Ship and Other Construction, by Industrial Areas,
June 1940 through March 1941

Industrial Area	Defense Construction			
	Total	Ship	Other	Percent Ship to Total
(Millions of dollars)				
Total - All Areas	6,612.4	4,185.2	2,329.2	64.2
Total - Industrial Areas (U. S.)	3,445.0	2,774.8	670.2	80.5
Akron	.0	.0	.0	.0
Albany-Schenectady-Troy	.1	.0	.1	.0
Allentown-Bethlehem	22.5	.0	22.5	.0
Baltimore	11.7	9.5	2.2	61.2
Boston	686.3	637.0	49.3	82.8
Bridgeport-New Haven-Waterbury	5.9	2.2	1.7	56.4
Buffalo	16.8	.0	16.8	.0
Chicago	103.9	.0	103.9	.0
Cincinnati	57.7	.0	57.7	.0
Cleveland	15.5	.0	15.5	.0
Dayton	3.3	.0	3.3	.0
Detroit	55.5	.4	55.1	.7
Hartford	27.6	.0	27.6	.0
Indianapolis	.0	.0	.0	.0
Kansas City	11.1	.0	11.1	.0
Los Angeles	154.7	109.5	45.2	70.8
Milwaukee	.0	.0	.0	.0
Minneapolis-St. Paul	5.9	.0	5.9	.0
New York City-Newark-Jersey City	581.3	523.5	57.8	90.1
Philadelphia-Camden	1,031.1	987.7	73.4	92.9
Pittsburgh	15.1	5.5	9.6	26.7
Providence-Fall River	.0	.0	.0	.0
Reading	.0	.0	.0	.0
Rochester	1.2	.0	1.2	.0
St. Louis	34.5	.0	34.5	.0
San Francisco-Oakland	337.2	296.6	40.6	88.0
Scranton-Wilkes Barre	.0	.0	.0	.0
Seattle-Tacoma	254.8	234.6	20.2	88.8
Springfield-Holyoke	5.3	.0	5.3	.0
Toledo	.0	.0	.0	.0
Wheeling	.0	.0	.0	.0
Worcester	.0	.0	.0	.0
Youngstown	.0	.0	.0	.0
Total - Outside Industrial Areas	3,067.4	1,408.4	1,659.0	45.9
North - Outside Industrial Areas	723.7	416.9	306.8	57.6
South - Outside Industrial Areas	1,235.6	713.8	522.0	57.8
West - Outside Industrial Areas	688.6	277.6	411.0	40.3
Outside Continental United States	419.3	.1	419.2	- 1/

Sources: U. S. Department of Labor, Bureau of Labor Statistics, Division of Construction and Public Employment - release of April 10, 1941.

1/ Less than .1 of one percent.

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VALUE OF DEFENSE CONTRACTS AND SUPPLY CONTRACTS AND PURCHASING ACCOUNTS WHEN STARTED, BY STATE,
JUNE 1940 THROUGH MARCH 1941

