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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

STRICTLY PERSONAL

DATE March 8, 1941

TO Secretary Morgenthau
FROM Mr. Wiley

Last evening Loy Henderson came to see me. He is Assistant Chief of the European Division of the Department of State and the Department's expert on the Soviet Union -- a very competent one too. I gathered from him -- very discreetly -- that Oumansky's chagrin derives chiefly from the fact that some six or seven million dollars worth of oil drilling machinery has been held up. It appears that the War and Navy Departments are responsible; not the State Department, which for some time has been adopting a policy of considerable amiability towards the Soviet Embassy. The idea, I suppose, is not to assist in the further development of Soviet oil production at a time when the Soviet Union is exporting oil to the Reich.

Oumansky may also be very irritated that a charter of a ship has just been revoked by the Maritime Commission. Oumansky will probably blame Henderson. As a matter of fact the action was taken on the sole initiative of the Maritime Commission.

Should you be interested, and should you see General Maxwell, he could probably give you the "low down" on Soviet complaints. Also, you would find Loy Henderson most interesting should you ever have occasion to talk to him. He is an extremely decent and trustworthy person with an enormous background on the Soviet Union. His point of view is professional rather than prejudiced.

Wiley

March 8, 1941
9:30 a.m.

RE BRITISH PURCHASING PROGRAM

Present: Mr. Foley
Mr. Bernstein
Mr. White
Mr. Cochran
Mr. Bell

H.M.Jr: Dean said at a staff meeting in Mr. Hull's office that he didn't see how anybody could say that Morgenthau didn't have anything to do with foreign affairs when he personally was entirely responsible for the fact that as between Dunkirk and the first of the year that the English kept on fighting. He says, "How can you say that Morgenthau has nothing to do with it? He has single-handedly kept things going." He said he said it at a staff meeting in Mr. Hull's presence. He said Morgenthau was solely responsible for the thing having continued. That is a pretty nice thing to say.

Bell: Very nice to say among enemies.

H.M.Jr: Well, that is what he told them for, so we will give him a chance.

Now, Mr. Bell, if somebody could start in and bring me up to date on - this is what happened. Sir Frederick Phillips comes in here and says to me, "What are you going to do about our financial situation," and I said I didn't under-

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stand it and so forth and so on and asked him to give me a written memorandum, which I have not yet seen, and also that the Canadian thing, to sum up, the Canadians want to get in on the Lend-Lease, and they have asked me what they should do about their 350 million dollars worth of American securities and they have asked this - the English have asked, should they or should they not sell their gold to Canada, or should they sell it to us. I don't know how many other problems there are, but that is about all.

Bell: That is enough.

H.M.Jr: This is handed by Pinsent to Cochran in the Treasury and marked 7, noon. Yes. (See attachment 1)

"In response to the invitation of the Secretary of the Treasury, an attempt has been made below to estimate the British cash position in the near future on certain assumptions.

I. Assumptions and their possible errors.

1. It is assumed that the new system to be set up after the passage of the Lend-Lease Bill will start coming into effective operation by 1st April, 1941."

And to digress a minute, there is a memo for Bell and Foley on that that you will get this morning. What, if anything, have we done in our shop on how this thing should operate from a financial standpoint. Has anybody worked on that?

Bell: Well, I take it that you have been working with McCloy on the things, haven't you?

H.M.Jr: I mean has any work been done in the Treasury, if you want to let them have a thousand planes.

Foley: You mean from an organizational standpoint or

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from the standpoint of how the thing would operate and how you could do it?

H.M.Jr: How it would operate and how the swaps and contracts and all that would be made. Has anybody worked on that?

Foley: Yes, Oscar has been working on it.

H.M.Jr: Well, you will get a memo. We will take it up Monday. I don't think the President or Hopkins has done anything about it, and I think that that could very well be my end of the four-man Board.

White: It should be.

Bell: Are Oscar and McCloy working on that together?

Foley: Well, McCloy has been concentrating more on the bill, but Oscar has done several things in the way of memos on this very thing. He has got a draft of an open-end agreement to cover --

Bell: The over-all agreement?

Foley: Yes, kind of an open-end mortgage, and he has got in mind what could be done first.

H.M.Jr: What did you say?

Foley: I didn't say anything. I say Oscar has been working on that and has had that in mind for two or three weeks.

White: One of the important aspects of that would be in relation to this to see the kind of goods that the British will want, food stuffs and other materials which cannot fall under the Lend-Lease Bill, because that is important before a decision is made, how much they will need

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for current purchases.

H.M.Jr:

"As regards the goods to be included under the Bill, the assumption made is that the whole of the supplies referred to in the statement of requirements already filed with the U.S. Treasury will be covered. We do not yet know how far that assumption is correct.

3. It is an extreme assumption that the system can be brought into perfect and complete operation from the 1st April. Delays are inevitable particularly in such matters as regulating the procurement of foodstuffs and miscellaneous goods. In many cases goods which could be brought under the Bill if purchased by the U.K. Government from the U.S. Government are at present the subject of contracts between suppliers in the U.S. and traders in the U.K. and existing contracts will have to be worked off. Probably some residue of orders, such as small rush orders for goods over the counter to meet some special emergency, will never get effectively covered. We shall have to continue buying for cash to whatever extent is necessary. No allowance has been or can well be made for these factors at present and the figures of deficits given below are therefore minimum figures which will be exceeded to an unknown extent in practice.

4. It is assumed that we continue to meet our existing commitments as they are estimated to stand on April 1st.

5. It is assumed that newly-mined African gold can go on being made available either by shipment or by switching. But our ability to ship is in fact very limited, and the amount we have available to switch is probably less than the new production of March, April and May.

6. We think we should be enabled to accumulate

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within a reasonable time a cash working balance of \$250 millions. Of this we propose that say \$100 millions in gold should be reserved out of our new gold production and accumulated over the next year to meet any calls from the Balkans and Near East, and \$150 millions made available in U.S. dollars as soon as possible.

7. Our liabilities in gold to third countries amount to about \$100 millions a year (apart from liabilities in dollars of about \$130 millions a year). After allowing for this and the accumulation of a small gold reserve as above, there should be on the production figures an amount of free gold remaining equal to \$360 millions a year or \$30 millions a month.

8. It is very difficult to make any safe assumption as to the rate of sale of our capital assets. We feel it unsafe to rely on more than \$300 millions in the period March-August.

9. It is assumed that the exports of the whole sterling area are maintained at their present level but this may be optimistic in the case of United Kingdom exports in view of war conditions.

10. It is assumed that at least the great part of our current obligations to Canada (roughly \$1200 millions a year) will be met by the repatriation of debt owed by Canada to the United Kingdom or by Canada buying and holding sterling.

At this point --"

I take it you have all got copies of this.

"At this point, two alternative assumptions are made according as we pay something or nothing in gold to Canada:

Either (1) The available newly-mined gold, at a rate of \$360 millions a year or

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\$30 millions a month, is paid to Canada and used by her to reduce the deficit in her balance with the U.S.;

- or (2) The available newly-mined gold is applied towards covering our obligations in the U.S., instead of in Canada (this would, of course, accelerate the realization of Canada's U.S. assets, and no doubt advance the date at which Canada might have to ask for the benefit of the Lend-Lease Bill)."

White: These figures are substantially higher in many more effects than those they gave us a few months ago of the expenditures required.

H.M.Jr: Let me get this first. What is the asterisk after that thing?

Bell: The figures are too low, "as the wide and immediate application of the Lend-Lease system which has been assumed could hardly be reached in practice." That is a footnote, sir.

H.M.Jr: You mean they figured from 650 to - oh, no.

White: No, they are high. Their figures of their out-payments. I can just cite one illustration. They say, for example, that they will need a hundred million dollars in gold for liabilities to third countries. Now, on our January 1st statement which they gave us, that figure was exclusive of Canada, one-fourth of that - was 21 million. British Empire payments excluding Canada and Newfoundland outside of the U.S., 21 million. For the year as a whole, it was 240 million whereas now they have upped that 12 hundred million. If they include Canada, they have doubled it, but they use that figure

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in such a way that when they get to the Canadian ones, it is not clear that it includes Canada, but I will take that up when I get to Canada. That is one of the figures that they have upped. Are you interested?

H.M.Jr: What? Well, I just - I don't want to get too many details. "To cover our shortage up to August 1941 and to provide a cash balance on the lines proposed in assumption 6 --"
Where is assumption 6?

Bell: On the first page.

White: On the first page.

H.M.Jr: I see.

White: Bottom of the first page.

H.M.Jr: I see. Well, can somebody sum this up for me? There is an awful lot of stuff. I mean - Harry, can you sum this up?

White: I can sum the problem up. I can't sum their figures up, because I just got it about 20 minutes ago.

H.M.Jr: Why didn't you get it yesterday?

Cochran: I started them around last night. We didn't get out of the meeting on China until 5:00 o'clock.

H.M.Jr: Well, why should I have to sit here when somebody hasn't got these things?

Cochran: Well, they were around at 9:00 o'clock this morning.

H.M.Jr: I like people to be prepared for me. I don't want them to do their home work in my presence.

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White: I can sum the general proposition up.

H.M.Jr: I came down here just for this thing this morning, and I thought that everybody would be ready. I don't like to sit here and wait. It arrived yesterday at 12:25.

Bell: But, Mr. Secretary, everybody, I think, thought that you were going to have a conference on Sunday and we did go into this Chinese agreement until right late last night.

H.M.Jr: When did you get word that I was going to do this?

Bell: Five minutes before I left last night.

White: I didn't get word until I got home.

H.M.Jr: Well, you can't - I did it today to save everybody so you wouldn't have to work on Sunday. Well, who can sum this up for me?

White: Well, I can sum it up without having reference to specific figures which we may or may not agree with. The summation is that they are in a position of being unable to pay the adverse balance which they have with Canada, which they now say will be over a billion dollars if they meet the schedule of payments which they were supposed to have met with us and Canada states - stated to you, Mr. Clark stated, that they didn't feel that they would be able to assist England to the full extent. Phillips says they have a certain amount. I think it is about 400 million dollars of gold, which they can give to Canada, but if they give that to Canada, they will not be able to meet their commitments here and their current expenditures. Therefore, there may have to be found some way, I think, of taking - or give them increased aid under the Lend-Lease

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Bill or possibly taking over some of the commitments. They are not clear, or at least I am not clear on that point.

Cochran: "For the rest it should not be difficult to select suitable contracts up to the amount required." That is the main point of the whole thing.

White: They estimated it at what?

Cochran: Well, they vary. It is 365 on one basis and 185 on the other. It is whether or not we take the gold from Africa and so on or permit it to go to Canada.

White: Well, I say that is the problem. Therefore, if they utilize all their gold to meet their commitments here, which they feel they will need, then Canada will have to come - will be unable to meet her exchange commitments, dollar commitments here, and it will be necessary sooner than was expected, I think, by any of us, to help Canada out, and the amount of help to Canada will have to be larger, so that the question of policy, it appears to me, is whether you want to increase your assistance to England and no assistance to Canada during the first year or whether you want to have England pay more gold and dollars here and render some assistance to Canada.

H.M.Jr: Now, do you (Cochran) differ any from Harry?

Cochran: No, I think there are just these three points. There is that one. I think you have the choice of letting the gold go from South Africa to Canada, or should we send a ship over there, say in another two or three weeks, and bring over about a hundred and twenty million dollars and permit a switch so that they could take care of their commitments here.

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White: But that is a subsidiary detail, isn't it? The main problem would still remain, whether they are to pay Canada or us?

H.M.Jr: Well, I can give a horseback opinion on that.

Foley: Pay us.

White: Well, I prepared a memorandum giving the pro's and con's on that point. (See Attachment 3.)

Foley: I think as a political, public relations, problem, it is much better for them to be paying us as much as they can and for Canada to be under the Lease-Lend Bill.

(Mr. White passed prepared paper to conference participants.)

Bell: The net effect of it really doesn't make much difference, but you told the people on the Hill Canada would not need any help, and I take it in those figures there was payment by Great Britain to Canada which enabled her to get by this year so that if you switch now, I think you will have to explain it.

H.M.Jr: Well, I made another statement, that England was going to give us every bit of gold that she could lay her hands on.

Cochran: You mentioned South Africa particularly.

Bell: And they asked about that, and you pointed out on the statement it was in there.

H.M.Jr: And as I remember, I said it was three or four hundred million, didn't I?

White: It was about 400 million, the African and Australian gold.

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H.M.Jr: And I said, "We are going to get everything."

White: That is right.

H.M.Jr: And if I don't do it, then this fellow, a man who is riding along like Flynn, would have --

White: That is just the point he is making much of. He claims that the British Empire, using part of its gold and dollar assets to meet its debts to its Empire and it will be owing us more.

H.M.Jr: Well, it seems to me that that thing is fairly simple, don't you think so, Dan?

Bell: I think you have got to do that.

White: I have listed the numerous arguments in favor of having England pay us all and there are only a few, that I could find, that are the other way around.

H.M.Jr: What are those?

White: They are very minor, but they are the only ones I could find. One is that, if we extend the Lend-Lease arrangements to Canada now, we will soon have other dominions up, and it may be easier to deal with the United Kingdom alone than with several units. I don't think that is important, but that is one item. A second one is, taking a stand either way does mean that you are getting involved in Empire relations, that if you ask the British to pay all their gold here that there may be people in England and Canada who might feel that you are trying to get the best of the deal.

H.M.Jr: I think the thing to do is to prepare a letter on this based on my testimony, to get my testimony out, it was before the Senate Committee,

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wasn't it? And simply say, "Inasmuch as I said so and so, the answer can only be that we expect you to send us all of your free gold, wherever it is mined."

Cochran: And you have the other suggestion to carry on with the Canadians, in which they asked us if they should begin to liquidate their American securities.

H.M.Jr: That will come next. Supposing, after we break up, Merle, you draft a memorandum for me on this point 1, with the help of whoever you want, which can be circulated before I get around to it again. Point 1 being that we feel that, inasmuch as I expressed myself along those lines on the Lend-Lease Bill, we expect them to send us all of their gold. Wouldn't you do that, Dan?

Bell: That is right.

H.M.Jr: That is Point No. 1, isn't it?

White: Well, that presupposes that they were going to pay 600 million to Canada, so that would have to be explained. You said all they had left after that.

H.M.Jr: No, no. Wait a minute. They told us that they were going to sell so much gold to Canada, and they haven't done it. Well, that is none of our business.

Bell: Well, it was in the statement that you prepared. There was a Canadian British payment, wasn't there?

White: That is right.

Bell: How much money?

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White: Six hundred twenty million. Eight hundred eighty was what they owed them, and the Canadians were going to take care of 260.

Bell: And the rest gold?

White: Six hundred twenty million of gold and dollar commitments which the British were presumably going to pay to Canada and would not have available to pay us. I may say, I think, after an examination of these figures, we will find that they will be able to pay a good deal to Canada as well as to us.

H.M.Jr: Well, Harry, that is beside the point and separate for the minute. The question is a matter of public policy. The Secretary of the Treasury of the United States - they are offering me, do I want them to sell us the gold or do they want us to sell it somewhere else, and I think the answer is here, isn't it? It is unanimous that they should sell it to us, isn't it?

Bell: I think that certainly to the extent that you explained to the Committee, that they would sell it to us.

H.M.Jr: That is right.

Bell: You have got to keep faith with your committees.

H.M.Jr: That is right. I think the thing to do is to look up the testimony. Bernstein, you can get it for him, can't you?

Bernstein: Yes, I can.

Cochran: I can get it.

White: Not only the testimony, but in the table we have

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a specific amount which they were going to sell to us.

Cochran: Four hundred eighty.

H.M.Jr: Well, Cochran and Bernstein and White can collaborate on this thing and have something for me - I mean, there is no sweat. If I have it Tuesday morning, so that nobody has to work on Sunday.

White: Five hundred fifty million dollars of gold, Australian and South African gold, in addition to what they currently have, was indicated by the British as to be paid over to us.

H.M.Jr: Well, anyway, I want something Tuesday morning.
Now, the next question - all right, Dan?

Bell: Yes, sir.

H.M.Jr: Now, the next question is, is the question - what other questions are the English asking us?

White: The other questions --

Cochran: Taking over the existing contracts in this final thing.

H.M.Jr: Well, they haven't answered me. I asked them how much is the R.F.C. doing. They were going to give me a figure. I said "How much are the R.F.C. going to do?"

Cochran: They just said "provide part of the subsistence."

H.M.Jr: I asked them.

Cochran: Yes, sir.

Foley: What does that mean, Mr. Secretary? I didn't know the R.F.C. was doing anything.

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H.M.Jr: Oh yes, the R.F.C., for instance, have put up capital assistance for a powder plant and they are buying it.

Foley: Oh yes, I remember now.

H.M.Jr: And there is a whole group of those. I don't know if any of them have gone through, but there was a whole group, you know.

Foley: Yes, I remember it now. I had forgotten what it was.

H.M.Jr: As I understood, they were going to do all of those things.

Foley: There is no reason why that shouldn't be done.

White: As I understand it, there may be some reason. You have already stated that they have commitments on January 1st on contracts that have already been made of a billion four - a billion twenty-seven falling due this year, 119 million due. That is what the statements said, and they said they were going to meet those commitments.

Foley: We are talking about something else, Harry, plant investment in this country that the British have put out that can be refinanced now by the R.F.C.

Bernstein: The R.F.C. is going to buy it back.

White: The plants which are supposed to be owned by them?

Foley: By the British.

Cochran: Well, there would have to be some contracts in addition to make up the total.

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Foley: Well, how would that work?

Bernstein: Is it likely to be anything like a hundred and eighty-five million?

H.M.Jr: Yes, I am giving you an appointment to continue this at 10:15 on Tuesday. Well, look, don't take up too much of my time, you see. Let me tell you just the thing which is missing. I asked them to say how much of the money was the R.F.C. going to give them. How many more contracts are there that could be bought, which means capital assistance? So I think between now and Tuesday we can get that figure. But they don't give it to me. In other words, how much are in the works? Didn't the Army do some, too, over there? Didn't the Army buy up some contracts? Wasn't that what they call the McCloy Plan?

Cochran: They figured the maximum would be 50 million dollars, didn't they?

H.M.Jr: But McCloy was buying some.

White: A hundred and fifty million, wasn't it?

H.M.Jr: Let's find out for Tuesday, what is - one, the total amount of capital commitments plus down payments that they have made. That is question one. A, and under this, how much is the Army going to take over; and B, how much is the R.F.C.; and C, how much is left over that can be taken over, and that is what they wanted to find out. I would like to have that by Tuesday. Shall I say it again?

Foley: Bernstein has got it.

H.M.Jr: Total amount for capital assistance down payments, how much is the Army taking over, and B, the R.F.C., and C, how much does that leave that

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could be taken over. There is no use of our guessing at it. I asked him that question.

Now, what is the next thing?

Cochran: You have a second memorandum on there which shows the position of their gold and so on as of March. (See attachment No. 2)

H.M.Jr: Gold? Explain that, will you?

Cochran: That is the balance sheet for the whole month of March. Now, they count the official dollar balances as of March 1 at 82. That has gone up quite a bit since then because of shipping down that 75 from Ottawa. Then the gold as of March 1 was a hundred and two million. They say there is a total of a hundred and twenty-three, but they deduct from that 21 made up of 10 in South Africa and 11 in London and scattered localities, which they say is excluded because part is needed as a reserve against agreement liabilities, and the balance can probably not be shipped to North America during March. Now, of that balance, I know part of it is in Cyprus, part of it is in Paris, and odd places where they couldn't get it out at all. They switched shortly after March 1, 52 million down from Canada, and they have in transit to North America six million, and in South Africa they have another eight million. In the newly-mined gold for the month, they figure that at 40 million. That is the rate they have been calculating for sometime, but Pinsent told me yesterday that the gold production in South Africa has fallen off in the last month and is running only about 400 million a year instead of 480, but they have left it at 40 there instead of the new estimate of 33.