State	DEFENSE CONTRACTS					Supply	Non-Agricultural Employees 1st Quarter 1941	Value per Employee 1/
	Total	Total	Ship	Other	Percent Ship to Total			
Millions of dollars						Millions of dollars	Thousands	
Total	17,099.7	8,612.8	4,182.1 1/	4,430.7 1/	54.8	11,187.4		
Total United States	16,708.6	8,086.1	4,182.1	4,430.7 1/	54.7	10,810.7	20,800	548
Alabama	186.1	108.8	29.8	79.0	26.5	66.5	286	400
Arizona	5.2	5.2	0	5.2	0	0	98	24
Arkansas	7.2	7.2	0	7.2	0	0	182	80
California	1,888.8	880.8	274.1	176.8	75.8	1,278.8	1,817	1,088
Colorado	22.8	16.9	0	16.9	0	0	218	104
Connecticut	786.0	186.8	136.8	50.0	77.7	226.5	624	1,181
Delaware	22.1	11.8	8.8	3.0	89.4	30.5	71	162
District of Columbia	75.0	7.4	0	7.4	0	0	286	204
Florida	46.4	46.0	0	46.0	0	0	488	118
Georgia	71.8	80.0	0	80.0	0	0	618	136
Idaho	0.2	0.2	0	0.2	0	0	80	4
Illinois	808.8	361.1	0	361.1	0	361.1	2,812	181
Indiana	816.1	85.0	8.8	80.8	8.0	286.1	287	287
Iowa	18.8	9.8	0	9.8	0	0	280	124
Kansas	22.8	10.8	0	10.8	0	0	308	178
Kentucky	46.8	46.8	0	46.8	0	0	278	124
Louisiana	46.7	44.7	4.8	39.9	10.7	0	408	128
Maine	216.8	182.8	174.3	8.5	94.8	184.0	186	1,708
Maryland	846.0	44.8	9.8	35.1	21.3	286.4	681	618
Massachusetts	1,088.8	746.8	287.0	108.9	86.4	624.4	1,614	1,181
Michigan	886.8	79.8	17.8	61.7	22.8	608.9	1,877	688
Minnesota	41.8	8.9	0	8.9	0	0	211	82
Mississippi	136.1	86.0	74.1	11.9	84.8	21.1	188	788
Missouri	271.8	84.8	0	84.8	0	287.5	728	271
Montana	2/	0	0	0	0	2/	107	1/
Nebraska	14.4	8.1	0	8.1	0	0	182	78
Nevada	2.4	2.4	0	2.4	0	0	22	78
New Hampshire	180.8	65.0	66.0	6.0	90.8	45.8	128	282
New Jersey	2,087.1	886.8	210.8	74.7	21.8	1,171.4	1,207	1,704
New Mexico	9.9	9.9	0	9.9	0	0	87	148
New York	1,814.7	847.9	221.8	66.1	72.4	1,286.8	2,819	418
North Carolina	46.8	24.8	0	24.8	0	22.1	628	78
North Dakota	0	0	0	0	0	0	72	0
Ohio	686.8	114.8	0	114.8	0	282.2	1,088	540
Oklahoma	22.4	20.0	0	20.0	0	0	228	88
Oregon	74.7	46.8	26.1	12.4	74.4	26.2	227	218
Pennsylvania	1,088.7	216.7	624.2	21.8	98.3	1,111.0	2,772	587
Rhode Island	86.2	21.1	0.8	20.8	1.0	67.1	280	385
South Carolina	217.8	107.7	78.2	29.6	72.4	106.8	212	287
South Dakota	0.2	0.2	0	0.2	0	0	79	4
Tennessee	88.8	26.8	1.8	27.6	4.8	40.0	622	148
Texas	218.8	210.7	86.8	118.2	46.3	104.8	1,060	282
Utah	8.8	8.7	0	8.7	0	0	108	58
Vermont	2.7	0.8	0	0.8	0	1.8	71	88
Virginia	1,488.2	841.1	224.4	116.7	21.8	211.2	548	2,800
Washington	278.2	286.0	207.8	46.2	86.8	218.2	440	1,080
West Virginia	46.8	46.4	0	46.4	0	18.8	278	222
Wisconsin	141.8	28.8	22.8	1.0	97.0	706.0	480	217
Wyoming	2.1	2.1	0	2.1	0	0	80	48
Outside	419.8	419.8 1/	0.01 1/	419.8 1/	.08			
Alaska	9.4	9.4	0	9.4	0	0		
Guam	208.4	208.4	0	208.4	0	0		
Cuba	8.8	8.8	0	8.8	0	0		
Hawaii	40.7	40.7	0.01 1/	40.7	.8			
Midway Island	1.8	1.8	0	1.8	0	0		
Puerto Rico	8.1	8.1	0	8.1	0	0		
Virgin Islands	0.8	0.8	0	0.8	0	0		
Other than possessions of the United States	48.8	48.8	0	48.8	0			
Off Continental	17.6					17.6		
Unassignable	288.1					288.1		

Source: Defense Contracts, U. S. Department of Labor, Bureau of Labor Statistics, Division of Construction and Public Employment -- release of April 10, 1941; Supply Contracts, Office of Production Management, Bureau of Research and Statistics -- release of April 21, 1941.