White: I don't know to what extent it is our affair,

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but gold production in Africa can very easily be speeded up. They have been saving some of the rich ores for sometime.

H.M.Jr: Just let's pigeon hole that for the minute. Let me just get this, Harry. I haven't got it yet. That is 299 -

Cochran: May I explain that one point? Sales of market securities and direct investments. They have been figuring market securities at 40 million, you see, 10 a week, 40 a month, and they have added on there 35 which they thought was a fair guess at the average, immediately, of direct investment sales, but that figure is a guess.

H.M.Jr: Yes.

White: We have got some further information that we got yesterday --

H.M.Jr: Harry, please let me run through this thing, and then you take it up.

White: Yes.

H.M.Jr: Go ahead, Merle.

Cochran: That shows their cash and gold for the month of March. Then below you have the debit. They divide up the expenditure by the British Purchasing Missions for this month, and the two items on contracts placed by March 1, 175, and on contracts to be placed in March, under your rationing system, 40.

H.M.Jr: But, Merle, that 40 isn't out of pocket.

Bell: Advance payments?

Cochran: They say that they have some down payments to make, not just commitments.

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H.M.Jr: Oh, I see. Then the second balance is all the other gold and dollar items. That is 24. They still don't include in there their 16 million payment to Canada - not 16, but 52, it should be. That was the payment we calculated if they paid 620 million dollars a year, but they are leaving that out.

Bell: They are continuing to enter into contracts. Are those the things Phil Young brings to you?

H.M.Jr: Every night.

Bell: It is that big, is it?

H.M.Jr: Well, it runs 35 million a week.

Bell: Really?

Cochran: And then they would have on hand at the end of March, 60 million dollars. Now, those figures don't take into account this new 100 million dollars of gold that they are going to borrow from Belgium.

H.M.Jr: Yes.

Cochran: And if I could make a suggestion there, I would put it in that memo. I was talking to Pinsent the other day. Now that they have that Belgian gold or can get it in Canada, it might offer a good opportunity to effect a switch whereby we would get this gold which is in South Africa now ear-marked for the French. I mean, rather than leave it there where someone could eventually say it has gone to France, if we could get a ship to bring that over - it is now a hundred and 20 million, you see, and sell it to us here, we couldn't transport it from South Africa to Canada or any other place, only to New York, and let the British switch the hundred million of Belgian to France in Canada, you see, to offset the switch that has already been made in Africa

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so that would leave a hundred and twenty million free to come over here. Then they could start switching again in South Africa against the whole amount of the French gold and do that whole process over again.

H.M.Jr: Wait a minute, I am only a simple-minded farm boy. Let me just go through this thing. Let's start - how much gold have they mentally earmarked in South Africa?

Cochran: One hundred and twenty million.

H.M.Jr: Your proposal is that they take that hundred and twenty, sell it to us on board a battleship, and that would give them a hundred and twenty million dollars additional funds. Right?

Cochran: Well, they have to - they can only ear-mark against 280 million dollars of French gold.

H.M.Jr: Why?

Cochran: That is all the French gold they have. They could ear-mark against the Belgian. They could start doing that.

H.M.Jr: But the hundred and twenty we take, that would be fresh money for them here?

Cochran: Yes, give them fresh money.

White: But it wouldn't be additional.

H.M.Jr: What?

White: It wouldn't be additional.

Cochran: No, it wouldn't be additional.

H.M.Jr: Why wouldn't it be additional?

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- White: Because they are just going to switch that, but his proposal makes it possible for later, if they want to switch again, to do so, and that might be additional.
- H.M.Jr: Well, then, through selling us they have got to cancel or mentally ear-mark - they cancel that by replacing the French gold - let's say, to use round figures, to the extent of a hundred and twenty million of Belgian gold. Then everything on the slate would be wiped clean, wouldn't it?
- Cochran: Yes. It would mean that they have mentally expended that amount of Belgian gold, but they would get the hundred and twenty million proceeds here of the gold which they bring from South Africa.
- H.M.Jr: The Belgians would be out a hundred and twenty, and they would replenish the French with a hundred and twenty.
- Cochran: That is right.
- H.M.Jr: And how much of the French is up there?
- Cochran: Two hundred eighty, and 351 of the Belgian.
- H.M.Jr: So they could use the French all over again up to an amount of 280?
- Cochran: That is right. You see, we have to figure --
- White: And they haven't touched the Dutch yet.
- Cochran: Well, there is no arrangement with them yet.
- White: Not yet?
- H.M.Jr: No. Well now, what is the argument to bring up that 120 a year? Why is it better to have it here

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than in South Africa?

Cochran: Well, we ordinarily don't hold the gold abroad, and we could still carry out that promise that we get the South African production.

White: If you don't make the switch now, the gold may be stuck in South Africa, and when they want to switch it and give you the gold, they may be in no position to move it, and you may not be in a position to get it, whereas now with a battleship, I take it, you could get it, and that means that there is that much more easily available if they want to switch in the future.

H.M.Jr: How much more?

Foley: I am stupid. I didn't get all of the thinking that was behind it, whether it was new money or whether it wasn't.

H.M.Jr: Let me give it to you.

Foley: What is the arrangement with the French and the Belgians?

H.M.Jr: I don't blame you. What they have done is this. They have got 280 million in gold with the Bank of Canada, which is on deposit there, to the credit of the Bank of France, you see. Well, they got pressed for money, so they sold us a hundred and twenty of that, and they said, "Well, we didn't take it," and they set up on their books, "Credit to the account of the Bank of France a hundred and 20 of gold", but the gold is no longer in Canada, it is down in South Africa. Now, Belgium has some gold up in Canada, and I told them to get it. So they have made arrangements with Belgium that they can borrow a hundred million of that gold and they put a piece of paper - they have put on their ledger, "We owe Belgium a hundred million dollars."

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Now, the suggestion that Merle is making, in order that they can repeat this operation, is that we buy the hundred and twenty in South Africa, give them the credit, then they take and say, "Well, we can't mentally ear-mark it, so we pay back to the Bank of France a hundred and twenty of gold, but we do it with the Belgian gold. Instead of owing it to France, we owe it to Belgium." Right?

White: That is right.

H.M.Jr: I don't blame you, because it makes --

Bernstein: Why do they owe it to Belgium, Mr. Secretary, because of what is happening in Africa?

White: No, Belgium has gold on ear-mark with England in Canada. Now, England is going to borrow it. It is a different operation from the French gold. The French gold, they didn't borrow, they merely got France's permission, presumably, to ear-mark gold in South Africa instead of the gold in Canada.

H.M.Jr: No, they never told France.

White: Well, I thought they were going to.

H.M.Jr: Harry, they created a new term in international banking, which - the shades of whatever is left of BIS would roll over and die. A mental ear-mark, nothing appears.

Bell: In the ground.

Cochran: No, it is not in the ground, Dan.

H.M.Jr: Nothing appears. It is just like this, Harry, you give me a hundred dollars for safe keeping, see, and I don't say a word to you. I just take the hundred dollars cash, you see, and I just

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take it and spend it, but I say, "Well, it is all right, I mentally ear-marked another hundred in my bank up at Fishkill for Harry, so he is all right. I have got a hundred dollars up in the bank in Fishkill which is mentally ear-marked for Harry." In the meantime, I spend your cash.

Cochran: They have gone ahead, and they have mentally ear-marked an additional 52 million not in South Africa, you see. For awhile that is what threw out our figures last week, but now they are mentally ear-marking in Australia and Argentina.

White: Under the assumption that the French can read their minds.

Foley: Well, how far can this process go? Can it go to the point instead of having a mental ear-mark for gold somewhere, they end up with a piece of paper?

White: That is the next step.

Foley: I can see that.

White: They have done that with Belgium, but with Belgium's permission.

Cochran: But with this 52 now ear-marked in various places, that makes 172 they have done this with, so that only leaves 108 clear up in Canada in the French account, against which they can mentally ear-mark further; so that makes it a little urgent to start moving some of this from South Africa.

White: There is a difference between shifting the ear-mark and taking the next step. They have got a better chance of getting their gold back if it is ear-marked in South Africa than they have got if it is ear-marked for future delivery, to

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be acquired in the future.

Bell: Merle, have they got good facilities in Africa for keeping the gold?

Cochran: Yes.

Bell: I mean outside of the mine, I mean vault facilities? It is well off in the mine, I appreciate.

Cochran: We got the gold from a little port just outside of Capetown, you see. I don't know how the facilities are, but the gold has been held in Durban, Capetown, and Johannesburg.

Bell: Why is it so essential to ship - why can't we take over all the gold from Canada that is earmarked up there for France and Belgium and have Canada hold that gold in South Africa for accounts of Belgium and France and Holland?

Cochran: Canada hasn't entered into this agreement at all.

Bell: Why not?

Cochran: Well, they have some reservations on permitting the mental earmark of gold which has been earmarked with them by the Bank of France. This that they are working on now was earmarked by the Bank of France with the Bank of England, and the Bank of England moved that to Canada.

H.M.Jr: Let me make that a little simpler. There are two kinds of gold.

Bell: I appreciate that.

H.M.Jr: Let me explain it to you, because they may not have got it. This thing has been kept fairly quiet. There is French gold on deposit with Canada, and there is French gold on deposit with the Bank of Canada for the account of England. Now, when it comes to taking the French

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gold which is on deposit for the account of Canada, Prime Minister MacKenzie King has refused twice at least to do it on account of his French population. I wanted you to get that. It is MacKenzie King personally that says he hasn't been able to move it, but when Canada sees this gold coming to us and gets no gold from England, which she has some now, and has got to sell her securities, MacKenzie King will not be so worried about his French population.

White: He may be able to do some switching for Canada instead of selling it. There is just one point I am wondering if it is clear. There is another mental ear-mark which is a half-way step, and that is to ear-mark the gold in South Africa, only ear-mark it below the ground. There is a lot of it there, and they can allocate some of it to --

Foley: Just don't take that much out of the mine.
(Laughter.)

White: You leave that much in.

Foley: This sounds like an agricultural plan.

Bernstein: Well, but why can't they --

Bell: I don't see why they can't take all that gold up there and not only ear-mark the gold down in Canada but give them a - or hypothecate the securities and direct assets in the United States and let them pay it back when they sell them.

White: You can.

H.M.Jr: Let me tell you something. If they would take all the gold that is in Canada, and that was the

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assumption I went on originally, then they had enough money to pay for all the contracts they had placed up to the first of January.

White: Oh, without using even their --

H.M.Jr: Securities.

White: Direct investments.

Bell: They have got enough to take care of both the Canadian and British?

H.M.Jr: That is why I have never been worried. When I told Bill Knudsen the money was there, the gold was there, I just think this, to answer Bell's question, why bring it up here. I think as long as we take every step to get it up here - they might change their minds. The communications from South Africa up here get more difficult. A battleship might not be available three months from now, and I think all of those things - that with my record, "I have never left a stone unturned, gentlemen of the Senate, to get everything that we could in our interest."

White: Moreover, three months from now a battleship from South Africa might involve a risk of a submarine attack, because we may be involved.

Foley: More involved than we are now.

Bell: It would still be our gold, on the bottom of the ocean.

(Telephone conversation with Secretary Stimson follows.)

March 8, 1941
10:22 a.m.

H.M.Jr: Hello.

Henry L. Stimson: Hello, Henry.

H.M.Jr: How are you?

S: I'm ashamed to call you for what I am, but I wanted to know the name of that commentator that was mentioned yesterday at the table by Claude Wickard. Don't you remember?

H.M.Jr: Oh, yes, just a second. Oh, it was Max Jordan.

S: What?

H.M.Jr: It was either Max Jordan or Max Gordon.

S: Max Jordan or Max Gordon.

H.M.Jr: Yeah. I couldn't tell from his pronunciation whether it was a "J" or a "G", but it was the N.B.C. commentator in Berlin and either Max Jordan or Max Gordon, I don't know which.

S: Yes, I see. Well, that's near enough.

H.M.Jr: And he's the N.B.C. commentator in Berlin.

S: Well, that can be identified that way.

H.M.Jr: Yeah.

S: I think Claude was right in his emphasis on the necessity of getting that picture over to the people before we get them mad enough to do anything.

H.M.Jr: Right.

S: All right. Well, thank you.

H.M.Jr: As good a way as any is to do the way Bill Schneider did it; he did it through LIFE Magazine.

S: Bill Schneider, yes.

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H.M.Jr: He did it through LIFE. They ran two stories written by him in LIFE and everybody saw that.

S: How does he spell his name?

H.M.Jr: I think it's S-c-h-r-e-i-r-e-r.

S: S-c-h-r-e-i-r-e-r.

H.M.Jr: Don't ask me on spelling. Just a minute - I'm writing it out. Just let me see.

S: I'm trying to do the same.

H.M.Jr: I think it's S-c-h-e-i-r-e-r. William Scheirer.

S: Yes, all right.

H.M.Jr: I think that's the way it's spelled. That's pretty close.

S: Yes. What was he?

H.M.Jr: Well, he was also commentator in Berlin and

S: For N.B.C.?

H.M.Jr: No, I think for Columbia - Columbia Broadcasting Co. In any case he's in Westchester County writing a book, a condensation of which was run in LIFE Magazine, and they ran a series of two articles, very well done, in LIFE, and they got enormous publicity on it.

S: Well, thank you very much.

H.M.Jr: O.K.

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H.M.Jr: For once I can remember. My memory for these last few weeks has been terrible. Does anybody know whether it is Max Jordan or Max Gordon?

White: If the first name is Max, probably the last name is Gordon.

Foley: That is what I was thinking about, too.

Bernstein: That is the name of the --

Cochran: Waxie Gordon, wasn't it?

Bernstein: I was going to try and suggest a preferably legal method of acquiring that French gold of the Bank of Canada. The Bank of France owes a lot of gold to the Belgians and to the Poles, which apparently is somewhere in West Africa or other points, and if those claims were to be assigned to Canada, Canada would be able to set it off against the gold which it holds.

Bell: That is true with the English gold in Paris, I take it, that eight or ten million, whatever it is.

Cochran: That is pretty small.

Bell: But you could get it.

Bernstein: This other sum runs up to 260 million held for the Belgians.

H.M.Jr: Well, as they say on the farm, "Ruminate on it from now until Tuesday." Do you know what that means?

Foley: Ruminates?

Cochran: Sure, they chew their cud.

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White: Is it a real agricultural term?

H.M.Jr: Sure, a cow has seven stomachs, and the food goes down and comes up again, and they chew on it.

Bell: Chews her cud.

White: It is a process of re-vegetation and re-absorption.

H.M.Jr: Yes, it is a pleasant idea. In a cow the stuff comes down and comes up, and she chews it over, and the cow ruminates. So just re-digest that, will you?

Bell: Don't founder.

White: I think you would be interested in one of the items which we learned at S.E.C.

H.M.Jr: Can you just hold that S.E.C. business for a minute?

White: Yes, if I can hold it.

Foley: Have you got the time, Harry?

H.M.Jr: I wanted to just go on - just hold that a second. Now, are we all right so far? Now, I won't attempt to get any battleship until Tuesday, until we hear about it.

Cochran: Well, they would have to subscribe to the idea. I think they are sounding their people out on it already.

H.M.Jr: All right. Now, the other thing is this. I would like to go from this to Canadian securities, and before I do the Canadian securities, can I have a report on what has happened at the S.E.C. about my idea of forming a corpora-

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tion to buy the English securities?

White: Do you want to?

Foley: Go ahead, Harry.

White: Well, I had three meetings, and as a result of the three meetings the feeling was that there were too many difficulties, some of which would run definitely counter to your own wishes in setting up a corporation to handle the direct investments. They made another tentative proposal to set up a committee which would function in a certain manner to assist the British in the disposition of those securities, and it was unanimously felt after consideration of that, that it wouldn't do the trick. They abandoned that, and they finally concluded that it was possible to set up a group that could take over the listed securities and provide cash very quickly in a manner which I will indicate in a moment and that that would provide time during the next few months for the disposition of their direct investments. They seemed certain that the - that several hundred million dollars of direct investments could be disposed of within the next few months.

Foley: If the British were willing.

White: If the British were willing. He cited one case of a reputable man who has a hundred million dollars in cash to pay for the Viscose Company, which they said - which this man said was worth from 90 to 100 million dollars. We had valued it at 108 million dollars in our books, so that they may be boosted up to that. And the man likewise said, in response to a question, that they could complete the transaction within two weeks. They were already familiar with some aspects of the plan, that they would not run

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into any trust problem because they didn't represent any of the large rayon producers, but some small interests, and they also spoke of some other items. There seemed to be a considerable question in the minds of several there as to why insurance companies should be excluded from the sale. Pike particularly seemed to feel that they should not be excluded, that they could get a market for it and could be sold.

H.M.Jr: Well, I didn't take that seriously. They are serious about it, but I am not.

White: But the sum total of that - the consensus was that if they really meant business, they could raise several hundred million dollars in the next few months on the direct investments alone, and on the listed securities, they could arrange some groups, not necessarily corporations, to take over the listed securities along your idea of making an advance payment with title to pass. That created two difficulties which I think should be mentioned. One was, they thought that such a group would not wish to have the decision, when to sell, how much to sell, rest with the British, but rather with the group who took it over and made the advance payment; and that was one of the difficulties, they didn't know whether the British would accede to that.

H.M.Jr: Let me just get this thing, because this thing is awfully important. To sum up, as I get it from the S.E.C. - who sat in on this?

White: Jerry Frank, Ganson Purcell, Schenker, who is head of the Investment Division, Pike was in at a couple, and their legal counsel, chief legal counsel was in on one.

Foley: Chester Lane?

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White: Yes, on two.

Foley: Walter Louchheim and Ted Sheridan.

H.M.Jr: Who from here?

Foley: Well, Harry and Huntington and --

White: Kamarck.

Foley: And I went once.

H.M.Jr: Now, let me get - the reasons we will put again to one side. They are not going to do anything about the direct investments, you see. Purvis was at the house. There is no question that they are going to sell that stuff. They are having the managements from all these concerns come over from England. They are terribly upset over the thing. They feel that their word of honor is at stake, the whole question, and they have got to keep faith with me.

Foley: It seems to me that it is really a political problem, and the amount of help they get is directly attributable to the --

H.M.Jr: Well, they appreciate it.

Foley: To the amount of cooperation.

H.M.Jr: They appreciate it. Now, let's put that aside for the moment. The S.E.C. says there is a way of forming a group on the New York thing?

White: Yes, Mr. Frank said if you give him the green light, he can contact two of the - a group of leaders from the important associations to get their advice on which way they think would be best to handle it and whether a group would be willing to take it over and still leave some decision on the part of the British as to the rate at which to sell, and then if their advice

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is satisfactory, he could contact that group a second time with your permission to arrange to get the groups with the necessary capital to go forward with the arrangements.

H.M.Jr: Well, is there any reason why I shouldn't call up Frank right now and talk to him?

Foley: None at all, except I don't think he is there.

H.M.Jr: Where is he?

Foley: Well, they called up Thursday, Thursday afternoon, Jerry did.

Cochran: The only thing, do you want to speed up --

Foley:and wanted to know whether you wanted him to do this over the weekend, because if so, he would stay here, and otherwise he would go, and I told him I didn't think we would get a chance to get to you until Saturday or Sunday, and he said under those circumstances, he would go out of town.

H.M.Jr: He will be back Monday?

Foley: Yes, he will be back Monday. You might try him.

H.M.Jr: I will try him anyway. What is the matter?

Cochran: The question is whether you are satisfied with the rate at which they are selling now.

H.M.Jr: I am satisfied with the rate they are selling, if they were selling their direct investments, which they are not.