1/ Totals off .2, or less, due to rounding.

2/ Less than .06 millions of dollars.

3/ Non-agricultural employee.

4/ Less than 50¢ per employee.

EMPLOYMENT IN NON-AGRICULTURAL ESTABLISHMENTS, BY STATE

Geographic Division and State		1st Quarter 1958	1st Quarter 1960	Percent Change from 1958	2d Quarter 1961	Percent Change from 1960	3d Quarter 1960	December 1960	February 1961	March 1961	Percent Change from March 1960
		Thousands	Thousands		Thousands		Thousands	Thousands	Thousands	Thousands	
United States	Total	58,886	57,827	13.4	60,800	9.2	59,408	51,088	50,488	50,904	-0.7
New England	Total	2,727	2,400	12.6	2,488	11.7	2,488	2,780	2,688	2,728	0.8
Maine		178	178	6.3	188	6.8	187	187	187	187	0
New Hampshire		123	121	8.1	132	9.9	130	133	133	134	0.6
Vermont		87	70	8.0	71	1.4	70	73	71	72	-1.6
Massachusetts		1,284	1,288	16.8	1,416	11.8	1,398	1,441	1,412	1,438	-0.8
Rhode Island		218	218	16.7	280	14.2	248	281	280	284	1.2
Connecticut		810	683	24.3	894	16.8	821	828	823	818	1.6
Middle Atlantic	Total	7,181	7,487	10.4	7,898	8.8	7,888	8,067	7,888	7,888	-1.0
New York		3,662	3,788	7.0	3,918	4.4	3,944	4,011	3,914	3,988	-1.4
New Jersey		1,048	1,089	18.3	1,207	9.8	1,215	1,217	1,207	1,224	0.8
Pennsylvania		2,467	2,688	12.3	2,772	7.2	2,779	2,828	2,788	2,801	-1.0
East North Central	Total	9,188	8,487	18.7	7,182	9.8	7,108	7,848	7,110	7,218	-0.4
Ohio		1,408	1,582	18.0	1,688	10.8	1,888	1,878	1,887	1,888	0.6
Indiana		686	740	20.0	822	11.2	823	888	822	828	0
Illinois		2,081	2,148	13.8	2,812	7.7	2,812	2,880	2,808	2,834	-1.0
Michigan		1,288	1,288	17.8	1,477	11.1	1,482	1,808	1,477	1,484	-0.6
Wisconsin		879	800	18.3	682	8.3	682	688	648	687	-1.4
West North Central	Total	2,188	2,222	6.8	2,240	8.3	2,298	2,418	2,284	2,290	-2.3
Minnesota		472	488	6.3	511	8.4	523	587	508	514	-4.2
Iowa		374	380	6.3	396	4.2	408	408	388	388	-2.2
Missouri		722	742	7.8	788	6.1	788	800	788	787	-0.4
North Dakota		71	71	1.4	72	1.4	77	78	72	72	-8.0
South Dakota		78	78	6.8	78	1.3	85	85	79	79	-4.8
Nebraska		188	188	2.1	182	1.8	202	199	191	182	-8.0
Kansas		279	277	8.2	308	9.0	307	313	301	308	-2.8
South Atlantic	Total	5,198	5,280	19.1	5,808	18.8	5,681	5,888	5,818	5,848	0.8
Delaware		81	88	18.4	71	8.2	75	78	70	71	-2.7
Maryland		448	478	26.5	521	19.1	589	580	588	587	1.2
District of Columbia		304	271	21.1	388	14.8	384	372	384	374	0.8
Virginia		480	468	21.3	648	17.2	528	548	580	584	2.2
North Carolina		341	382	10.9	378	4.1	378	408	378	382	0.3
South Carolina		467	487	14.8	528	10.8	528	548	522	527	-0.9
Georgia		348	274	18.8	312	12.9	298	312	318	327	2.3
Florida		488	488	17.3	512	13.2	498	512	518	488	-2.8
Alabama		347	344	22.8	488	17.0	400	432	428	428	-1.0
West South Central	Total	1,280	1,289	11.9	1,410	8.6	1,418	1,488	1,408	1,422	-0.8
Kentucky		329	328	10.8	372	8.0	369	378	378	378	-0.8
Tennessee		408	424	13.0	462	9.0	464	470	468	462	-0.2
Alabama		341	328	13.8	388	9.9	398	398	387	392	-0.9
Mississippi		171	170	8.8	188	8.8	197	182	184	184	-1.1
West South Central	Total	1,788	1,780	14.7	1,982	19.2	1,958	2,010	1,978	1,978	-1.6
Arkansas		171	188	8.2	188	9.8	188	198	184	184	-8.8
Louisiana		341	380	18.4	408	12.8	418	458	408	407	-8.4
Oklahoma		281	282	14.8	328	14.8	297	298	281	282	-2.4
Texas		988	948	18.8	1,080	18.8	1,054	1,084	1,082	1,096	1.1
Mountain	Total	700	712	7.3	781	8.8	781	788	748	788	-2.4
Montana		100	104	7.0	107	2.9	112	112	107	107	-0.8
Idaho		74	78	8.1	80	8.3	88	88	80	81	-8.8
Wyoming		48	47	8.2	80	8.6	88	88	80	80	-8.7
Colorado		202	208	6.4	216	3.8	228	222	214	218	-1.8
New Mexico		88	88	1.9	87	8.1	90	92	84	87	-8.8
Arizona		88	88	9.4	104	7.1	111	112	108	107	-2.3
Utah		87	89	9.2	82	14.3	82	82	82	82	0
Nevada		27	28	18.6	32	14.3	32	32	32	32	0
Pacific	Total	2,178	2,248	14.7	2,484	11.2	2,480	2,628	2,484	2,518	-0.6
Washington		348	388	20.8	480	12.0	488	441	442	448	1.1
Oregon		207	211	14.8	237	12.3	238	242	238	241	-0.8
California		1,623	1,649	19.3	1,767	10.9	1,754	1,945	1,804	1,829	-1.0