Cochran: Yes, but I think you have to handle them separately. I mean, this last week they had this one transaction of 11 and a half million dollars, and they have some others lined up.

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- H.M.Jr: I am not satisfied, is the answer.
- Cochran: Well, we can start on the Canadians. We haven't even told them to go ahead yet.
- H.M.Jr: But I would like to explore this thing. I don't want to leave the thing undone. I want to explore everything, and if all the thing - I think it would help our markets, too.
- Foley: I think so. Getting that out of the way would relieve a good deal of apprehension on the part of investors who are awfully worried about buying any kind of listed securities now for fear that this will be dumped, and the price will go down and they will get hooked.
- White: There is one other difficulty that he mentioned for your consideration, and that is that, if these groups are to function on the listed securities, that they felt rather certain that they would want to handle all and not parts, and that they would want to know what the securities were before they took them over. That was one of the other difficulties.
- H.M.Jr: Well, that is all right. Because the reason that - I just don't feel - I mean, that - I mean - I didn't like Phillips' attitude the other day at all, where he comes in and says, "What are you going to do about our financial situation," and if there is a way of organizing a group now to take over these things, I would like to do it.

(Telephone conversation with Jerome Frank follows.)

March 8, 1941
10:36 a.m.

H.M.Jr: Hello.

Operator: Mr. Frank in his office.

Jerome
Frank: Hello, Henry.

H.M.Jr: How are you?

F: Pretty good. Are you out of town?

H.M.Jr: No, I'm at the Treasury. I got to my own group on this list of securities quicker than I thought I would and they are sitting here with me and they've told me about the three meetings with you.

F: Yes.

H.M.Jr: Now, I would be delighted if you could sound out some people as to whether they would care to take this stuff over and I'm particularly anxious to find out what is possible because Canada has approached us about their selling \$350 millions worth of American securities.

F: Well, do you mean, Henry, the idea of our getting some committees of these fellows together, I mean, of the investment associations.

H.M.Jr: Yes.

F: All right. Well, I'll get after it right away and try to arrange it for Monday.

H.M.Jr: Yes. Now, I just think this. I haven't told Gifford that we were going to do this. Don't you think we ought to tell him?

F: Yes, I think so. You are now talking of the listed securities.

H.M.Jr: I'm talking of the listed.

F: Yes, I think Gifford ought to know it first.

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H.M.Jr: What?

F: Yes, he ought to know it, otherwise he'll hear it indirectly.

H.M.Jr: Yes. Well, I'll get word to him that I've asked you to explore this.

F: Well, then I'll wait until I hear from you that you've done it before I start.

H.M.Jr: All right.

F: I'll try to get it going Monday.

H.M.Jr: That's right. I'll have Cochran call him up at once and report directly to you what his conversation is.

F: Now, on the direct investments, Henry, the boys feel that there are some of those things they've got that could be worked out with considerable promptness.

H.M.Jr: Well, I agree. They're having a hell of a time. I still think that they didn't want to do it. I don't think that the man they brought over is too good at it.

F: Well, Dave Schenker told me a story that was amazing yesterday. He spoke to Bunker, that's Lehman Brothers, who I guess wouldn't like to get his name dragged in but, I don't know, maybe he wouldn't care. He went to see that gentleman, Mr. P., yesterday and he left; he was absolutely disgusted; he said the fellow doesn't want to sell. He gave him hell. He said, "You just don't understand this country and if you take that attitude you're going to be in terrible shape." I mean that's very interesting because Bunker is 195% pro-British, but he thinks this fellow is deliberately dragging his feet. Now would you like to hear from him? From Bunker?

H.M.Jr: No, because I - both Purvis and Phillips have lighted a bonfire under this fellow Peacock and they are both just as disgusted as I am.

F: Well, Peacock had better show his tail.

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H.M.Jr: Well, if he doesn't show some results, I'm going to ask to have him recalled. See?

F: Fine.

H.M.Jr: I'm going to give him another week or so and then if he doesn't make a sale, I'm going to ask the Ambassador to have him recalled.

F: Now, this fellow Bunker is loyal to the American Administration effort, he's all for it, but if that story got out you'd ruin the Lease-Lend Bill.

H.M.Jr: Well, as I say, if they don't show me something - I got a letter from Peacock, I think it was yesterday, he's got five deals that he's trying to get through, but if he doesn't get one or two of them through next week, I think I'm going to have him recalled.

F: Very good. Now, Henry, yesterday the Swiss Minister called on me as a result of something - I had been chatting with Henry Wallace, you know, who is related to him.

H.M.Jr: Yeah, I know.

F: He said that he would like to discuss their situation and I said, "Well, it's not my business - it's State and Treasury - we're simply giving them a little assistance." Well, he said, would it be possible to arrange to have some of your fellows, like Harry White and Bernatein and so on, and somebody from State and somebody from our shop sit down with him and one of their bankers and candidly discuss the situation.

H.M.Jr: Well, they've all done that.

F: Well, he says he has never had an opportunity - for instance, he's never talked at length and in detail with some fellow, like a Swiss banker who is here and knows the situation

H.M.Jr: Which one? Which bank?

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F: I've forgotten. Somebody that's in New York, and he wondered whether - he thought it would be helpful if we understood their point of view and so forth.

H.M.Jr: Well, we understand it fully. I'll talk to my crowd about it but, personally, I think it's just a waste of time.

F: You do.

H.M.Jr: Yes, that's just a - what do they call it - a fence.

F: That's what I think they are.

H.M.Jr: Well, we know so.

F: That's what I told him.

H.M.Jr: They're just a fence and we've been over it and I've - he got, practically, hysterics here in my office.

F: Yes.

H.M.Jr: But let me talk to my crowd. If you don't hear from us, it's just that they've been over it once.

F: Well, I told him it wasn't my business and I couldn't do anything unless you wanted to.

H.M.Jr: Well, I'll talk to them. If you don't hear, then it means that we think it's a waste of time.

F: All right. Well, I'll get busy as soon as I hear from your having contacted Gifford.

H.M.Jr: Well, Cochran will call up Gifford and tell him what we're doing and he will call you within the hour, and I'm very much obliged.

F: Fine.

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Bell: Jay Crane says they are interested in Shell.

H.M.Jr: You see, if you people will read McCormick's article on the fifth page of the New York Times today, if we don't do everything possible like this - and I don't like the idea - the R.F.C. will do it, and they have even got the forms drawn up.

White: That is the point that Ed made at the meeting there, and Ed thought that maybe if they knew that, it might help.

H.M.Jr: Well, you (Cochran) are my contact with Gifford, aren't you?

Cochran: Yes.

H.M.Jr: Simply call up Gifford and tell him that I am going to go ahead. I have asked Mr. Frank to go ahead and contact various groups to see whether they would be interested in taking, not only the English, but the Canadian securities, over en bloc.

Cochran: Are these investment bankers that he has contacted?

H.M.Jr: I don't know what they are.

Cochran: What are they, Ed?

White: They are the heads of investments associations. They presumably are men who would not, themselves, be interested, but they are leaders of the profession who would give them their opinion as to how it might be handled under these conditions.

Cochran: And that you are telling the S.E.C. to go ahead with it?

H.M.Jr: I am telling the S.E.C. to go ahead, that this doesn't mean that I am dis-satisfied with these

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day-to-day operations, which I am not, but that I feel in view of this and the request from Canada and in view of the fact that Mr. Peacock has been a complete failure so far, I have to see that there is more money coming forward than the ten million dollars a week, because I don't know - if I thought that Peacock was going to produce, I wouldn't be pushing this, but inasmuch as Peacock - I see no signs of his getting anywhere, plus the Canadian's wants to do it, I have got to move on this front, but I am entirely satisfied with his day-to-day operations, and then after you talk with him, would you call Mr. Frank, please?

Cochran: Yes, sir.

H.M.Jr: Anybody disagree with me? I mean --

White: I think he should make it clear that you have asked the S.E.C. to investigate the possibilities and not go ahead and form the groups.

H.M.Jr: No, no, that they are going to investigate, and they are going to do it, and that just as soon as they have anything, the S.E.C. and the Treasury will have Mr. Gifford come down and consult with him.

Cochran: Yes.

H.M.Jr: Do you see?

Cochran: I understand.

H.M.Jr: But the thing is, one, Canada's desire to sell, and two, Mr. Peacock is unable to produce anything.

Cochran: Incidentally, part of Gifford's staff is now working with Peacock trying to shove it along.

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- H.M.Jr: If we did this, maybe Gifford could devote all of his time to it, and they could send Peacock home. I think we have covered a lot of ground, don't you?
- Foley: Don't you think if you told these fellows that unless progress was made insofar as these direct investments were concerned, we would have to canvass the possibilities of operating through a corporation to be set up by the R.F.C. to take over all of this stuff and then sell the stuff - I think if you told them that, that would force them to do it or else, but I think you have got to show some progress before we go down on the Hill on this stuff.
- H.M.Jr: Ed, let me decide one time to use the big stick. I have really got Purvis and Phillips really exercised on this thing, you see, and let me make the move now on the S.E.C.
- Foley: Sure.
- H.M.Jr: And you know I have the letter from the British Ambassador giving me - wanting to put it all in my hands, and Purvis said last night he thought it was one of the smartest letters he ever saw. He says, "You do and you don't, and you haven't given up anything." He liked the letter very much. He thought it was very smart. So let's just move on this. I am satisfied, and we will meet again Tuesday, and then on Monday if you could have something for me, I would like to discuss the mechanics on the Lend-Lease Bill. Is that pushing you fellows too hard? I mean, on the theory that the bill passes?
- Foley: Well, there is a chance the bill may pass tonight at a night session.
- H.M.Jr: Oh, they say it is very good.

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Foley: I think if they had held a night session Thursday night there would be no question about it.

H.M.Jr: Halsey was positive, last night, to me, that it would go.

White: I don't think you should wait until the bill passes.

Foley: No, I think you ought to have a meeting anyway.

H.M.Jr: I am going to have a meeting Monday morning with you gentlemen at 10:45. Have you got anything at 10:45, Bell?

Bell: I don't think so. I will change it if I have.

H.M.Jr: Ten forty-five. I am going to put down Lend-Lease. Now, who sits in on that?

Foley: Cox.

H.M.Jr: I see.

White: Wouldn't Young sit in? Doesn't he sit in?

H.M.Jr: Yes, Young. Would you (Foley) be in on that?

Cochran: I will come if I can be of any help.

H.M.Jr: And Harry and you people come, plus Philip Young. Would you (Foley) tell Philip?

Foley: Yes.

H.M.Jr: All right?

White: On your meeting on Tuesday, I take it, you were going to see us before you saw the British again.

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H.M.Jr: Oh, yes.

Bell: This is only with us, isn't it, at 10:15?

Foley: That is 10:15, and the other one Monday is 10:45.

H.M.Jr: There is nothing to inform the State Department about, is there?

Cochran: I am to ask the British now for this additional information and to draw up a note to them for you to see Tuesday.

H.M.Jr: But the first thing to do is talk with Gifford.

Thank you all.

March 8, 1941.

TO: MR. KUHN
FROM: THE SECRETARY

I'll be glad to see this English movie in my dining room at 11:00 o'clock this morning if you can arrange it.

Movie, "London Can Take It," shown in Secretary's dining room at 11:00 a.m., March 8, 1941.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE March 5, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Following our Group Meeting this morning, I telephoned Mr. Gifford in New York at 10:45 a.m. I told him that the Secretary was quite pleased with the way his sales of marketable securities had been going, and he wanted me to let Mr. Gifford know it. On the other hand, the Treasury has now been approached by the Ministry of Finance of Canada with respect to the possible liquidation of some \$350,000,000 of Canadian-held United States securities. Furthermore, no liquidation has yet been made of British direct investments. The Secretary is anxious to explore every possibility for insuring an orderly and rapid liquidation of British and Canadian investments toward the end that the needed dollar proceeds may be flowing in, and that at the same time the securities market may not be adversely affected. In this spirit we are having the cooperation of the Securities and Exchange Commission.

I then told Mr. Gifford that the Secretary has approved the idea that Chairman Frank of the Securities and Exchange Commission call to Washington a group from the New York Investment Association to consider the possibility of setting up of some private organization to take over on Blue British and/or Canadian holdings of marketable securities, and also to consider whether anything can be done with respect to direct investments. I assured Mr. Gifford that the Secretary did not want any conversations started between the Securities and Exchange Commission and New York Investment people on this subject without Mr. Gifford being first made aware of the idea. Furthermore, there would be no thought of carrying through the idea of setting up a group. If this appears feasible after the initial conversations, without again consulting Mr. Gifford.

Mr. Gifford asked me to thank the Secretary for authorizing me to acquaint him with developments here. He offered no objection whatever to Mr. Frank getting into contact with the investment group along the lines above set forth. Mr. Gifford was also gratified to know that the Secretary was pleased with the manner in which marketable securities are being liquidated. In turn, I let Mr. Gifford know that we are happy to learn that his organization was assisting Sir Edward Peacock in the latter's difficult task.

Immediately after this conversation, I telephoned Chairman Frank of the Securities and Exchange Commission. I told him that I had been present when the Secretary had spoken with him from our meeting this morning, and I also recounted my conversation with Mr. Gifford. Mr. Frank said he would, therefore, proceed with his plan and endeavor to have a group from New York meet at the Securities and Exchange Commission on Monday.



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 8, 1941

TO Secretary Morgenthau

FROM Mr. Cechran

STRICTLY CONFIDENTIAL

In accordance with the decision reached in our Group Meeting with the Secretary this morning, I telephoned the British Treasury officials at 11 a.m., and spoke with Mr. Playfair. I referred to the conclusions reached on page 4 headed "Final Result" of the memorandum on the British cash position which had been submitted to us yesterday. I told Mr. Playfair that it would facilitate the Treasury in reaching an understanding of the situation if the British would make available to us, preferably on Monday, another statement showing the total amount of commitments and down-payments for the period under consideration, together with as accurate information as possible as to how much relief can be expected from the Army and how much from the R.F.C. This should show then how much assistance would be required from the Treasury along the lines suggested in the British memorandum. Playfair promised to have this for us by Monday.



March 8, 1941
11:03 a.m.

H.M.Jr: Hello.

Operator: Admiral Towers.

Admiral Towers: Good morning.

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

T: Very well, thank you, sir.

H.M.Jr: Admiral, have you got a pencil?

T: Yes, sir.

H.M.Jr: There is a Dr. Joseph Kreiselman, K, like in kitty, K-r-e-i-s-e-l-m-a-n, who has come to me and says that he has a device which has been proven to make it possible for an aviator to fly up to 37,000 feet. Hello?

T: Yes.

H.M.Jr: He doesn't want any money, he is willing to give the patent to the Navy and everything else. Hello. He isn't interested in the manufacturing rights or anything, you see. The thing has been tested at Harvard University. He is a man who is a reputable doctor

Operator: Hello. Have you been cut off?

H.M.Jr: Hello.

Operator: Were you cut off from Admiral Towers?

H.M.Jr: Yes.

Operator: Go ahead, please.

H.M.Jr: Admiral?

T: Yes, sir. I got up to 37,000 feet and we were cut off.

H.M.Jr: The man wants to give it to the Government. He doesn't want any money, no interests in the manufacturing rights, or anything. It has

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been tested at Harvard University. Hello?

T: Yes, sir.

H.M.Jr: Would you give him time enough yourself to listen to the story because he tells me he has been unable to get anybody interested.

T: I'd be glad to. Is he in town now?

H.M.Jr: He lives in Washington and his name is in the telephone book. Dr. Joseph Kreiselman. He's an anesthetist. The man has had heart trouble so he can't practice any more.

T: I see. I'll communicate with him.

H.M.Jr: Would you see him personally?

T: I will.

H.M.Jr: And if the Navy is not interested, then I want to have him see Bob Lovett because Lovett has told me about this new plane that the Army is getting to go up 40,000 feet.

T: Yes. Of course we are - confidentially, we are quite confident that's what happened to our test pilot here three days ago, who was killed.

H.M.Jr: Well, that's what Dr. Kreiselman says.

T: That it was oxygen failure.

H.M.Jr: Well, he invented this thing for resuscitating babies which is used all over America.

T: Well, I have some very able specialists here that I'd be delighted to have him talk with.

H.M.Jr: Who is that?

T: One is Commander Poppin of the Medical Corps, who has made a specialty on this, and the other is Lieutenant Commander Sullivan, who has only recently joined the Naval Reserve, I mean he's an engineer.

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H.M.Jr: Well, if you would take a few minutes to talk to him yourself and then let me know, would you, what you've done about it.

T: I will. I'll try to get hold of him this morning.

H.M.Jr: Because, frankly, he has been given the run-around.

T: I see. I'll get hold of him this morning.

H.M.Jr: Right. Thank you.

March 8, 1941
11:44 a.m.

H.M.Jr: Harry?

Harry
Hopkins: Hello, Henry.

H.M.Jr: Are you so you can talk for five minutes?

H: Yes. I've got a terrible confession to make to you though.

H.M.Jr: What's that?

H: Well, I accepted a week ago a dinner invitation for tomorrow night and now my secretary reminds me of it.

H.M.Jr: I see. Well, that's my bad luck.

H: Yeah, I'm awfully sorry, Henry. I find I promised to go out to the Librarian's - what's his name

H.M.Jr: MacLeish.

H: Archie MacLeish's.

H.M.Jr: Oh, yes.

H: I'd forgotten all about it.

H.M.Jr: Well, we can get together - Monday night I'm out, but you wanted to settle this sooner, don't you?

H: Well, I want to talk to you - no, it doesn't have to be done until the first of the week.

H.M.Jr: Well, I think the sooner the better. Well, let me tell you what I have on my mind and then you suggest a time.

H: Go ahead.

H.M.Jr: I told you I had Purvis last night and I've been working with Phil this morning and this is a suggestion I'd like to make and then I'd like to have Phil come over and talk to you further about it if it's agreeable to you.

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In order to get rid of this foreign thing, we divided it up into sort of three blocks: those countries which will come under the Lend-Lease, which is the British Empire and any countries that are fighting with them, I mean, for the moment Greece, Norway or any of these countries which are part - have their governments in London, you see. Hello?

H: Yeah. What about China?

H.M.Jr: China too. Any of these countries who would come under the thing. Then one of the worst headaches is South America, see, and we were thinking for a better place to hand that all over to Nelson Rockefeller - his group. I mean, I'm just giving that as a suggestion, you see.

H: Yeah.

H.M.Jr: There are about eight different committees working on South America. Somebody else may say give it to somebody else, but I don't see why you'd want to be bothered with that.

H: No, I'm sure I don't.

H.M.Jr: Then things like Russia, Portugal, Iran or any of these others, just give them back to Sumner Welles.

H: Let him handle the whole business.

H.M.Jr: Well, let him handle anything that isn't Lend-Lease - you'd let him handle South America too?

H: No, not necessarily. Here's one of the - did Young talk to you about what we talked about?

H.M.Jr: Yes, he did.

H: These countries are all coming to him now and apparently he's got three or four people to do it very easily and seem to get results and if you're going to change all that - Nelson Rockefeller, those fellows, God it'll

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take them weeks to find their way around.
I'm just thinking outloud.

H.M.Jr: Well, we haven't accomplished anything for South America anyway.

H: What do you mean you haven't accomplished?

H.M.Jr: Well, very little. You've got to spend a month getting them two engines. It's all damn nonsense. See? And that would leave Philip

H: It isn't worth doing is your point, so let somebody else do it.

H.M.Jr: Yeah, and that would leave Philip and his crowd free to be entirely at your disposal.

H: Yeah. Of course, that would be much better.

H.M.Jr: And they wouldn't be fussing with South America, or Russia, or Portugal or anything else, but they would be on the funds of people of these democratic countries that we're going to help under the Lend-Lease. Now, from an ideal standpoint it - on paper it doesn't look so good, but from a practical standpoint

H: Well, now, Phil knows all about this.