Source: Bureau of Labor Statistics, U. S. Department of Labor. Revised estimates.

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CITIES IN WHICH MANUFACTURING EMPLOYMENT HAS RISEN
20 PERCENT OR MORE IN THE TWELVE MONTHS
ENDING FEBRUARY 1941

City	State	Percent
San Diego	California	151.7
Wichita	Kansas	79.2
Lynn	Massachusetts	42.1
Norfolk	Virginia	38.5
Canton	Ohio	35.7
Grand Rapids	Michigan	35.7
Long Beach	California	33.8
Los Angeles	California	32.6
Portland	Oregon	32.6
Bridgeport	Connecticut	32.1
Seattle	Washington	31.0
Washington	District of Columbia	29.1
Fort Wayne	Indiana	27.9
Patterson	New Jersey	24.8
Buffalo	New York	24.4
New Haven	Connecticut	24.4
St. Paul	Minnesota	24.2
Erie	Pennsylvania	24.1
Hartford	Connecticut	24.0
Oakland	California	23.5
Jacksonville	Florida	23.3
Utica	New York	22.9
South Bend	Indiana	22.6
Springfield	Massachusetts	22.4
Flint	Michigan	22.1
Cleveland	Ohio	21.4
Elizabeth	New Jersey	21.4
New Orleans	Louisiana	20.8
Toledo	Ohio	20.7
Camden	New Jersey	20.1

Source: Bureau of Labor Statistics, U. S. Department of Labor.

FARM EMPLOYMENT, BY REGIONS, 1939 - 1941

Geographic Division		1st Quarter 1941 ^{1/}	Percent Change from	
			1st Quarter 1940	1st Quarter 1939
	<u>Thousands</u>			
United States	<u>Total</u>	8,788	-0.5	-2.2
New England		237	2.6	1.7
Middle Atlantic		549	0.7	-0.9
East North Central		1,331	-0.4	-1.0
West North Central		1,458	-0.3	-0.2
South Atlantic		1,609	-0.9	-3.9
East South Central		1,344	-2.8	-4.6
West South Central		1,443	1.5	-2.1
Mountain		374	0	-0.3
Pacific		443	-2.9	-3.5

Source: Farm Labor Report, Agricultural Marketing Service, U. S. Department of Agriculture.

^{1/} Quarterly figures are average of the 3 months.

VALUE OF CONTRACTS AWARDED FOR MANUFACTURING PLANT BUILDING
CONSTRUCTION, FOR 37 STATES

Geographic Division and State	March 1941	Percent Change from			
		February 1941	March 1940	March 1939	
Thousands					
37 States	Total	121,776	220.0	459.7	836.7
New England	Total	3,765	- 20.0	181.2	220.0
Maine		40	25.0	- 60.0	- 46.7
New Hampshire		50	2/	500.0	- 79.9
Vermont		306	52.5	276.6	4/
Massachusetts		2,080	21.2	1,075.1	402.4
Rhode Island		108	- 61.3	- 71.8	620.0
Connecticut		1,180	- 52.3	101.0	179.0
Middle Atlantic	Total	9,407	33.4	196.6	304.6
New York		4,061	32.0	104.2	395.2
New Jersey		1,426	- 16.0	134.6	60.2
Pennsylvania		3,920	72.1	581.7	537.3
East North Central	Total	88,582	611.3	1,297.4	1,979.4
Ohio		5,416	1.8	170.0	378.9
Indiana		63,018	4,156.0	19,531.8	4,076.1
Illinois		14,816	486.3	658.2	1,566.6
Michigan		3,834	86.7	176.4	674.5
Wisconsin		1,498	39.3	123.2	534.7
West North Central	Total	10,408	424.1	179.3	744.1
Minnesota		118	39.2	100.0	- 1.7
Iowa		9,140	8,209.1	220.1	22,750.0
Missouri		608	- 50.3	12.4	25.1
North Dakota		1/	-100.0	3/	4/
South Dakota		34	- 8.1	1,033.3	4/
Nebraska		206	1,266.7	1,039.0	1,039.0
Kansas		303	- 4.4	20.7	- 46.7
South Atlantic	Total	3,037	- 55.6	30.0	82.5
Delaware		3	50.0	- 66.7	- 94.0
Maryland		1,420	61.2	1,063.9	231.0
District of Columbia		1/	-100.0	-100.0	4/
Virginia		142	- 94.0	- 55.2	11.8
West Virginia		250	- 90.4	- 25.1	80.0
North Carolina		372	4.5	80.6	33.8
South Carolina		173	40.7	- 46.3	92.2
Georgia		338	- 36.6	28.0	- 18.6
Florida		33	670.5	1.5	653.3

VALUE OF CONTRACTS AWARDED FOR MANUFACTURING PLANT BUILDING
CONSTRUCTION, FOR 37 STATES

(Continued)

Geographic Division and State	March 1941	Percent Change from			
		February 1941	March 1940	March 1939	
<u>Thousands</u>					
East South Central	<u>Total</u>	2,797	35.4	128.7	742.5
Kentucky		544	- 36.6	59.5	580.0
Tennessee		2,131	1,231.9	69.4	1,663.8
Alabama		107	- 86.4	132.6	46.7
Mississippi		15	- 94.2	- 66.7	- 84.8
West South Central	<u>Total</u>	3,782	48.0	4.4	88.1
Arkansas		8	- 80.0	- 93.9	- 97.2
Louisiana		288	- 76.9	- 64.9	317.4
Oklahoma		398	182.3	170.7	352.3
Texas		3,088	173.5	22.3	96.8

Source: F. W. Dodge Corporation.

- 1/ No contracts reported for March 1941.
- 2/ Indeterminate because no contracts reported for February 1941.
- 3/ Indeterminate because no contracts reported for March 1940.
- 4/ Indeterminate because no contracts reported for March 1939.