H.M.Jr: I've talked with Phil twice today.

H: Well, I'll see him before the weekend is out.

H.M.Jr: All right. Now, if you want to

H: Let me find out what my plans are. I'll call you this afternoon sometime, Henry, sometime when you are free.

H.M.Jr: All right. And I'll have Phil call you or

H: Oh, I'll get in touch with him. I know how to get him.

H.M.Jr: But how does that sound to you?

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H: Well, I'd like to talk it over as to whether there are some kinks in it from the State Department point of view. I know I don't want anything to do with it. Now if Young is going to help me, I'd of course much prefer that Young didn't have anything to do with it.

H.M.Jr: Well, I'm taking a much further position that with Young helping you, that would leave the tag ends over here.

H: Well, you don't want all those tag ends around there.

H.M.Jr: I'm not going to do it. See?

H: Oh, no, no. You don't want the Minister of Colombia coming in to see you.

H.M.Jr: No, I just can't do it, but that would leave Young and his little group entirely at your disposal.

H: Yeah. Well, I'll talk to Phil about it right away, Henry, old boy.

H.M.Jr: Thank you.

H: Good-bye.

March 8, 1941
11:53 a.m.

H.M.Jr: Hello.

Gordon
Rentschler: Hello, Henry, good morning. This is Gordon.

H.M.Jr: How are you?

R: Fine. Henry, I don't know whether it would be of any help to you or not, but I'm calling you as chairman of the clearing house committee in New York to say that I had these boys pass a resolution which will give you, if you wish, offering without charge all the services of the clearing house banks of New York in helping you with your various issues, no matter what they are, that your program is you want to put out.

H.M.Jr: Well, I think that's fine.

R: Now, if making our gesture at the right moment is of any help to bring all the other banks in the country in line, why we'll do it formally, or informally, just as you like.

H.M.Jr: Well, now, we're working on that here through this Savings Bond Section, you see, and we're working with the A.B.A. on that.

R: That's right.

H.M.Jr: My contact right now is with the A.B.A.

R: Oh, fine. That's by far - that's exactly the right thing to do. Of course, Randolph is keeping his fingers on that too, as you know.

H.M.Jr: And so I think that whatever announcement should come, I'd like it to come from the A.B.A.

R: Well, now, whenever you're ready - when are you going to be ready with it?

H.M.Jr: Well, I don't know. They think it will be another couple of weeks.

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R: I see. Well, whenever you're ready, if you want to couple this with the A.B.A. or let the A.B.A. do it on their own account, I just want to

H.M.Jr: Well, you're all members of the A.B.A.

R: We're all members of the A.B.A.

H.M.Jr: In good standing.

R: We're all members of the A.B.A. only it might be of value for you to say that all the clearing house banks of New York had done so and so, and then if all the other clearing houses in the country, as they will, follow suit, tie that into the A.B.A., it might be a little helpful.

H.M.Jr: Well, thank you very much.

R: Well, whatever it is, Henry, whichever way you'd like to handle it, why we're agreeable to do it.

H.M.Jr: And no charge.

R: Oh, yes, no charges.

H.M.Jr: O.K.

R: Because I wanted to - and they were all unanimous in it. They wanted to be sure that that was completely understood, you see.

H.M.Jr: O.K.

R: What else do you know?

H.M.Jr: Well, I think that's enough for today.

R: All right, young fellow. Are you going to be in Washington all next week?

H.M.Jr: I'm afraid so.

R: Well, if you're going to be free on Thursday, I might drop in for a few minutes.

H.M.Jr: Well, that's a lifetime off. Give me a ring.

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R: I'll give you a ring on Wednesday before I leave Boston, Henry.

H.M.Jr: All right.

R: All right. Good luck to you. You're keeping yourself in good health are you?

H.M.Jr: Oh, yes.

R: Good luck to you.

H.M.Jr: Thank you.

R: Right.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE March 8, 1941

TO Secretary Morgenthau

FROM H. D. White

Subject: The British Financial Picture
 (Highlights of appended memorandum prepared by
 Mr. Adler.)

1. British Government expenditures now consume over 60 percent of national income. Expenditures have been running at the rate of \$18 billion per year for the last four months and the national income for 1940 is estimated at about \$28 billion. Expenditures for war purposes account for between 80 and 90 percent of all expenditures. The financial scale of the war effort doubled between April and November 1940, and has since remained the same.

2. Gross National Debt rose by \$9-1/2 billion -- from \$34.1 billion to \$43.6 billion -- in the first sixteen months of war. The actual increase in the debt was probably greater. For whereas before there were outstanding \$2 billion of gold assets, these assets had been depleted without liquidating the borrowing incurred to acquire them.

3. Despite the large increase in the Government's borrowing, it is still able to borrow at a little over 3 percent on long-term and a little over 1 percent on short-term. In fact it has been able to borrow on increasingly favorable terms. The yield on 2-1/2 percent consols fell from 3.68 percent in December 1939 to 3.49 percent in June 1940 and 3.27 percent in December 1940.

4. Taxation has increased about 70 percent since the beginning of the war.

5. Britain is financing her war expenditures (\$7-1/4 billion in 1939-40 and probably \$16 billion in 1940-41) by the following means:

	<u>1939-40</u>	<u>1940-41 (Estimated)</u>
Taxation	58 percent	37-1/2 percent
Short-term borrowing	21 "	about 28 "
Long-term borrowing	12 "	28 "
Liquidation of gold holdings ^{1/}	9 "	about 6-1/2 "

1/ Residual

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6. Expenditures are rising more rapidly than revenues, and savings are insufficient to meet the gap. Expenditures in 1941-2 will certainly be not less than \$20 billion and will probably be more.

7. Since the beginning of the War the official whole-sale price index has risen more than 50 percent and the not very reliable official cost of living index more than 25 percent (the actual increase in the cost of living was probably nearer 40 percent). The rise in prices, however, was much sharper in the first four months of war than in 1940.

8. Note circulation has risen by \$400 million or under 20 percent and demand deposits (London clearing banks) by \$1-3/4 billion, or 35 percent since the outbreak of war. This compares with an increase of over 20 percent in our note circulation and of over 25 percent in our demand deposits (101 reporting cities) in the same period.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE March 1, 1941

TO Mr. White

FROM Mr. Adler

Subject: How much is Britain spending?I. The mounting scale of British expenditures.

1. British Government expenditures are now consuming over 60 percent of the national income. Expenditures for the last three months have been running at the rate of \$18 billion per annum, and national income for 1940 has been estimated at about \$28 billion. Of the \$49 million spent daily, between \$42 and \$46 million are for war purposes, of which about 80 percent goes to the fighting services and the remainder for supplies, shipping, food and home security.
2. British expenditures on the war effort just about doubled between April and November 1940. They rose gradually from \$17.5 million daily in September 1939 to \$32 million in March 1940. From September 1939 to March 1940 the total average daily spending was \$24.5 million — or just about half the present level. In April and May 1940, it fell to \$23 million, but when Churchill's ministry took over in June, it rose to about \$38 million, at which level it was maintained for the next three months. It jumped in October to \$44 million, and since November has run at the level of \$49 million. (Table I indicates the average daily changes in total and supply expenditures and in the floating debt since the beginning of the war. See Annex.)
3. The January 1941 decline in supply expenditures to \$42 million ^{daily} as compared with \$46 million in November and December 1940 is probably temporary and seasonal.
4. The current rate of expenditure of just under \$50 million a day will probably not only be maintained but actually increased in the course of the year. The reasons for this probable increase are:
 - (a) If the war is intensified, as appears likely, the cost of waging it will rise.
 - (b) Government expenditures will be swollen by rising prices.

(For convenience of interpretation, all £ figures in this memorandum are rounded off and converted into dollars at \$4 = to £1.)

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Division of Monetary
Research

- (c) While the enactment of the Lend-Lease Bill will undoubtedly relieve England's financial burden, its effects may not be sufficient to counteract the cost of the intensification of the war and of rising prices, and in any case it will not solve England's internal financing problem.

The Economist plausibly estimates next year's expenditures at the gigantic sum of \$20.5 billion. Since all previous estimates, whether official or unofficial, of future rates of expenditure have been uniformly too low, this estimate also should be regarded as, if anything, erring on the side of conservatism.

II. British Budgets 1939 - 41.

1. There have been three British War Budgets; the first was submitted in September 1939 as a revised budget for the fiscal year April 1939 - March 1940, the second in April 1940, and the third in July 1940 as a revised budget for the fiscal year 1940-41. All three under-rated the scale of expenditures necessary for the waging of war and have partaken of the character of what Sir Kingsley Wood, the present Chancellor of the Exchequer, has called "interim" budgets.

To some extent this consistent under-estimate of the necessary scale of expenditures was deliberate because it was thought desirable not to reveal the real magnitude of the war burden which the nation had to bear. Many observers believe that this official desire to conceal the extent of the burden was a psychological error, insofar as the public was more than willing to respond to any calls the Government might make. Moreover, as far as the first two budgets are concerned, it would appear that the Government was simply not contemplating war on a large scale. The July 1940 Budget indicates a more realistic appreciation of the magnitude of the financial problem, though again it was admittedly improvised and did not go to the root of the question of switching as much of the nation's financial and economic resources as possible to the war effort. On the other hand, in the rapidly changing situations with which the British Government was confronted, it was very difficult to anticipate correctly the actual financial needs.

2. The following table presents these Budgets in summary form:

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British Budgets 1939-41

(In millions of dollars)

	I 1939-40	II 1940-1	III 1940-1 Revised	IV Increase in III over I
Estimated Revenue	3,980	4,936	5,440	1,460
Actual Revenue	4,196			
Estimated Expenditure	7,732	10,668	13,868	6,136
Actual Expenditure	7,268			
Estimated Deficit	3,752	5,732	8,428	4,676
Actual Deficit	3,072			

3. On the basis of the flow of receipts and expenditures from April 1940 to January 1941, the receipts for the fiscal year 1940-41 will be in the neighborhood of about \$6 billion, or somewhat above the estimated revenues, and expenditures will total approximately \$16 billion, leaving a deficit of about \$10 billion, or \$1-1/2 billion more than the estimated deficit.
4. The increase in revenue in 1940-41 over 1939-40 is negligible as compared with the increase in expenditure. Revenues for 1940-41 will be less than 50 percent more than in 1939-40 when there was already a deficit of over \$3 billion, while expenditures will be more than double those of the previous year, and the gap between revenue and expenditure will inevitably continue to widen for the duration of the War.
5. The gross National Debt rose 28 percent in sixteen months, from \$34,088 million to \$43,608 million between September 2, 1939 and December 21, 1940. From September 2, 1939 to December 31, 1940, the total Floating Debt rose from \$4,670 million to \$10,504 million, an increase of almost 125 percent. In fact the actual position was worse. As the Exchange Equalization Account had purchased gold by issuing bills, i.e. by Government borrowing, gold held by the Account was an asset held against the debt incurred in acquiring it. But since the War the gold assets were depleted without any corresponding reduction in the debt.

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III. How Britain is financing the war.

1. The 1939-40 expenditures of approximately \$7-1/4 billion were financed as follows:

- (a) Taxation which yielded \$4.2 billion, or 58 percent of the total expenditures. The effective income tax was raised from 25 percent to 27-1/2 percent, and customs and excise taxes and the charges for governmental services were increased.
- (b) An increase in the floating debt from \$3,680 million on March 31, 1939, to \$5,958 million on March 31, 1940. Of this increase Treasury Bills accounted for \$2,141 million, and Ways and Means advances for \$136 million. Actually not all the increased issue of the Treasury Bills represents net Government borrowing as Government departments absorbed about \$840 million of bills. Short-term borrowing, therefore, does not account for more than \$1,477 million, or just less than half of the 1939-40 deficit of over \$3 billion, and over a fifth of total expenditures.
- (c) Long-term borrowing, which accounted for about \$850 million of the deficit and about one-eighth of total expenditures. With the inauguration of the national savings campaign in November 1939, the Government simultaneously exercising its control over the money and capital markets and appealing to the patriotism of its citizens, had no difficulty in borrowing at 3 percent long-term, a rate which contrasts favorably with the 5 percent of 1916-18.

Note: The existence of surpluses from extra-budgetary accounts such as the unemployment insurance fund and the accumulation of sterling balances in London by the Dominions and sterling area countries facilitated the task of Government borrowing. The use of extra-budgetary surpluses held in the form of Government securities for current needs represents deferred long-term borrowing, while the accumulation of sterling balances represents Empire credits to England. That was not met by genuine savings and borrowing from these sources was met by bank purchases of Government securities.

- (d) Use of gold holdings. Sir John Simon in his Budget speeches indicated that U. K. gold holdings would be liquidated in order to finance the war. This is a residual item and would appear to account for between \$600 and \$700 million of expenditures.

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Note: While the Government incurs an internal debt in taking over British-held foreign securities, it incurs no new internal debt in liquidating its gold assets in the hands of the Stabilisation Account. Therefore the liquidation of these securities is in a different category from the liquidation of gold assets, as far as internal financing is concerned.

2. 1940-41 expenditures will probably amount to \$16 billion.

How is this expenditure being financed?

- (a) Taxation, which will yield about \$6 billion or only 37-1/2 percent of total expenditure, as compared with 57 percent in the previous fiscal year. This drop in the proportion of expenditure yield by revenue and the increase in the absolute amount of expenditure are, taken together, the best indicators of the magnitude of England's financial problem.

There have been drastic increases in taxation since the beginning of the War, ~~whereas in the previous year~~ The standard income tax which amounted to 27-1/2 percent when the war started, is now 42-1/2 percent; whereas at the outbreak of the war half an individual's income was taxed away only when he earned \$68,000 or more per annum, now an individual receiving \$21,200 has to pay half of it in taxes. Sharp increases have also been imposed in customs and excise taxes and since October 21, 1940, a purchase tax amounting to 24 percent of the retail price in the case of luxuries and 12 percent of the retail price on many other products has come into effect. Nevertheless, increased receipts from these sources are, in Mr. Keynes' words, "chicken-feed to the dragon of war".

- (b) Short-term borrowing. In the nine months ending December 31, 1940, the floating debt increased from \$5,958 million to \$10,504 million, an increase of over 75 percent. The breakdown in the increase of the floating debt for the last dates available is as follows:

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ResearchIncrease in British Floating Debt ^{1/}

(In millions of dollars)

	<u>Total</u>	<u>Treasury Bills</u>	<u>Public Departments</u>	<u>Bank of England Advances</u>	<u>Treasury Deposits by Banks</u>
March 31, 1940	5,958	5,711	246	-	-
Dec. 31, 1940	10,504	8,607	344	202	1,352

The Treasury deposits by banks are a new short-term borrowing device instituted on July 4, 1940, the object of which was to divert to the Treasury the surplus funds of the principal banks. The Government pays the banks 1-1/8 percent on six months non-negotiable deposit receipts. The reasons for the adoption of this scheme were: (1) the uneven spread of revenue receipts; (2) the mounting expenditure; (3) the present volume of Treasury bills; (4) the fact that such borrowing is less inflationary than Ways and Means Advances by the Bank of England.

The increasing extent to which resort has been had to this device is indicated in the following table:

Treasury Deposits by Banks

(In Millions of Dollars)

July 26, 1940	\$ 120
August 31, 1940	120
September 30, 1940	496
October 26, 1940.	798
November 30, 1940	1,078
December 31, 1940	1,352

^{1/} The Economist is our regular source for current floating debt data. As Butterworth sends us floating debt figures only intermittently, it might be advisable to ask him to supply us the data, with breakdowns, regularly.

What proportion of total expenditures will be met by the increase in floating debt in 1940-41?

The following table gives us a clue to the answer to this question.

The British Budget Fiscal Year 1940-41

(In Billions of Dollars)

	First 9 months (Actual) I	Whole Fiscal Year (Estimated) II	Last Quarter (Estimated) II - I
Revenue	3.0	6	3.0
Expendi- tures	10.8	16	5.2
Deficit	7.8	10	2.2

To this estimated deficit of \$2.2 billion, for the January-March quarter of 1941, gross savings will contribute about \$1.1 billion (over \$4.5 billion for the whole year minus \$3.4 billion yielded in the first nine months), leaving between \$1 and \$1.1 billion to be yielded by a further rise in the floating debt, as presumably little or no gold now remains to be liquidated.

While the floating debt has in the past declined seasonally in the first three or four months of the calendar year (it did so in these months in 1940 also), it may well rise contra-seasonally by as much as \$1 billion in the January-March quarter unless accumulated sterling balances and extra-budgetary surpluses are used to buy longer-term Government securities to a greater extent than in 1939-40. This would bring it to a total of about \$11.5 billion on March 31, 1940, an increase of about \$5-1/2 billion for the year.

Not all this increase, however, is incurred to meet current expenditures. In the fiscal year 1939-40 Government Departments used funds on hand to buy \$840 million of Treasury Bills, and it is possible that they will increase their current holdings of Treasury Bills even further. If they increase their holdings by approximately the amount they bought in 1939-40, the rise in the floating debt will account for over \$4-1/2 billion, or 28 percent of total expenditures and 45 percent of the deficit in the fiscal year 1940-41.

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- (c) Long-term borrowing. The national savings campaign has yielded \$3,688 million up to January 25, and will probably yield over \$4-1/2 billion for the whole fiscal year, or 28 percent of total expenditures. This figure is a figure of gross and not of net savings, as it is swollen by the reinvestment of the proceeds of vested securities, by bank purchases of government securities which represent the creation of credit, and also by Government departments' purchases. The encouraging response to the campaign for promoting small savings is particularly worthy of notice.

Note: With the decline in unemployment, the surplus from the unemployment insurance fund has increased. The health insurance fund, the new commodity insurance fund which started with \$160 million, and the sterling balances accumulated in London by the sterling area countries and Canada which totalled about \$1-1/4 billion in December, represent additional sources of borrowing.

- (d) Liquidation of gold holdings which, as the Secretary revealed to the House Committee on Foreign Relations, had been almost completed by the end of December 1940, and amounted to a reduction of approximately \$1-3/4 billion in the pre-war gold holdings.

Note: Gold acquired by the Exchange Equalization Account was purchased by Treasury Bills. While the sale of gold could have been used to reduce the floating debt, it has actually been used to finance current expenditures.

3. The deficit for 1941-42 will be in the neighborhood of \$12 billion, on the basis of the Economist estimate of expenditures of \$20.5 billion next year. This allows for an increase in revenue from \$6 billion in 1940-41 to \$8 billion in 1941-42 to ensue from further drastic increases in taxation.

IV. The present British financial situation.

1. The Government continues to be able to borrow at favorable terms, paying just over 3 percent on long-term and one percent for short-term. The official controls over the money and capital markets operate smoothly, and gilt-edged securities have risen steadily and are now 11 percent higher than they were in September 1939. The last two Government issues were made on terms more favorable to the Government than previous war issues. The 3 percent Savings Bonds issued on December 27, 1940, have a 25 year maturity, or six years more than the first issue of the war, and the 2-1/2 percent War Bonds issue of the same date has a year and a half longer life than its predecessor.

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The British Government's ability to borrow at comparatively low rates is due chiefly to its effective controls over the money and capital markets. Their position is less favorable than our own Government's to the extent that they do not have huge volumes of idle funds from which to draw. On the other hand, through the Treasury and Bank of England's control, ~~some~~ investment funds accruing from the sale of vested securities, for instance, are immediately diverted into Government securities. The existence of temporary surpluses in Government departments, the accumulation of Empire sterling balances in London, and the banking system's increased holdings of Government bills and securities have also facilitated their task. A separate memorandum on the British Money Market in wartime is now in the course of preparation.

2. Since the beginning, the official wholesale price index has risen more than 50 per cent and the official cost of living index by more than 25 per cent. According to our London Embassy, the official cost of living index understates the rise in the cost of living because of the antiquated manner in which it is constructed, and the actual rise in cost of living is probably nearer 40 than 30 per cent.

The rise in prices was much sharper in the first 4 months of war than in 1940, during which it was quite gradual and appeared to be well under control, as a result of the Government's price control measures, its subsidization of certain essential foods to the tune of \$400 million a year, and to rationing.

British Prices 1939-41
(1928 = 100)

	1939		1940		1941
	Aug.	Dec.	June	Dec.	Jan.
Wholesale Price Level	84	104	115	127	128
Cost of living	93	104	109	117.5	118

As long as the rise in prices continues to be gradual the British have no reason for alarm. While the German cost of living and wholesale price indexes have risen by less than 2 and 3 percent respectively since the beginning of the War, this is partly because the Germans had over six years' start in their technique of control and partly because their figures are much less dependable.

3. Note circulation has risen by \$400 million or under 20 percent and demand deposit by \$1 3/4 billion since September 1939. While the increase in demand deposits to a considerable extent

reflects expansion of bank credit to finance Government borrowing, the liquidity position of the London clearing banks — i.e., the ratio of their cash, cheques in course of collection, money at call and short notice, and bills discounted (plus Treasury deposit receipts) to deposit liabilities has actually improved, owing to their increased holdings of Treasury bills and the creation of Treasury deposit receipts.

4. While the scale of expenditures will have more than doubled by the end of the year, revenue will have barely increased 50 percent, and the gap between the two continues to expand. The scale of saving which is yielding about \$100 million a week is insufficient in relation to Britain's needs. Furthermore her gold assets have been more or less depleted and her other foreign assets are being currently used up.
5. But the technique of control over investment has been so perfected that enormous deficits can still be financed without nearly so much strain as was the case in the last war, and at much lower interest rates.
6. The Government has not yet devised an integrated economic policy such as Germany's embracing the budget, price control, wage control, and full mobilization of resources.

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ANNEX

British Government Daily Expenditures September 1939 - January 1941

(In Millions of Dollars)

	<u>Total Expenditures</u>	<u>Supply Expenditures</u>	<u>Changes in the Floating Debt</u>
<u>1939</u>			
September	17.5	14	+ 10
October	19	14	+ 10.5
November	23	20.5	+ 12.5
December	28	24	+ 14
<u>1940</u>			
January	25	23	- 5
February	24.5	23	- 3.5
March	31.5	30	+ 1.5
April	26	23	- 13
May	28.5	25	+ 17.5
June	38	35.5	+ 19
July	39	36.5	+ 20.5
August	40	38.5	+ 18.5
September	39	37.5	+ 22.5
October	44	39	+ 16
November	48.5	46	+ 23.5
December	49	46	+ 24
<u>1941</u>			
January	49	42	-

MAR 8 1941

MEMORANDUM

To: Mr. Harry Hopkins
From: O. S. Cox
Subject: Major Objectives Under H.R. 1776.

There are several additional observations that I would like to make on the two major objectives of (1) outmatching the Axis Powers in both productive capacity and defense articles on hand, and (2) the proper relationship between appropriations for productive capacity expansion and appropriations to buy finished defense articles.

(1)

Margin of Safety Factor

I know of no case in modern times where the need for defense articles has been over-anticipated. The demands for defense articles in times as troubled and as changing as the present increase rapidly. Therefore, in attempting to anticipate needs for defense articles, it would seem wise to allow an adequate margin of safety.

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There are two such safety factors that the United States probably ought to keep in mind: (a) Our geographical situation; and (b) The productive capacity and defense articles on hand of Britain.

It would seem, therefore, that we ought to try to outstrip the Axis Powers in productive capacity and defense articles on hand without reference to what Britain is producing or without reference to the advantage which our geographical situation may give us. Thus, if the total productive capacity of the Axis Powers is 60,000 combat planes per year, we probably ought to shoot at that mark without relying on the British production.

One of the reasons for the past supremacy of the British fleet has been that it was grounded on safety factors such as those just mentioned. Up until recent times the British fleet was built and developed on the assumption that it should be larger than the fleets of any possible combination of enemies.

Reliance on another country for all purposes is not always sound. To a large extent, the British always assumed

that France and its productive capacity would be available in Britain's cause through France as a continuing Ally. It was for this reason that until quite recently it was assumed that Britain would have the use of French air bases in its attacks on Germany. Only very few people in the British Government, as I understand it, insisted on the production of long-range bombers, on the assumption that the French bases might not be available to Britain. This insistence did not bear fruit soon enough, as the facts now indicate. That is doubtless one of the reasons why Britain is short of bombers with a long enough range effectively to bomb Germany.

The theater and conditions of war change so rapidly that only an adequate productive capacity and an adequate number of defense articles on hand can make it possible to adapt to such changes. Thus, Britain, relative to the defense of the British Isles in the narrower sense, may have enough fighter planes. For the purposes of bombing Germany, it is relatively inferior. The same may also turn out to

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be true of Greece and Africa. If a country has a large number of planes of all types, plus a commensurate productive capacity, it can meet such conditions and charges as these without being concerned too much about conserving what it has in military and naval equipment.

(2)

The Proper Relationship Between Appropriations
For Expansion of Productive Capacity and Approp-
riations to Purchase Defense Articles.

At the rate at which we are making actual expenditures for defense, it is clear that we are going to have great difficulty in spending, in the fiscal year 1941, the moneys which are already appropriated for that fiscal year. From July 1, 1940 through March 4, 1941, we have expended, through the Army and Navy, for national defense the amount of \$2,947,518,849. There has been already appropriated well in excess of 10 billion dollars for the Army and Navy for the fiscal year 1941. More will doubtless be appropriated for the fiscal year 1941.

The expenditures for defense on March 4 amounted to 24 million dollars. This figure is probably not representative of the defense articles which we are procuring or paying

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for because of the heavy cantonment building that is now going on. In this connection, it is interesting to note that the British war effort is now costing about 12 million pounds per day.

The daily rate of spending for defense will doubtless increase as more and more tooling-up takes place and more and more plants come into production. However, if nothing is done about the situation by expanding the capacity for raw materials, machine tools and for munitions plants, the rate will not increase fast enough to give us adequate security or Britain adequate help.

The present major back-log of orders and procurement money can doubtless sustain and utilize further expansion in productive capacity. It can sustain and utilize this even more so if the productive capacity is expanded for the double purpose of making faster use of the present appropriations for procurement, as well as those under H.R. 1776, aimed at the major target of outstripping the Axis Powers as quickly as possible.

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(3)

The Time Factor

There is need not only for having adequate appropriations for production and procurement, but constant emphasis has to be placed on the time factor: We have to get the best available defense articles as fast as it is humanly possible to do so. In a practical way, it seems likely that a better job can be gotten out of OPM and the Army and Navy if they are told that we want a productive capacity of 60 thousand combat planes a year than if they are asked to tell how many they can get produced per year. If OPM is told in unequivocal terms what the aim is and that it is its job to meet the aim, there is a reasonable probability that it can be done. This is so particularly if enough funds are available for expanding the sources of raw materials, machine tools, and plant capacity. Over and above this, of course, other changes in productive methods are available to the production experts to get the stated order filled within the specified time. Thus, for example, it can be left to the production and procurement offices to decide or to pass on

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such questions, in the case of aircraft, for example, as to whether it would not speed up production to standardize down the number of models in the different types of aircraft so that we have one or two pursuit ships in approximately mass production, rather than X different types being produced.

To carry this out and fully utilize existing personnel and plants, it is conceivable that OPM and the Army and Navy people will decide that the Curtiss P-40, for example, is the best available pursuit ship and that Vultee, Bell, Republic and the others who make pursuit ships should also be manufacturing the P-40 instead of their own types. In considering such questions as these, the production and procurement agencies can, of course, decide what effect such standardization will have on the production of the engines for the planes, etc.

The important thing seems to me to be not the precise method by which the target can be met within the specified time, but the fact that a time limit is given to the production and procurement people. Like most humans, they are

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likely to adjust to a time limit and get the job done faster than they would if they were open-ended as to time.

OSC:aja
3/7/41

Typed: djb - 3/8/41

BUDGET MESSAGE OF THE PRESIDENTTo the Congress of the United States:

The request for appropriations to carry out H.R. 1776 for the fiscal year ending June 30, 1941, and for the fiscal year ending June 30, 1942, which I transmit herewith, portrays the additional effort required for our national defense and security. This request is the first major step in carrying out the deep-felt want and need of our people for the complete defense of our nation through supplying effective material aid to those countries who are valiantly resisting the forces of aggression.

Adequate total defense means more than just supplying our own military and naval forces with equipment. It means that the people of our land must have health, stamina, and the overpowering desire to preserve their democratic way of life. It also means a people with an awareness of the objectives and the methods of the dictators that are loose in the world and an understanding of the major objectives which the Government must meet adequately and efficiently to safeguard the nation.

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With long preparation, the insatiable aggressors have proceeded in detail: One by one, they have swallowed up country after country by the four now familiar steps of truculence, treaty, treachery, and tyranny. Whether the method was an endlessly repetitive protestation about a past peace treaty, a cry for "lebensraum", a promise of no more ambitions, threats of force or force itself, the aggressors have marched on, while the peoples of the democracies have been slow to learn that the defense of the democracies must be as total as the attack on them is total. United in purpose and in each one's effective contribution to that purpose, the democracies stand; singly they fall.

Our people and the people of the democracies, as well as the people in the very aggressor countries themselves, must be united in the major objective that the free and peaceful way of life will prevail. They must be united by this abiding faith, and they must show--as can be shown--that a free people have the brains and the imagination, the vision and the efficiency to outmatch the dictators,

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not only in faith alone, but also in the material sinews of war. We can and we should develop an industrial capacity to manufacture all of the materiel necessary for our defense in the shortest possible time. We can and we should have on hand, with the greatest possible speed, for ourselves and for those who are giving battle to the dictators, enough defense materiel finally to quiet the forces of aggression, so that free men and women can again live and work in peace and quietude.

The Objectives of Our
National Defense Program.

To secure the defense of our nation it is necessary to keep in mind every possible situation. In effectively defending our land we can not deal in certainties or even in probabilities alone. Nations do not survive against aggressors on a majority vote of the chances. We have to prepare ourselves not only against a fifty-one per cent danger, but also against a one per cent risk.

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The Congress has already authorized large expenditures for our military, naval and air forces, and we are already on the way to total defense. When we start and are embarked on such a program, it behooves us to ask: Against what are we defending?

We all know the answer to this question, if we keep in mind that we are trying to safeguard ourselves against all possible dangers. We are making ourselves strong enough to meet the possible and potential danger of the aggressor nations.

It is not enough to think of tactical units of infantry, of a fleet of ships, or squadrons of aircraft. We must be in a position as soon as possible to outstrip any combination of our possible or potential enemies in both the productive capacity for defense materiel and in the amount of such materiel on hand. That is the smallest amount of insurance that we are justified in carrying for the people of this nation.

The needs for defense materiel in times as troubled and as changing as the present increase rapidly. In

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forecasting our needs, it is wise to allow a margin of safety. Two things we should keep as the minimum safety factors: Our geographical situation; and the fighting spirit and productive capacity of the nations which are resisting the aggressors. Our major aim should be to outstrip the aggressor nations in productive capacity and defense articles on hand, without reference to what the other democracies are doing and producing or without reference to the advantage which our geographical situation may give us.

One of the reasons for our longstanding supremacy has been that we have always had such margins of safety over and above our own military and naval forces and equipment. One of the reasons for the past supremacy of the British Fleet has been that it was built and developed on the assumption that it should be larger and better than the fleets of any possible combination of enemies.

Reliance on another country for all purposes is not always sound. To a large extent, Britain assumed that France and its productive capacity would be available to it.

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But the French air bases and the French productive capacity are no longer available to Britain. And, in consequence, Britain does not, for example, have enough long-range bombers. By the same token, France was certain that its Maginot Line and its army were invulnerable. Wars are not won on such certainties.

Conditions change so rapidly that only an adequate productive capacity and an adequate number of defense articles on hand can make it possible to adapt to such changes. For this country an adequate productive capacity and an adequate number of defense articles on hand means enough of its own productive capacity and equipment to outmatch any possible combination of enemies.

The Defense of Those Nations Whose
Defense is Vital to Our Defense.

The outposts of our defense today are in Great Britain, in Greece, in China, and in those countries which are now being threatened by the aggressors. The aggressors are our potential enemies. We could, if we abandoned all the lessons

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of history and experience, withdraw our defenses from Pearl Harbor, from Newfoundland, or even from Governor's Island. But we have learned over a long period that, as we move our defenses outward, we lessen the dangers of attack on San Francisco, Boston or New York.

We can have outposts of defense without owning land or without military or naval bases. We can have outposts of defense that do not require the utilization of our armed forces in combat. We have such outposts of defense today in the battle spots of the world.

Every gun, and every ship, and every tank, and every bomber we make available to the democracies tends to weaken or defeat our potential enemies. If Britain, and China, and Greece prevail--and we hope they will--our blood and treasure will not have to be spent in combat. If they fail, we shall have to continue spending billions upon billions more to safeguard our security and way of life, and no man can say that our youth will then not have to fight for what we all treasure so much.

The heart of H.R. 1776 is defense equipment--equipment which remains under the control of the United States

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Government until it is ready for disposition. As long as the fighting democracies hold out, each gun, each plane, and each ship that we dispose of to them is worth more to us in their hands than it would now be in our own. Not only does this equipment in the hands of the resisting democracies weaken our potential enemies, but we gain precious time within which to develop our productive capacity to the point where we can meet every possible contingency. Should the sad day arrive when any one or all of these countries resisting aggression go down, the defense articles which we are producing, and our capacity to produce them, will be the most valuable assets that a free people can have.

Defense Expenditures and
Our Defense Program.

In my budget message to the Congress of January 8, 1941, I summarized the program for the fiscal years 1940, 1941, and 1942. The present request is, of course, an additional part of this same program.

If we do not increase our present rate of actual expenditures for defense, we can not be completely sure that

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we will be ready in time to meet all possible threats to our national security.

From July 1, 1940 through March 4, 1941, we expended, through the War and Navy Departments, the amount of \$2,947,518,849 for national defense purposes. As was stated in my budget message of January 3, 1941, appropriations, authorizations, and recommendations have already been made for a total of \$28,480,000,000 for the defense program.

The daily expenditures for defense have been steadily mounting and are reflected in the steadily increasing numbers of guns, ships, tanks, and airplanes that are coming off the lines. However, we are not getting fast enough for all possible needs the essential equipment which we require.

One of the greatest single factors which affects the rate at which we get this essential equipment is our capacity to produce. To make guns, and ships, and airplanes, we need aluminum and tin, machine tools, and machinery, plant space, and, above all, trained men and women. We have rapidly expanded our capacity for all of these things. But if we want

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to be assured of having finished defense equipment in time, we must still more greatly expand our productive capacity for raw materials, for machine tools, for plant space, and for training personnel. We must do this not only to be sure that the moneys appropriated and requested are translated into equipment in time, but also to make sure that the funds granted by the Congress pursuant to this request are put to the most effective use with the greatest possible speed. That is the reason that so comparatively large a portion of the present request is for the expansion of such productive capacity.

The Benefits to the United States
and the Present Request.

The present request is admittedly large. But, the people of France and the people of those other countries that have been swallowed up might once have felt that their defense expenditures were large. Now, they doubtless feel that they are as nothing compared to the yoke of the aggressor. If the life of our nation is worth the blood of our people

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in the case of attack, it is certainly worth the premiums required to be paid to forestall the possibility of such attack.

The appropriations which Congress grants in response to this request will have many advantages. The defense articles procured with such appropriations will be used to defeat or weaken our possible enemies. They will give us irreplaceable time within which to develop our productive capacity to the point where we can obtain and replenish the materials of war faster and better than our potential enemies. They will put us into a position where we can safeguard ourselves against any possible combination of enemies.

To us as a people and as a nation, these benefits can not be appraised in dollars--they are of a value far beyond money or other similar tangible considerations. However, the framework of H.R. 1776 and the administration of it will doubtless result in many additional benefits of a monetary and similar character. Even though we deal in the most generous manner--as we expect to--with the heroic peoples

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who are fighting in our own defense as well as their own, we can still receive many such additional benefits. We do not need the rules of the market place to receive benefits freely and generously offered by the democracies in return for a similar generosity on our part. I am sure that when this Government considers with the governments which we are to assist under H.R. 1776 the whole range of raw materials, trade concessions, military and naval bases, and other property or consideration which they will gladly offer to transfer to us, we will find that we have reaped, in security and in more tangible benefits, more than we have sown. The democracies can and will show that they can stand together in time of dire need to their everlasting mutual benefit. In this way, they shall always keep their banners flying.

OSC:djb:aja
3-9-41

February 27, 1941

93

To: E. H. Foley, Jr.

From: O. S. Cox

Subject: Financial Terms of Disposition to Britain Under H.R. 1776.

It may be desirable to start giving consideration now to some of the following possible financial arrangements with Britain under the Lend-Lease Bill: 1) A Master Agreement of Trusteeship; 2) Types of Special Agreements to be used either in connection with or independently of a master agreement.

(1)

Master Agreement

The Master Agreement might provide the following:

a) The United States Government to be the trustee of all of the property of the British Government and its nationals in the Western Hemisphere. It may also be desirable to include the British Fleet in this trusteeship.

b) The management, etc. of this property is to continue as it now is, or as determined by the new owners.

- 2 -

c) The United States is to have the option or power to require the owners to liquidate not more than, for example 2% or X% of the property of British nationals in the United States or in the Western Hemisphere within a year.

d) The United States is to have the option or power to require the payment over of not more than 5% or X% of the net income of the property each year to be credited against the dollar value of defense articles disposed of to Britain under H.R. 1776.

e) Any consideration turned over to the United States by Britain, such as tin, rubber, rare books of private dealers, etc., is to be credited against the value of defense articles transferred to Britain.

f) If Britain is successful, as defined in the trustee indenture, the United

- 3 -

States Government is to have the discretion to release the trusteeship immediately, or after a certain percentage of the value of the defense articles transferred to Britain is paid for out of part of the net income of the property.

g) If Britain is defeated, as defined in the trust indenture, the United States Government is to have the option: To take the full title to the property; to hold it until the debt for defense articles is liquidated; to return it to its owners or to dispose of it in any way that the United States Government sees fit.

h) It may also be desirable to get Britain to agree that it will guarantee the Monroe Doctrine by helping to protect the Western Hemisphere from European aggression.

The foregoing are only some of the possible provisions that might be included in the Master Agreement.

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In the drafting of the Master Agreement, great care should doubtless be exercised in seeing to it that the British are not shylocked, and at the same time to give the United States Government a degree of control which will be of benefit to the United States. Such a degree of control would doubtless be of great effect in restraining the appeasers, because of the hope that by not appeasing they could get their property back. Such a degree of control would also probably be of much more advantage in determining the post-war situation in Europe in relationship to our own interests than any peace treaty. Normally, the people who own property of this kind are the people who have a good bit of political power, and, if the discretion were in the United States Government to turn back or not to turn back the trusteeship, our Government could well have a decisive influence on the post-war situation.

From the standpoint of public opinion, the Master Agreement would also seem to have advantages. The public has assumed that most of the equipment to be disposed of

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under the Lend-Lease Bill would be given away. If shortly after the enactment of the Bill, the public finds that not only is there a Master Agreement providing security but the means of paying for the defense articles, it is likely to be more receptive to the appropriation requests and the other steps that have to be taken under the Bill.