VALUE OF CONTRACTS AWARDED FOR NON-RESIDENTIAL
CONSTRUCTION, FOR 37 STATES

Geographic Division and State	March 1941	Percent Change from			
		February 1941	March 1940	March 1939	
Thousands					
37 States	<u>Total</u>	201,458	123.7	177.0	106.0
New England	<u>Total</u>	11,846	36.9	111.9	47.2
Maine		185	48.5	- 51.5	94.7
New Hampshire		188	55.1	51.6	49.3
Vermont		427	71.5	277.9	588.7
Massachusetts		4,125	23.5	129.0	- 8.4
Rhode Island		289	- 71.5	74.3	0
Connecticut		6,432	105.8	246.9	148.4
Middle Atlantic	<u>Total</u>	32,351	103.3	87.1	13.1
New York		10,754	46.4	3.0	- 32.9
New Jersey		4,971	40.2	98.9	- 18.5
Pennsylvania		16,626	231.3	282.1	157.3
East North Central	<u>Total</u>	110,429	342.9	513.3	458.3
Ohio		8,591	0	43.4	12.7
Indiana		71,048	2,845.6	5,476.8	2,215.8
Illinois		21,636	286.5	264.3	298.0
Michigan		6,204	- 1.1	90.0	189.9
Wisconsin		2,950	43.1	92.2	94.8
West North Central	<u>Total</u>	16,452	187.5	115.0	73.1
Minnesota		935	12.0	- 8.6	- 46.0
Iowa		9,841	1,510.6	175.3	352.0
Missouri		3,542	45.0	105.9	5.7
North Dakota		50	- 81.8	- 35.1	17.5
South Dakota		172	244.0	473.3	473.3
Nebraska		642	- 3.3	6.1	- 25.9
Kansas		1,270	105.5	103.9	20.8
South Atlantic	<u>Total</u>	14,747	- 14.3	27.0	- 16.1
Delaware		448	446.3	85.1	522.2
Maryland		3,871	144.7	64.5	103.7
District of Columbia		1,825	5.7	35.2	- 37.1
Virginia		1,944	- 56.1	- 3.8	- 25.9
West Virginia		1,201	35.5	27.1	45.9
North Carolina		1,749	50.5	25.2	- 39.5
South Carolina		839	- 14.0	46.2	- 58.3
Georgia		1,292	- 47.1	1,043.4	- 55.2
Florida		1,578	11.2	- 39.8	7.3

VALUE OF CONTRACTS AWARDED FOR NON-RESIDENTIAL

CONSTRUCTION, FOR 37 STATES

(Continued)

Geographic Division and State	March 1941	Percent Change from		
		February 1941	March 1940	March 1939
<u>Thousands</u>				
East South Central <u>Total</u>	5,832	25.6	21.6	- 6.1
Kentucky	1,089	- 18.7	- 32.6	- 6.8
Tennessee	3,186	194.7	76.8	53.2
Alabama	1,255	- 18.8	75.5	- 30.5
Mississippi	302	- 55.5	- 54.7	- 73.9
West South Central <u>Total</u>	10,001	- 23.9	27.2	21.8
Arkansas	288	- 64.7	- 48.8	- 67.9
Louisiana	2,034	- 62.3	33.1	10.2
Oklahoma	1,149	66.3	65.8	65.6
Texas	6,530	4.6	28.6	36.8