Over and above her dollar exchange requirements, there are many things that the British have which could be used as credits against defense articles disposed of, and charged up under the Master Agreement. For example, if the British Government took over, let us say, 10% of the rare books that private collectors living in the British Isles own, and turned them over as part consideration, so that they might be owned by the Government through the Library of Congress, we would get a tangible benefit and, at the same time, we would not be pressing British nationals too hard. There are, of course, many other articles of benefit to us which could be acquired without disrupting our domestic markets or exerting too much pressure on British nationals. These articles could be taken over under the terms of the Master Agreement and

- 6 -

a credit given to the British Government as against defense articles transferred to it. In other words, each particular disposition of defense articles to Britain would not require either a determination on or provision for financial conditions. The financial transactions could be handled under the Master Agreement from time to time, and as the occasion arose.

Of course, a trusteeship of the British Fleet would not mean very much, except that it gives the color of legal right to exercise our sovereign powers if and when we can put our hands on the British Fleet, in case Britain is defeated or is operating under a Moseley or other type of Government.

Similarly, a provision in the trust indenture, such as a requirement that Britain guarantee the Monroe Doctrine could only be effectively enforced if Britain is successful, and we have strings on the property of her nationals.

The technical, legal job of working out the Master Agreement, if it were decided as a matter of policy to have one, would not be insuperable. Thus, in some cases,

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in addition to the trusteeship indenture, it might be desirable to hold the stock certificates in American companies, or the evidence of ownership in direct investments, as part of the trust agreement.

(2)

Special Agreements

It is possible, of course, to have special agreements which are either an integral part of the Master Agreement or part of it.

As a part of the Master Agreement, special agreements on such raw materials as tin, rubber, nickel, lead, etc. could be worked out, providing that, at the United States Government's option, it could require deliveries of such commodities over a long term or period. The dollar value of the delivered commodities could, of course, be charged against the account of the British for defense articles previously transferred to them under H.R. 1776. It should be noted in this connection that, if the United States is interested in breaking up the international cartels in tin, rubber, etc., it would probably have the power to do so under the Lend-Lease Bill.

- 8 -

Another possibility is to not have a Master Agreement and to handle each disposition of defense articles by itself. Both from the standpoint of public policy and administration, this would not seem to be as desirable as the Master Agreement method.

In giving consideration to the special agreement method, either as an interrelated part of the Master Agreement or as separate from it, it might be desirable to make a survey of all the strategic, critical and essential raw materials which are produced in the British Empire, as well as of the exports of the British Empire. In this way, specific articles and commodities can be selected for inclusion in the benefits to be received by the United States without disrupting our own domestic production or markets, and, at the same time, without pinching Britain too much.

OSC:djb
2-27-41

STRATEGIC, CRITICAL AND ESSENTIAL MATERIALS

- - - - -

The basic idea behind our building up stock piles is that we should have enough strategic, critical and essential materials available for military and naval needs in case of war or other blockage of the sources of supply.

It has been evident for some time that the estimates of strategic, critical and essential materials needed for both current production needs and stock-pile purposes have been incorrect. The present inadequacy of tungsten for current needs and the necessity for dipping into the stock piles illustrate the problem.

Several fundamental considerations were not give adequate weight in estimating our stock-pile needs. It is evident from the requests for appropriations for these purposes that they were based primarily on the existing Army and Navy requests for appropriations or contemplated appropriations. The amount of nickel or tungsten, for example, that is required for stock-pile purposes is in large part also a function of what is needed for current production purposes.

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It goes without saying that the amount of nickel and tungsten required when the Army and Navy appropriations are \$2 billions is much less than when their appropriations are \$10 billions. Also, the civilian uses of such materials as nickel, tungsten, magnesium, vanadium, etc., are affected as the national income increases as the result of additional defense spending. When the national income is \$40 billions, the consumption of nickel, tungsten, and the other strategic materials is of a different magnitude than when the national income is \$75 billions or \$100 billions.

It seems quite evident that a resurvey should be made of our needs for strategic, critical and essential materials for current purposes, as well as for stock-pile purposes, and that the necessary appropriations therefor should be requested. In estimating the needs, the fact that there have already been more than seventeen appropriation acts for the Army and Navy alone in the fiscal year 1941 should be kept in mind in trying to predict what further appropriations there are likely to be for this year and the fiscal year 1942. In addition, a margin of safety factor should doubtless also be added, not only to

- 3 -

account for errors in prediction, but also to include the assistance which may be given to Britain, etc., under the Lend-Lease bill.

One of the great difficulties with the handling of strategic, critical and essential materials for both current and stock-pile purposes is that the needs have not been anticipated far enough in advance. Shortages of these materials may create critical bottlenecks in production and thus materially slow it up. Also, dipping into the stock piles is dangerous because in the event of war or blockage of transportation in the Far East we might be in an exceedingly vulnerable position.

The development of new sources of supply of strategic and critical raw materials is not carried out in normal times in those cases where a particular source of supply is more uneconomical than another. This is illustrated in the case of Bolivian tin. Up to now it has seemed desirable to get most of our tin from the Far East but recently it has become evident that there are other considerations besides price in the defense program which would warrant the further development of Bolivian tin mines as well as the construction in

- 4 -

this country of smelting and refining plants to handle the particular kind of tin ore that comes from Bolivia. The case of tin, however, is only illustrative. The same problem in varying degree applies to other materials such as mercury, tungsten, zinc, antimony, platinum, vanadium, etc.

It happens that the Western Hemisphere has most of these raw materials. In meeting our defense in stock-pile needs, as well as in building up our good neighbor policy, there is probably no other single course that would be more effective than to expand the development and purchases of strategic, critical and essential materials from the American republics on a much larger scale than has heretofore been done or contemplated.

It should also be kept in mind that in connection with the financing terms to be worked out with Britain under the Lend-Lease bill, it is conceivable that some of the British assets in South America and Mexico can be used in part to pay for the development and purchase of such strategic, critical and essential materials.

One other thought should also be kept in mind in this connection. If Germany should win, there is of course some

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chance that by reason of their barter system, our gold may not be quite as useful as it will be if Britain wins. One way to minimize this possible risk is to shift the trade balances in favor of the Western Hemisphere countries as much as possible and at the same time have on hand large supplies of non-deteriorating strategic, critical and essential materials. In terms of the dollars spent, such raw materials would result in less of a loss to us than any depreciation in the value of gold.

Larger appropriations for the development and procurement of strategic, critical and essential materials could probably be obtained more easily than for anything else except possibly finished Army and Navy equipment.

OSC:mp:a ja
3/8/41

Typed: a ja:djb
3/8/41

MARCH 8, 1941

106

FLASH

SENATE PASSES SE BRITISH AID BILL BY A VOTE OF 60 TO 31.

3/8--W0737P

KWANG PU CHEN

Shanghai Commercial & Savings Bank,
Chungking, China.
March 8, 1941.

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

Dear Mr. Morgenthau:

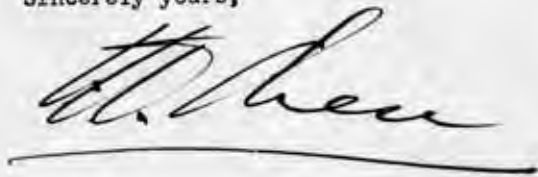
When this letter reaches you, Dr. Lauchlin B. Currie must have arrived in Washington for some days. I understand he carried with him Dr. H. H. Kung's letter advising you of my appointment as the chairman of the new stabilization committee. While I deeply appreciate your kind suggestion of my appointment, I cannot but realize the heavy responsibility that has fallen on my shoulders and the difficult task that is confronting me.

You will no doubt be informed by Dr. Currie of the divergent views prevalent on the question of currency stabilization. I am sure I shall have to depend much on my good collaborator whom your government will soon name as the American member on the committee. With his able assistance, I hope I may yet be able to carry out the terms and conditions of the loan agreement now under discussion and in that way to justify your confidence placed in me.

Owing to my prolonged absence from China during the past years, I have somewhat got out of touch with the detail workings of our stabilization fund. I am therefore now making studies to acquaint myself with its operations in the past, and planning to take a short trip to Hongkong to confer with the people in charge thereof. If time permits, I shall visit Lashio, Bhamo and Rangoon again to complete my last year's tour of inspection which was unfortunately interrupted by my illness.

With best personal regards,

Sincerely yours,



KPC:W

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 8, 1941

TO Secretary Morgenthau
 FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£37,000
Purchased from commercial concerns	£ 7,000

Open market sterling remained at 4.03-1/2, and there were no reported transactions.

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

Canadian dollar	14-7/8% discount
Swiss franc (commercial)	.2323
Swedish krona	.2384-1/2
Reichsmark	.4005
Lira	.0505
Argentine peso (free)	.2300
Brazilian milreis (free)	.0505
Mexican peso	.2066
Cuban peso	6-3/4% discount

In Shanghai, the yuan in terms of our currency was unchanged at 5-1/2¢. Sterling was 2¢ lower at 3.91.

There were no gold transactions consummated by us today.

No new gold engagements were reported.

A Bombay gold price equivalent to \$35.15 was received by one of the New York banks this morning. This was 5¢ lower than the quotation of March 6.

March 8, 1941

I wish to be reminded, Monday, to speak to Sullivan and tell him about the discussion at Cabinet. The President wants two tax bills right away.

Taken care of 3/10/41

March 8, 1941

TO: MR. BELL
FROM: THE SECRETARY

I don't remember whether I told you or not,
but when I saw the President Thursday, he approved our
plan for the new 3 defense savings bonds.

March 8, 1941

TO: MRS. KLOTZ
FROM: THE SECRETARY

Please draw Arthur Purvis' attention to the article in today's NewYork Times by John MacCormic, on page 5, and tell him particularly to read the last paragraph. Tell him I do not know the source of the story but I am trying to find out.

(Taken care of 3/8/41)

COLLATERAL PLAN WAITS ON AID BILL

Washington Would Hold Britain's Direct Investments Here
Against Loan of Munitions

DISPOSAL NOW DIFFICULT

Meanwhile Sale of Holdings in
Liquid American Securities
Is Proceeding Steadily

By JOHN MACCOEMAC

Special to THE NEW YORK TIMES.

WASHINGTON, March 7.—One plan for aid to Great Britain when the lease-lend bill becomes law calls for the handing over of Britain's direct investments in this country to the United States Government as collateral against the defense materials furnished to her.

The sale of the \$615,000,000 of liquid American securities which the British still had on Jan. 1 has been proceeding steadily, the 203,127 shares of United States Steel stock were sold this week for \$11,500,000 being the largest transaction to date.

The disposal of the direct investments, such as American branches of British firms, is a more difficult matter. Although negotiations have been carried on for weeks with groups of investment bankers, no conclusion has yet been reached.

Some financial and administrative opinion holds that it would not pay the United States, in the last analysis, to strip Britain of all her holdings here since she is in war or peace the best customer of the United States.

As an alternative it has been suggested that she put up her direct investments as collateral for their estimated worth of munitions and equipment. Then, if after the war, Britain were able to repay in some other form, such as the return of an equal value of munitions, ships or such commodities as tin and rubber, she could be allowed to keep her direct investments here as a future source of American exchange. It is understood that the Treasury favors this solution.

The first asset of which Britain will dispose under the lease-lend bill is her investment in United States airplane and munitions plants. Money was lent by Britain and France to American manufacturers to build or enlarge plants for the purpose of filling Allied war orders and France's obligations were taken over by the British when France collapsed.

The British Purchasing Commission has been negotiating for some time with Jesse Jones, Federal Loan Administrator, for their disposal and there has been some difference of opinion regarding the value to be put on the machine tools installed in the plants to be turned in.

From some quarters has come the suggestion that not only Britain's direct investments in the United States but her investments in South America should be posted as collateral for aid under the lease-lend bill. The idea is not to strip Britain of all her holdings in this hemisphere but to insure that in case of her defeat they would not fall into Germany's hands.

GRAY

GHW

Buenos Aires

Dated March 8, 1941

Rec'd. 2:50 p.m.

Secretary of State,
Washington.

153, March 8, 1 p.m.

The press reports that an Argentine credit to Spain for purchases of agricultural products chiefly wheat and meat is nearing completion. It is reported that Spanish interest in a local power company, Compania Argentina de Electricidad, is involved as security for the loan. Immediate shipments of wheat and meat to a value of 35,000,000 to 40,000,000 pesos is contemplated according to the report.

ARMOUR

LMS

eh:copy

TO THE SECRETARY
OF THE ARMY
WASHINGTON, D.C.

MAR 11 1941

RECEIVED
MAR 11 1941

RESTRICTED

G-2/2657-220
No. 334

M.I.D., W.D.
March 8, 1941
12:00 M

SITUATION REPORTI. Western Theater of War.

Air: German. Limited offensive activity directed primarily against shipping.

British. No offensive operations.

II. Balkan Theater of War.

Ground: Bulgaria. No change.

Albania. The Greeks report successful operations in the central sector with air force cooperation.

III. Mediterranean and African Theaters of War.

Ground: Abyssinia (Ethiopia). British patrols on the Gondar Road are operating east of Amanit.

The Italians are withdrawing from Burye which is about 165 miles northwest of Addis Ababa.

Air: No operations reported.

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

RESTRICTED

CONFIDENTIAL

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Purchase of Gale Radisson
Received at the War Department
at 8:30, March 8, 1941.

London, filed 13:35, March 8, 1941.

1. On Friday, March 7, Lockheed-Hudson bombers of the British Coastal Command carried out a raid on a German naval dockyard at Helde and sent a German cargo boat to the bottom off the Hook of Holland. In addition, Coastal Command bombers scored direct hits on hangars during an attack on the airfield at Ockersburg (?). During the preceding night no British planes were over the Continent because of adverse weather conditions.

2. During the night of March 7-8 German bombers carried out attacks on Plymouth, Falmouth, and Orfordness. One of the German bombers crashed but no interceptions were made by the British fighters that met the attackers. During the preceding day mines were planted in the North Sea off the mouth of the Elbe River by German aircraft. German air attacks were carried out against British east coast merchant shipping and against airfields in Lincolnshire, Norfolk and Suffolk. German plane losses were two confirmed and one damaged. There were no losses of British planes and no severe damage to military installations.

3. Activities of the British in Middle Eastern theaters were as follows: Italian artillery positions in the Lemat-Topoloni area of Albania were bombed by British planes from Greece; British troops have occupied Ferfer, Italian Somaliland, about 210 miles north of Mogadiscio and have put the airfield at this city in a usable condition; in the Eritrean theater the British have captured positions 12 miles north of Haren and Royal Air

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Force planes bombed motor transports and railways in the Amara-Keren area.

4. On March 7 British planes intercepted and drove off a formation of 14 German planes attempting to attack Malta. The British destroyed two of the German attackers. During the preceding night Malta was raided by 12 German planes but there was no damage to military installations. It has now been determined that the Germans used 40 fighter planes and 60 bombers in the attack on Malta on March 5. All of the British planes at the Hal Far airfield, which was severely damaged during this raid, were put out of operation temporarily and four of the planes on the ground were complete losses. One of the 11 British fighters which were up to intercept this attack was shot down but German losses as a result of the activities of these British fighters were eight confirmed and four damaged. In addition, nine German planes were shot down and four others were damaged by anti-aircraft fire.

5. While it is estimated by the War Office that 20 German divisions were along the Rumanian-Bulgarian border, it is thought that only eight of these divisions were actually on Bulgarian soil by March 5. It is believed that the poor condition and congestion of highways and railroads was responsible for this. On March 3 the first Nazi reconnaissance units arrived at the Greek border. On March 5 the main bodies of the German units began arriving in the vicinity of Petrich in the Struma River valley and in the Jamboli-Sliven region. In this latter area it is believed that there is a considerable concentration of German heavy tanks. Headquarters of the Bulgarian forces is believed to be at Stara Zagora. The distribution of divisions of the Bulgarian Army is as follows: One division is facing the southern Dobruja frontier, nine are on the Turkish border, five are facing Yugoslavia, and four are on the Macedonian border.

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6. On March 7 a British merchant vessel in a west-bound convoy was hit by a torpedo and sunk. On the same day a British tanker approaching home shores sunk after having been bombed.

SCARLE

Distribution:

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

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CONFIDENTIAL

CONFIDENTIAL

Paraphrase of Code Radiogram
Received at the War Department
at 7:55, March 9, 1941.

London, filed 15:15, March 9, 1941.

1. On Saturday, March 8, the harbor facilities at Helser were bombed with unobserved results by British planes. Two German bombers were shot down by British fighter planes that carried out patrols along the English Channel. During the night of March 7-8 no British planes were over the Continent because of adverse weather conditions.

2. During the night of March 8-9 the German Air Force made widely separated raids on targets in the southeastern counties and in Norfolk and Suffolk. A fairly severe raid was made against Portsmouth. The extent of damages from these raids has not been determined. The Germans carried out an extremely severe attack on London. The many fires that were started were quickly put out but there were a number of civilian casualties and considerable damage to private property from high explosive bombs. During daylight hours of March 8 single German planes were plotted over Alnwick, Cardiff, Fife Ness, Portsmouth, the Orkney Islands, and the Thames Estuary. Six German planes were active against targets in Lincolnshire, Norfolk and Suffolk.

3. British planes based in Greece supported the operations of Greek land forces in the Albanian theater. Highways in Eritrea and the Asmara-Keren railway were attacked by British bombers.

CONFIDENTIAL

4. On March 8 naval stores at Malta were damaged during an attack on the island by 15 German planes.

5. News stories indicating that German forces in southern Italy total 500,000 cannot be confirmed in London and it is thought by the British War Office that these stories come from the Germans. According to the most recent British estimates there are only two small German armored divisions in Tripoli at the present time. On March 8 British armored motor vehicles contacted German armored cars from reconnaissance units in the Libyan theater just west of Aghalia. The German units withdrew to the west.

6. It is believed that the partial mobilization of the Yugoslav Army which is now going on will result in a total strength of 600,000 by March 10.

7. Sources thought to be reliable have informed the British War Office that Kohlek Bay which is on the Gulf of Siam, 140 miles south of Bangkok, will be awarded to the Japanese as a partial payment for their efforts at mediation. Facilities are available on this bay and in the surrounding area for the operation of both land and seaplanes.

8. On March 8 a total of 32 German divisions were in or near Bulgaria. Twelve of these divisions were just across the frontier in Rumania and the other 20 are actually in Bulgaria.

9. The possibility of an attack by the Germans on the Faroe Islands or on Iceland is indicated by Norwegian reports of

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CONFIDENTIAL

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orders issued by the Germans and of preparations being made by them.

SCANLON

Distribution:

Secretary of War
State Department
Secretary of Treasury
Asst. Secretary of War
Chief of Staff
War Plans Division
Office of Naval Intelligence
Intelligence Branch
Air Corps
G-5

CONFIDENTIAL

120

Miss Chauncey

Here's a copy for your
files. The original
went to H.H. on 3/1/41.

A.H. Babb

MR. COE

BUDGET MESSAGE OF THE PRESIDENTTo the Congress of the United States:

The request for appropriations to carry out H.R. 1776 for the fiscal year ending June 30, 1941, and for the fiscal year ending June 30, 1942, which I transmit herewith, portrays the additional effort required for our national defense and security. This request is the first major step in carrying out the deep-felt want and need of our people for the complete defense of our nation through supplying effective material aid to those countries who are valiantly resisting the forces of aggression.

Adequate total defense means more than just supplying our own military and naval forces with equipment. It means that the people of our land must have health, stamina, and the overpowering desire to preserve their democratic way of life. It also means a people with an awareness of the objectives and the methods of the dictators that are loose in the world and an understanding of the major objectives which the Government must meet adequately and efficiently to safeguard the nation.

With long preparation, the insatiable aggressors have proceeded in detail: One by one, they have swallowed up country after country by the four now familiar steps of truulence, treaty, treachery, and tyranny. Whether the method was an endlessly repetitive protestation about a past peace treaty, a cry for "Lebensraum", a promise of no more ambitions, threats of force or force itself, the aggressors have marched on, while the peoples of the democracies have been slow to learn that the defense of the democracies must be as total as the attack on them is total. United in purpose and in each one's effective contribution to that purpose, the democracies stand singly they fall.

Our people and the people of the democracies, as well as the people in the very aggressor countries themselves, must be united in the major objective that the free and peaceful way of life will prevail. They must be united by this abiding faith, and they must show--as can be shown--that a free people have the brains and the imagination, the vision and the efficiency to outmatch the dictators,

- 3 -

not only in faith alone, but also in the material sinews of war. We can and we should develop an industrial capacity to manufacture all of the materiel necessary for our defense in the shortest possible time. We can and we should have on hand, with the greatest possible speed, for ourselves and for those who are giving battle to the dictators, enough defense materiel finally to quiet the forces of aggression, so that free men and women can again live and work in peace and quietude.

The Objectives of Our
National Defense Program.

To secure the defense of our nation it is necessary to keep in mind every possible situation. In effectively defending our land we can not deal in certainties or even in probabilities alone. Nations do not survive against aggressors on a majority vote of the chances. We have to prepare ourselves not only against a fifty-one per cent danger, but also against a one per cent risk.

- 4 -

The Congress has already authorized large expenditures for our military, naval and air forces, and we are already on the way to total defense. When we start and are embarked on such a program, it behooves us to ask: Against what are we defending?

We all know the answer to this question, if we keep in mind that we are trying to safeguard ourselves against all possible dangers. We are making ourselves strong enough to meet the possible and potential danger of the aggressor nations.

It is not enough to think of tactical units of infantry, of a fleet of ships, or squadrons of aircraft. We must be in a position as soon as possible to outstrip any combination of our possible or potential enemies in both the productive capacity for defense materiel and in the amount of such materiel on hand. That is the smallest amount of insurance that we are justified in carrying for the people of this nation.

The needs for defense materiel in times as troubled and as changing as the present increase rapidly. In

- 5 -

forecasting our needs, it is wise to allow a margin of safety. Two things we should keep as the minimum safety factors: Our geographical situation; and the fighting spirit and productive capacity of the nations which are resisting the aggressors. Our major aim should be to outstrip the aggressor nations in productive capacity and defense articles on hand, without reference to what the other democracies are doing and producing or without reference to the advantage which our geographical situation may give us.

One of the reasons for our longstanding supremacy has been that we have always had such margins of safety over and above our own military and naval forces and equipment. One of the reasons for the past supremacy of the British Fleet has been that it was built and developed on the assumption that it should be larger and better than the fleets of any possible combination of enemies.

Reliance on another country for all purposes is not always sound. To a large extent, Britain assumed that France and its productive capacity would be available to it.

- 3 -

But the French air bases and the French productive capacity are no longer available to Britain. And, in consequence, Britain does not, for example, have enough long-range bombers. By the same token, France was certain that its Maginot Line and its army were invulnerable. Wars are not won on such certainties.

Conditions change so rapidly that only an adequate productive capacity and an adequate number of defense articles on hand can make it possible to adapt to such changes. For this country an adequate productive capacity and an adequate number of defense articles on hand means enough of its own productive capacity and equipment to outmatch any possible combination of enemies.

The Defense of Those Nations Whose
Defense is Vital to Our Defense.

The outposts of our defense today are in Great Britain, in Greece, in China, and in those countries which are now being threatened by the aggressors. The aggressors are our potential enemies. We could, if we abandoned all the lessons

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of history and experience, withdraw our defenses from Pearl Harbor, from Newfoundland, or even from Governor's Island. But we have learned over a long period that, as we move our defenses outward, we lessen the dangers of attack on San Francisco, Boston or New York.

We can have outposts of defense without owning land or without military or naval bases. We can have outposts of defense that do not require the utilization of our armed forces in combat. We have such outposts of defense today in the battle spots of the world.

Every gun, and every ship, and every tank, and every bomber we make available to the democracies tends to weaken or defeat our potential enemies. If Britain, and China, and Greece prevail--and we hope they will--our blood and treasure will not have to be spent in combat. If they fail, we shall have to continue spending billions upon billions more to safeguard our security and way of life, and no man can say that our youth will then not have to fight for what we all treasure so much.

The heart of H.R. 1776 is defense equipment--equipment which remains under the control of the United States

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Government until it is ready for disposition. As long as the fighting democracies hold out, each gun, each plane, and each ship that we dispose of to them is worth more to us in their hands than it would now be in our own. Not only does this equipment in the hands of the resisting democracies weaken our potential enemies, but we gain precious time within which to develop our productive capacity to the point where we can meet every possible contingency. Should the sad day arrive when any one or all of these countries resisting aggression go down, the defense articles which we are producing, and our capacity to produce them, will be the most valuable assets that a free people can have.

Defense Expenditures and
Our Defense Program.

In my budget message to the Congress of January 3, 1941, I summarized the program for the fiscal years 1940, 1941, and 1942. The present request is, of course, an additional part of this same program.

If we do not increase our present rate of actual expenditures for defense, we can not be completely sure that

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we will be ready in time to meet all possible threats to our national security.

From July 1, 1940 through March 4, 1941, we expended, through the War and Navy Departments, the amount of \$2,947,518,849 for national defense purposes. As was stated in my budget message of January 3, 1941, appropriations, authorizations, and recommendations have already been made for a total of \$28,480,000,000 for the defense program.

The daily expenditures for defense have been steadily mounting and are reflected in the steadily increasing numbers of guns, ships, tanks, and airplanes that are coming off the lines. However, we are not getting fast enough for all possible needs the essential equipment which we require.

One of the greatest single factors which affects the rate at which we get this essential equipment is our capacity to produce. To make guns, and ships, and airplanes, we need aluminum and tin, machine tools, and machinery, plant space, and, above all, trained men and women. We have rapidly expanded our capacity for all of these things. But if we want

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to be assured of having finished defense equipment in time, we must still more greatly expand our productive capacity for raw materials, for machine tools, for plant space, and for training personnel. We must do this not only to be sure that the moneys appropriated and requested are translated into equipment in time, but also to make sure that the funds granted by the Congress pursuant to this request are put to the most effective use with the greatest possible speed. That is the reason that so comparatively large a portion of the present request is for the expansion of such productive capacity.

The Benefits to the United States
and the Present Request.

The present request is admittedly large. But, the people of France and the people of those other countries that have been swallowed up might once have felt that their defense expenditures were large. Now, they doubtless feel that they are as nothing compared to the yoke of the aggressor. If the life of our nation is worth the blood of our people

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in the case of attack, it is certainly worth the premiums required to be paid to forestall the possibility of such attack.

The appropriations which Congress grants in response to this request will have many advantages. The defense articles procured with such appropriations will be used to defeat or weaken our possible enemies. They will give us irreplaceable time within which to develop our productive capacity to the point where we can obtain and replenish the materials of war faster and better than our potential enemies. They will put us into a position where we can safeguard ourselves against any possible combination of enemies.

To us as a people and as a nation, these benefits can not be appraised in dollars--they are of a value far beyond money or other similar tangible considerations. However, the framework of H.R. 1776 and the administration of it will doubtless result in many additional benefits of a monetary and similar character. Even though we deal in the most generous manner--as we expect to--with the heroic peoples

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who are fighting in our own defense as well as their own, we can still receive many such additional benefits. We do not need the rules of the market place to receive benefits freely and generously offered by the democracies in return for a similar generosity on our part. I am sure that when this Government considers with the governments which we are to assist under H.R. 1776 the whole range of raw materials, trade concessions, military and naval bases, and other property or consideration which they will gladly offer to transfer to us, we will find that we have reaped, in security and in more tangible benefits, more than we have sown. The democracies can and will show that they can stand together in time of dire need to their everlasting mutual benefit. In this way, they shall always keep their banners flying.

OSC:djb:aja
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TABLE 2-1, 2, Dollars

THE BRITISH PURCHASING COMMISSION
SUMMARY OF CONTRACTS UP TO \$100,000.00
As of February 15, 1943

STRICTLY CONFIDENTIAL

Classification	Total Value of Purchase			Value of Deliveries	Amounts Outstanding as of Credit of Shipments						Value of Undelivered Material	Balance of Payments Due
	Capital	Product	Total		French Advances			British Advances				
					Capital	Product	Total	Capital	Product	Total		
<u>French</u>												
Aircraft	-	305,973,449.03	305,973,449.03	62,465,752.75	-	30,899,711.85	30,899,711.85	-	30,510,875.23	30,510,875.23	144,307,438.22	73,096,715.02
Aircraft Engines	-	319,815,996.48	319,815,996.48	87,886,947.42	-	18,978,557.62	18,978,557.62	-	40,821,468.75	40,821,468.75	130,049,011.24	75,145,985.24
Aircraft Accessories	-	33,550,143.58	33,550,143.58	11,190,906.97	-	5,730,316.62	5,730,316.62	-	4,974,537.08	4,974,537.08	21,753,234.61	10,648,380.70
Total Aircraft Products	-	659,339,589.09	659,339,589.09	161,543,607.14	-	45,608,586.10	45,608,586.10	-	76,306,879.06	76,306,879.06	296,109,744.07	158,990,480.96
Machine Tools	-	26,704,297.75	26,704,297.75	24,537,761.77	-	3,966,354.70	3,966,354.70	-	-	-	2,146,355.95	(1,800,018.75)
Armament	-	5,038,000.00	5,038,000.00	5,038,000.00	-	946,000.00	946,000.00	-	-	-	4,092,000.00	4,092,000.00
Truck Equipment	1,487,245.00	17,725,496.73	19,212,741.73	7,220,144.99	414,066.25	1,389,560.00	1,803,626.25	1,073,196.75	123,703.50	1,196,900.25	10,519,333.74	9,006,090.24
Motor Vehicles	-	21,985,825.53	21,985,825.53	19,600,575.78	-	827,565.00	827,565.00	-	-	-	341,661.80	133,880.66
Non-Ferrous Metals	-	1,429,266.00	1,429,266.00	1,285,383.34	-	-	-	-	-	-	133,880.66	133,880.66
Petroleum Products	-	7,426,000.00	7,426,000.00	-	-	-	-	-	-	-	7,426,000.00	7,426,000.00
Total Non-Aircraft Products	1,487,245.00	79,720,883.98	81,208,128.98	57,694,963.88	414,066.25	7,129,479.70	7,543,545.95	1,073,196.75	889,826.40	1,963,423.15	27,218,810.10	13,199,414.00
Grand Total	1,487,245.00	739,379,435.25	740,866,680.25	219,238,571.02	414,066.25	57,738,065.80	58,152,132.05	1,073,196.75	77,196,801.20	78,270,000.25	323,328,554.17	172,189,894.96
<u>British</u>												
Aircraft	612,000.00	699,164,914.70	699,796,914.70	80,971,650.35	-	-	-	132,467.62	237,537,733.97	237,670,201.59	578,213,264.31	341,334,841.77
Aircraft Engines	54,078,472.00	321,799,346.73	375,877,818.73	28,518,214.81	-	-	-	51,130,167.50	108,432,805.02	159,562,972.52	296,230,942.90	189,786,366.99
Aircraft Accessories	2,140,000.00	46,947,446.98	49,087,446.98	2,296,043.12	-	-	-	2,140,000.00	20,244,153.01	22,384,153.01	44,651,383.86	24,407,130.87
Total Aircraft Products	668,218.00	1,067,851,708.41	1,071,724,175.41	111,785,908.28	-	-	-	185,737,730.12	366,214,741.99	366,952,472.10	919,095,591.07	555,538,373.63
Machine Tools	-	26,212,886.29	26,212,886.29	4,349,020.85	-	-	-	-	4,415,686.01	4,415,686.01	21,863,877.69	15,448,170.08
Explosives & Pyrotechnics	40,808,633.76	22,076,000.00	62,884,633.76	1,750,781.81	-	-	-	36,998,030.87	3,966,430.80	40,964,461.67	30,794,028.15	18,495,190.28
Armament	12,348,079.12	118,899,186.10	131,247,265.22	14,046,215.56	-	-	-	10,689,325.31	36,683,240.90	47,372,566.21	99,830,946.84	74,807,682.88
Truck Equipment	36,743,300.70	195,542,884.66	232,286,185.36	69,289,052.68	-	-	-	33,581,125.31	28,597,065.28	62,178,190.59	106,779,084.17	106,779,084.17
Trucks & Truck Equipment	8,303,480.00	169,423,086.00	177,726,566.00	2,047,100.50	-	-	-	6,899,210.00	30,309,154.74	37,208,364.74	182,748,887.10	133,843,970.76
Motor Vehicles	-	17,803,376.68	17,803,376.68	7,173,852.70	-	-	-	-	3,032,545.20	3,032,545.20	10,670,831.48	7,598,983.28
Non-Ferrous Metals	2,750,000.00	26,882,421.44	29,632,421.44	17,343,420.93	-	-	-	-	2,480,348.86	2,480,348.86	8,138,990.51	8,528,441.63
Ship & Marine Equipment	8,199,000.00	100,776,000.00	108,975,000.00	2,019,848.70	-	-	-	1,800,000.00	22,074,973.31	23,874,973.31	96,345,132.39	80,970,217.07
Electrical Equipment	-	1,896,569.33	1,896,569.33	1,070,098.60	-	-	-	-	379,213.87	379,213.87	1,517,355.46	1,517,355.46
All Other	-	1,070,098.60	1,070,098.60	1,070,098.60	-	-	-	-	-	-	-	-
Total Non-Aircraft Products	108,807,903.58	673,793,399.20	782,601,302.78	118,729,486.22	-	-	-	94,564,871.26	124,082,734.07	218,647,605.33	598,063,518.96	448,344,196.53
Grand Total	169,695,174.58	1,741,651,134.65	1,811,346,319.23	330,518,057.24	-	-	-	180,302,607.01	490,299,535.96	670,602,142.98	1,517,162,113.13	1,003,933,691.49
Grand Total - French & British	167,183,439.58	1,741,651,134.65	1,908,834,574.23	330,518,057.24	414,066.25	57,738,065.80	58,152,132.05	1,073,196.75	77,196,801.20	78,270,000.25	323,328,554.17	172,189,894.96

British Purchasing Commission
National Division, New York
February 15, 1943

Revised March 9, 1943

THE UNITED STATES GOVERNMENT
ARMED FORCE CONTRACTS OF \$1,000,000. or OVER
AS OF February 25, 1951

STRICTLY CONFIDENTIAL

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Classification and Contract No.		Supplier	Subcontract	Total Value of Contract			Value of Deliveries	Advances Outstanding in Credit of Payments						Value of Unexpended Contract	Balance of Unexpended Line	
				Capital	Product	Total		French Advances			Total	Capital	Product			Total
Aircraft																
A-101 *	Curtiss-Wright Corp.	New York, N. Y.	754 Bomb Airframes	-	1,097,189.60	1,097,189.60	1,011,074.00	-	-	-	-	-	-	1,316.60	4,322.60	
A-110 *	Consolidated Aircraft Corp.	San Diego, Calif.	24-64Y Planes & Equipment	-	4,432,130.21	4,432,130.21	1,490,131.63	-	2,347,346.99	2,347,346.99	-	1,386,635.03	1,386,635.03	6,082,978.58	3,397,796.10	
A-129 *	United Aircraft Corp.	East Hartford, Conn.	V-100 Dye Bombers & Accessories	-	2,772,280.00	2,772,280.00	139,445.10	-	1,080,790.79	1,080,790.79	-	861,202.35	861,202.35	2,662,828.90	1,060,872.80	
A-171 *	Douglas Aircraft Corp.	Santa Monica, Calif.	Airplanes spare Propellers	-	13,333,130.21	13,333,130.21	13,310,826.76	-	-	-	-	-	-	22,303.45	22,303.45	
A-172 *	Glenn L. Martin Co.	Baltimore, Md.	Martin Model 167-F, Parts and Equipment	-	27,453,123.13	27,453,123.13	14,548,019.02	-	877,286.52	877,286.52	-	4,386,331.97	4,386,331.97	12,003,104.09	7,697,509.60	
A-173 *	Curtiss-Wright Corp.	New York, N. Y.	Pursuit Planes, Tanks & Tubes	-	10,952,438.38	10,952,438.38	8,978,768.00	-	775,235.80	775,235.80	-	-	-	1,973,890.38	1,198,654.58	
A-174 *	North American Aviation, Inc.	Inglewood, Calif.	EA-64 Training Planes, Engines & Accessories	-	3,174,840.70	3,174,840.70	3,077,777.82	-	23,812.21	23,812.21	-	-	-	77,062.88	33,060.48	
A-175 *	North American Aviation, Inc.	Inglewood, Calif.	Trainers & Propellers, Engines, Spares	-	997,523.63	997,523.63	968,118.63	-	-	-	-	1,814.85	1,814.85	39,404.96	33,590.13	
A-198 *	Grumman Aircraft Corp.	Beth Page, N. Y.	Pursuit Planes, Accessories	-	4,601,688.26	4,601,688.26	4,879,300.33	-	-	-	-	7,348.33	7,348.33	12,877.93	5,139.82	
A-206 *	Douglas Aircraft Corp.	Santa Monica, Calif.	Bombard, Signal Pistols, Bomb Release	-	10,977,163.30	10,977,163.30	9,438,082.99	-	234,396.59	234,396.59	-	407,029.00	407,029.00	1,139,100.31	897,674.71	
A-272 *	Boeing Aircraft Co.	Seattle, Wash.	240 B-29 Airplanes and Spares	-	30,582,790.96	30,582,790.96	-	-	3,916,000.00	3,916,000.00	-	10,335,973.00	10,335,973.00	30,582,790.96	14,135,777.96	
A-277 *	Consolidated Aircraft Corp.	San Diego, Calif.	Bombard LB 30 Spares	-	38,711,311.74	38,711,311.74	-	-	1,877,500.00	1,877,500.00	-	14,999,080.72	14,999,080.72	38,711,311.74	21,872,891.03	
A-291 *	Douglas Aircraft Corp.	Santa Monica, Calif.	Head Northrop A-17A Planes, Spares	-	3,819,719.52	3,819,719.52	3,619,719.52	-	-	-	-	-	-	-	-	
A-294 *	North American Aviation, Inc.	Inglewood, Calif.	Trainer Planes, Pratt & Whitney Engines	-	18,481,778.60	18,481,778.60	-	-	4,096,003.00	4,096,003.00	-	4,769,986.31	4,769,986.31	18,481,778.60	9,415,389.29	
A-299 *	Douglas Aircraft Corp.	Santa Monica, Calif.	B-29 Airplanes, Spares	-	30,538,180.82	30,538,180.82	-	-	3,872,000.00	3,872,000.00	-	13,509,631.00	13,509,631.00	30,538,180.82	13,157,545.81	
Total				-	209,773,449.01	209,773,449.01	52,465,952.79	-	20,897,711.96	20,897,711.96	-	50,510,872.13	50,510,872.13	144,597,496.32	73,096,912.03	
Aircraft Engines																
A-107 *	Curtiss-Wright Corp.	New York, N. Y.	Cyclone Engines	-	3,969,728.00	3,969,728.00	2,957,945.12	-	611,773.26	611,773.26	-	-	-	2,013,782.88	404,009.87	
A-108 *	United Aircraft Corp.	East Hartford, Conn.	Pratt & Whitney Twin Nap Jr. Engines	-	7,450,776.00	7,450,776.00	7,450,776.00	-	-	-	-	-	-	-	-	
A-116 *	United Aircraft Corp.	East Hartford, Conn.	Pratt & Whitney Nap 570A-C Engines	-	6,188,720.38	6,188,720.38	6,188,720.38	-	-	-	-	-	-	-	-	
A-119 *	United Aircraft Corp.	East Hartford, Conn.	Pratt & Whitney Nap 570A-C Engines	-	7,177,639.50	7,177,639.50	7,177,639.50	-	-	-	-	-	-	-	-	
A-118 *	United Aircraft Corp.	East Hartford, Conn.	Nap 570A-C Engines	-	5,791,989.00	5,791,989.00	5,791,989.00	-	-	-	-	-	-	-	-	
A-119 *	United Aircraft Corp.	East Hartford, Conn.	Nap 570A-C Engines	-	7,273,099.00	7,273,099.00	7,273,099.00	-	-	-	-	-	-	-	-	
A-120 *	United Aircraft Corp.	East Hartford, Conn.	Nap 570A-C Engines	-	8,802,087.00	8,802,087.00	7,428,300.82	-	790,596.14	790,596.14	-	17,496.03	17,496.03	3,772,786.18	568,242.93	
A-125 *	General Motors Corp.	Detroit, Mich.	2070 & 2730 Engine Starters	-	2,180,083.30	2,180,083.30	538,977.60	-	813,189.97	813,189.97	-	-	-	1,611,345.70	827,655.73	
A-127 *	General Motors Corp.	New York, N. Y.	V-1710-015 Engines	-	2,001,000.00	2,001,000.00	2,001,000.00	-	-	-	-	-	-	-	-	
A-128 *	General Motors Corp.	New York, N. Y.	V-1710-015 Engines	-	12,180,000.00	12,180,000.00	4,455,516.62	-	3,315,625.00	3,315,625.00	-	301,517.50	301,517.50	7,774,483.08	3,887,540.58	
A-129 *	United Aircraft Corp.	East Hartford, Conn.	Nap 570A-C Engines	-	1,322,879.40	1,322,879.40	1,322,879.40	-	-	-	-	-	-	-	-	
A-130 *	United Aircraft Corp.	East Hartford, Conn.	Spare Parts for Engines	-	1,616,839.34	1,616,839.34	1,393,771.53	-	64,077.72	64,077.72	-	71,353.25	71,353.25	323,060.81	87,072.80	
A-131 *	United Aircraft Corp.	East Hartford, Conn.	Nap Engines	-	34,667,779.00	34,667,779.00	4,720,389.35	-	7,249,545.04	7,249,545.04	-	10,317,172.54	10,317,172.54	29,347,389.65	12,180,668.07	
A-132 *	General Motors Corp.	New York, N. Y.	Various Tools & Spare Parts	-	1,584,915.36	1,584,915.36	179,560.77	-	-	-	-	665,816.81	665,816.81	1,319,134.75	687,307.98	
A-133 *	United Aircraft Corp.	East Hartford, Conn.	Nap B-1830 Engines	-	4,907,381.90	4,907,381.90	241,048.43	-	2,416,342.79	2,416,342.79	-	1,114,057.31	1,114,057.31	4,466,155.67	1,135,933.37	
A-134 *	United Aircraft Corp.	East Hartford, Conn.	Nap 570A-C Engines	-	2,306,902.40	2,306,902.40	2,306,902.40	-	-	-	-	-	-	-	-	
A-135 *	Curtiss-Wright Corp.	New York, N. Y.	B-200 Cyclone Engines	-	118,024,510.68	118,024,510.68	24,820,129.83	-	3,477,699.69	3,477,699.69	-	27,782,431.00	27,782,431.00	83,212,380.85	52,507,288.16	
A-136 *	United Aircraft Corp.	East Hartford, Conn.	Spare Parts for Engines	-	2,599,672.32	2,599,672.32	1,644,382.15	-	-	-	-	541,003.93	541,003.93	899,290.90	354,266.99	
Total				-	109,935,948.60	109,935,948.60	87,886,947.52	-	18,978,537.61	18,978,537.61	-	40,801,668.35	40,801,668.35	132,049,011.36	72,148,985.36	