Source: F. W. Dodge Corporation

PERMIT VALUATION FOR NEW RESIDENTIAL CONSTRUCTION

Geographic Division and State		March	Percent Change from	
		1941	March 1940	March 1939
<u>Thousands</u>				
United States	<u>Total</u>	119,313	19.8	25.2
New England	<u>Total</u>	9,614	111.2	211.1
Maine		25	56.2	127.3
New Hampshire		3,168	15,740.0	22,528.6
Vermont		30	78.5	1/
Massachusetts		1,957	4.1	51.8
Rhode Island		1,596	226.4	265.2
Connecticut		2,838	33.2	111.9
Middle Atlantic	<u>Total</u>	22,230	- 0.1	- 15.0
New York		11,337	- 22.4	- 39.0
New Jersey		3,864	24.2	73.7
Pennsylvania		7,029	54.7	31.3
East North Central	<u>Total</u>	28,609	44.3	43.8
Ohio		8,307	52.3	53.6
Indiana		2,441	2.5	- 4.6
Illinois		6,530	55.3	65.5
Michigan		9,943	44.3	45.0
Wisconsin		1,388	56.7	23.6
West North Central	<u>Total</u>	4,744	- 7.7	11.6
Minnesota		1,487	38.2	31.7
Iowa		817	3.2	14.3
Missouri		1,294	- 8.4	- 15.4
North Dakota		118	257.6	247.1
South Dakota		87	102.3	38.1
Nebraska		376	- 71.1	25.3
Kansas		565	17.7	18.2
South Atlantic	<u>Total</u>	19,311	41.1	48.4
Delaware		96	269.2	- 47.0
Maryland		2,246	- 36.5	100.2
District of Columbia		4,500	114.2	29.2
Virginia		5,438	364.0	326.8
West Virginia		587	16.7	7.5
North Carolina		1,058	- 7.8	- 4.1
South Carolina		959	123.5	10.5
Georgia		1,338	- 5.4	105.8
Florida		3,089	- 8.1	18.4

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PERMIT VALUATION FOR NEW RESIDENTIAL CONSTRUCTION
(Continued)

Geographic Division and State		March	Percent Change from	
		1941	March 1940	March 1939
Thousands				
East South Central	<u>Total</u>	2,544	35.0	97.4
Kentucky		580	89.5	84.7
Tennessee		1,178	68.3	173.3
Alabama		569	25.1	75.1
Mississippi		217	- 48.8	- 0.9
West South Central	<u>Total</u>	7,376	- 16.9	6.3
Arkansas		301	60.1	201.0
Louisiana		592	- 82.8	11.9
Oklahoma		1,355	58.8	27.3
Texas		5,128	19.7	- 2.2
Mountain	<u>Total</u>	3,019	- 8.8	43.1
Montana		179	- 82.3	98.9
Idaho		288	- 5.9	132.3
Wyoming		154	- 4.3	- 5.5
Colorado		1,103	59.9	78.2
New Mexico		176	- 14.1	- 6.9
Arizona		269	- 3.9	2.3
Utah		646	23.5	30.8
Nevada		204	54.5	22.2
Pacific	<u>Total</u>	21,866	9.2	17.9
Washington		1,829	16.2	95.0
Oregon		1,064	1.6	69.4
California		18,973	9.0	11.7

Source: Bureau of Labor Statistics, U. S. Department of Labor.

1/ Percent change not available.

SOURCES OF FUNDS FOR FEDERAL^{1/} EXPENDITURES
FOR FISCAL YEARS 1940-1942

	1940	1941	1942
	<u>Billions of dollars</u>		
Expenditures of the Federal Government and its Corporations	9.8	13.4	25.0
Sources of Funds for Consolidated Expenditures			
1. Taxes ^{2/}	5.9	7.4	12.6
2. Borrowing			
Internal Borrowing ^{3/}	1.0	1.3	1.6
External Borrowing ^{4/}	1.8	4.7	10.8
Total	2.8	6.0	12.4
3. Decreases in the General Fund	1.1		
4. Total	9.8	13.4	25.0

Source: Estimated from the Budget of the U. S. Government, 1942, and data compiled by the Board of Governors of the Federal Reserve System.

1/ Includes Government corporations.

2/ Total tax revenues less receipts under the Old Age and Survivors' Insurance program.

3/ Sales of securities to Federal pension and trust funds.

4/ External borrowing is equal to consolidated expenditures of the Federal Government and its corporations less taxes, internal borrowing, and decreases in the cash holdings of the general fund.

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Note: "A" is an abbreviation for Appendix A;
 "B" for Appendix B.

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