Regraded Unclassified

Value in U. S. Dollars

Classification and Contract No.	Supplier	Material	Total Value of Contract			Value of Deliveries	Advance Outstanding to Credit of Supplier						Value of Unutilized Material	Balance of Expense Due
			Capital	Product	Total		From Advances			From Invoices				
							Capital	Product	Total	Capital	Product	Total		
Aircraft Accessories														
F-217	Douglas Aircraft Co., Santa Monica, Calif.	Anti drag ring assemblies	-	3,112,731.50	3,112,731.50	660,997.66	-	-	-	-	790,632.00	790,632.00	4,672,434.66	1,851,702.04
F-217 *	J.V.V. Corp.	Link Trainers, spare parts	-	2,064,340.19	2,064,340.19	1,207,470.00	-	664,899.00	664,899.00	-	-	-	832,070.19	100,180.27
F-217	United Aircraft Corp., East Hartford, Conn.	Hamilton Standard Propellers	-	3,806,558.73	3,806,558.73	3,553,076.66	-	200,042.00	200,042.00	-	375,844.36	375,844.36	2,353,481.89	2,333,773.87
F-217	United Aircraft Corp., East Hartford, Conn.	Aircraft Engine Starters	-	9,399,838.60	9,399,838.60	1,398,600.00	-	1,621,038.50	1,621,038.50	-	3,294,173.50	3,294,173.50	5,007,238.60	3,000,034.60
F-217	United Aircraft Corp., East Hartford, Conn.	Spare Parts & Accessories for SC30 Engines	-	1,299,253.56	1,299,253.56	195,466.48	-	6,531.43	6,531.43	-	-	-	2,103,787.08	1,009,235.67
F-217	Durillo-Wright Corp., New York, N. Y.	Propellers, including various additions	-	11,887,201.00	11,887,201.00	5,407,698.35	-	2,935,802.50	2,935,802.50	-	350,265.00	350,265.00	6,479,502.85	3,103,435.35
Total			-	23,550,143.58	23,550,143.58	12,196,906.97	-	5,730,336.63	5,730,336.63	-	4,976,137.08	4,976,137.08	21,953,234.63	10,644,380.90
Total Aircraft Products			-	459,459,551.27	459,459,551.27	161,519,805.18	-	45,608,586.10	45,608,586.10	-	96,306,877.80	96,306,877.80	297,705,742.09	185,994,278.17
Machine Tools														
F-217	A.F. LeBlond Machine Tool Co., New York, N. Y.	Lathes	-	1,671,443.60	1,671,443.60	1,671,443.60	-	-	-	-	-	-	-	-
F-217 *	Swamy & Tractor Corp., Milwaukee, Wis.	Milling Machine & Equipment	-	13,352,037.76	13,352,037.76	11,877,906.80	-	3,602,003.20	3,602,003.20	-	-	-	1,474,130.76	1,127,952.26 (ex)
F-217 *	Brown & Sharpe Mfg.Co., Providence, R. I.	Screw Machines	-	1,799,754.00	1,799,754.00	1,799,754.00	-	-	-	-	-	-	-	-
F-217 *	United Engineering & Foundry Co., Pittsburgh, Pa.	Equipment for Aluminum Mills	-	3,695,266.63	3,695,266.63	3,695,266.63	-	-	-	-	-	-	-	-
F-217 *	Leeds Tool Co., Sayreboro, Pa.	Grinders, Planers, etc.	-	1,738,084.03	1,738,084.03	1,580,254.08	-	113,031.00	113,031.00	-	-	-	157,847.95	44,938.05
F-217 *	Cincinnati Milling Machine & Cincinnati Grinders, Inc., Cincinnati, Ohio	Grinding & Milling Machines	-	1,196,036.20	1,196,036.20	978,491.90	-	88,498.00	88,498.00	-	-	-	217,534.30	127,036.30
F-217 *	Ward Machine Co., Worcester, Mass.	Grinders, etc.	-	2,037,855.00	2,037,855.00	1,861,276.36	-	109,012.50	109,012.50	-	-	-	176,578.74	67,566.24
F-217 *	Leeds-Clifford Co., Worcester, Mass.	Drilling Machines, etc.	-	1,213,852.50	1,213,852.50	1,073,290.50	-	53,750.00	53,750.00	-	-	-	140,562.00	86,512.00
Total			-	26,794,297.72	26,794,297.72	24,377,961.77	-	3,966,354.70	3,966,354.70	-	-	-	2,366,335.95	1,600,018.75 (ex)
Assemblies														
F-217 *	Pollack Mfg. Co., Arlington, N. Y.	Metallic Parts for Fuselage	-	2,838,000.00	2,838,000.00	-	-	966,000.00	966,000.00	-	-	-	3,838,000.00	1,838,000.00
F-217 *	Youngstown Sheet & Tube Co., Youngstown, Ohio	Shall Quality Steel Items	-	2,200,000.00	2,200,000.00	-	-	-	-	-	-	-	2,200,000.00	2,200,000.00
Total			-	5,038,000.00	5,038,000.00	-	-	966,000.00	966,000.00	-	-	-	5,038,000.00	4,038,000.00
Ordnance Equipment														
F-217 *	Sperry Gyroscopic Co., Inc., Brooklyn, N. Y.	Searchlights, Sound Locators, Carbons & Mirrors	-	2,437,933.25	2,437,933.25	2,236,826.90	-	49,976.61	49,976.61	-	-	-	177,106.35	147,129.74
F-217 *	International General Electric Co., New York, N. Y.	Searchlight Equipment, Portable Power Plants	-	2,368,232.00	2,368,232.00	2,329,532.16	-	7,174.95	7,174.95	-	-	-	38,699.84	31,526.89
F-217	Colt's Patent Fire Arms Mfg. Co., Hartford, Conn.	Machine Guns & Spare	1,407,265.00	5,837,625.00	7,244,890.00	705,537.32	434,066.25	1,296,643.63	1,730,715.88	1,073,196.75	123,703.36	1,196,900.25	4,932,087.68	3,211,234.25
F-217	Sperry Gyroscopic Co., Inc., Brooklyn, N. Y.	Complete Searchlight Equipment	-	4,442,171.78	4,442,171.78	1,378,462.38	-	19,354.70	19,354.70	-	-	-	3,063,707.40	3,044,354.70
F-217 *	International General Electric Co., New York, N. Y.	Searchlights, Portable Power Plants	-	2,897,534.70	2,897,534.70	569,784.23	-	16,304.11	16,304.11	-	-	-	2,327,750.47	2,271,446.36
Total			1,407,265.00	17,775,496.73	19,230,763.73	7,120,112.99	434,066.25	1,399,980.00	1,803,686.25	1,073,196.75	123,703.36	1,196,900.25	10,319,333.74	9,006,090.24
Motor Vehicles														
F-217 *	General Motors Overseas New York, N. Y.	Truck Chassis	-	15,280,711.50	15,280,711.50	13,348,461.75	-	827,965.00	827,965.00	-	-	-	766,223.90	766,223.90
F-217 *	Isak International Motor Truck Corp., Long Island City, N.Y.	Truck Trucks & Spare Parts	-	1,666,000.44	1,666,000.44	1,666,000.44	-	-	-	-	-	-	-	-
F-217 *	The White Motor Co., New York, N. Y.	Trucks, Model 622	-	3,617,805.30	3,617,805.30	3,617,805.30	-	-	-	-	-	-	-	-
F-217 *	Caterpillar Tractor Co., Peoria, Ill.	Tractors	-	1,018,308.29	1,018,308.29	1,018,308.29	-	-	-	-	-	-	-	-
Total			-	21,565,825.53	21,565,825.53	19,650,575.78	-	827,965.00	827,965.00	-	-	-	766,223.90	766,223.90

THE BRITISH PURCHASING MISSIONS
FORMER FRENCH CONTRACTS OF \$1,000,000. OR OVER
As At February 15, 1941

STRICTLY CONFIDENTIAL

Values in U. S. Dollars

Values in U. S. Dollars			As At February 15, 1942											
Classification and Contract No.	Supplier	Material	Total Value of Contract			Value of Deliveries	Advances Outstanding To Credit of Missions						Value of Undelivered Material	Balance of Payments Due
			Capital	Product	Total		French Advances			British Advances				
							Capital	Product	Total	Capital	Product	Total		
Non-Ferrous Metals														
PC-4	Copper Export Ass'n. New York, N. Y.	Anaconda Electrolytic Zinc	-	1,419,264.00	1,419,264.00	1,285,383.34	-	-	-	-	-	-	133,880.66	133,880.66
		Total	-	1,419,264.00	1,419,264.00	1,285,383.34	-	-	-	-	-	-	133,880.66	133,880.66
Petroleum Products														
PC-1 (a)	Sun Oil Co. Philadelphia, Pa.	Aviation Gasoline	-	5,292,000.00	5,292,000.00	-	-	-	-	-	-	-	5,292,000.00	5,292,000.00
PC-2 (a)	Compagnie Industrielle des Petroles New York, N. Y.	Aviation Gasoline	-	2,134,000.00	2,134,000.00	-	-	-	-	-	-	-	2,134,000.00	2,134,000.00
		Total	-	7,426,000.00	7,426,000.00	-	-	-	-	-	-	-	7,426,000.00	7,426,000.00
Total Non-Aircraft			1,487,265.00	79,912,883.98	81,400,148.98	52,694,063.88	414,066.25	7,129,479.70	7,543,545.95	1,073,198.75	889,926.40	1,963,125.15	27,218,820.10	19,199,414.00
Grand Total - French			1,487,265.00	539,372,435.25	540,859,700.25	214,243,873.06	414,066.25	52,738,065.80	53,152,132.05	1,073,198.75	97,196,804.20	98,270,002.95	325,128,562.19	175,193,492.19

* Contracts being completed by April 30, 1941.

(a) Contracts in process of Cancellation.

British Purchasing Commission
Statistical Division, New York
February 25, 1941

Revised March 9, 1941

THE BRITISH PURCHASING MISSION
WRITING CONTRACTS OF \$1,000,000. OR OVER
ON 15 FEBRUARY 1942

Values in U. S. Dollars

STRICTLY CONFIDENTIAL

Classification and Contract No.	Supplier	Material	Total Value of Contract			Value of Deliveries	Advances Outstanding to Credit of Mission			Value of Undelivered Material	Balance of Payments Due
			Capital	Product	Total		Capital	Product	Total		
Aircraft											
A-17	Consolidated Aircraft Corp. San Diego, Calif.	Flying Boats	-	16,250,000.00	16,250,000.00	240,835.16	-	10,205,408.61	10,205,408.61	16,018,794.87	5,231,205.13
A-47	Lockheed Aircraft Corp. Burbank, Calif.	Hudson I, II & III	-	22,582,810.99	22,582,810.99	22,328,990.90	-	205,426.74	205,426.74	22,378,287.69	50,793.45
A-48	Lockheed Aircraft Corp. Burbank, Calif.	Single Seat Fighters	-	30,566,978.29	30,566,978.29	5,408,512.70	-	7,277,994.54	7,277,994.54	23,358,463.79	17,190,473.05
A-49	Brewster Aeronautical Corp. New York, N. Y.	Buffaloes, Fighting Bombs	-	12,490,396.37	12,490,396.37	3,040,390.44	-	3,688,384.00	3,688,384.00	7,030,045.93	3,941,661.93
A-54	Curtis-Wright Corp. New York, N. Y.	Waco A1A & A2A	-	43,331,628.88	43,331,628.88	25,002,930.46	-	10,400,107.97	10,400,107.97	18,288,698.42	7,408,990.45
A-57	Douglas Aircraft Corp. Santa Monica, Calif.	Boston Bombers	-	42,128,159.43	42,128,159.43	52,781.40	-	14,394,021.47	14,394,021.47	42,075,138.03	27,081,396.34
A-58	North American Aviation Inglewood, Calif.	Harvard	-	24,507,560.78	24,507,560.78	13,123,846.18	-	3,193,517.80	3,193,517.80	9,280,182.80	6,280,182.80
A-59	Lockheed Aircraft Corp. Burbank, Calif.	Reassembling Planes	-	1,500,000.00	1,500,000.00	281,112.21	-	-	-	1,218,887.79	1,218,887.79
A-60	Hall Aircraft Corp. Buffalo, N. Y.	Airframes	-	11,010,827.80	11,010,827.80	77.55	-	4,860,000.00	4,860,000.00	11,010,827.80	6,150,827.80
A-64	Olson L. Martin Co. Baltimore, Md.	Bombers - Model 127	464,000.00	55,235,413.40	55,699,413.40	-	113,667.61	36,747,649.40	36,861,317.01	55,235,413.40	22,778,116.39
A-65	Lockheed Aircraft Corp. Burbank, Calif.	Model 325	150,000.00	51,828,928.12	51,978,928.12	-	-	15,442,177.22	15,442,177.22	51,828,928.12	36,536,750.90
A-66	North American Aviation Inglewood, Calif.	A-1 - 71's	-	14,772,796.30	14,772,796.30	-	-	3,659,366.78	3,659,366.78	14,772,796.30	11,113,429.52
A-67	Lockheed Aircraft Corp. Burbank, Calif.	Model 37's	-	33,033,660.40	33,033,660.40	-	-	11,106,629.96	11,106,629.96	33,033,660.40	21,927,030.44
A-68	Lockheed Aircraft Corp. Burbank, Calif.	Model A1A-68	-	2,552,347.39	2,552,347.39	2,471,097.85	-	24,158.54	24,158.54	81,249.54	57,189.85
A-69	North American Aviation Inglewood, Calif.	Harvard II	-	3,578,510.51	3,578,510.51	111,021.41	-	1,604,993.51	1,604,993.51	3,467,517.00	1,860,993.51
A-70	Brewster Aeronautical Corp. New York, N. Y.	Single Seat Fighters	-	1,371,325.89	1,371,325.89	1,371,325.89	-	-	-	-	-
A-71	Belgian Government	Single Seat Fighters	-	1,192,140.10	1,192,140.10	1,192,140.10	-	-	-	-	-
A-72	Valve Aircraft Corp. Vallejo Field, Calif.	Dive Bombers & Spares	-	44,395,612.60	44,395,612.60	-	-	18,400,513.60	18,400,513.60	44,395,612.60	27,995,099.00
A-73	Brewster Aeronautical Corp. New York, N. Y.	Dive Bombers	-	35,939,612.50	35,939,612.50	-	-	17,861,578.90	17,861,578.90	35,939,612.50	18,078,033.60
A-74	North American Aviation Inglewood, Calif.	Spares Parts - Harvard I	-	1,274,976.85	1,274,976.85	254,297.80	-	503,531.03	503,531.03	1,020,149.02	516,996.83
A-75	Pan American Airways New York, N. Y.	Flying Boats	-	3,328,986.00	3,328,986.00	-	-	1,133,100.00	1,133,100.00	3,328,986.00	1,775,886.00
A-76	Hall Aircraft Corp. Buffalo, N. Y.	Airframes 7400	-	9,875,000.00	9,875,000.00	-	-	5,307,800.00	5,307,800.00	9,875,000.00	4,567,200.00
A-77	Lockheed Aircraft Corp. Burbank, Calif.	Lockstar Airplanes	-	1,142,568.87	1,142,568.87	306,013.45	-	238,508.72	238,508.72	877,555.42	599,027.30
A-78	Hall Aircraft Corp. Buffalo, N. Y.	Airframes	-	13,993,680.00	13,993,680.00	-	-	6,252,066.00	6,252,066.00	13,993,680.00	7,741,614.00
A-79	Brewster Aeronautical Corp. New York, N. Y.	302 Dive Bombers	-	20,291,709.00	20,291,709.00	-	-	4,512,644.34	4,512,644.34	20,291,709.00	15,779,064.66
A-80	North American Aviation Inc. Inglewood, Calif.	W47 Airplanes	-	15,292,677.90	15,292,677.90	-	-	6,264,119.40	6,264,119.40	15,292,677.90	9,028,558.50
A-81	Crummey Aircraft & Engineering Corp. Beth Page, N. Y.	O-3A Pursuit Planes	-	6,381,586.40	6,381,586.40	-	-	2,943,587.50	2,943,587.50	6,381,586.40	3,438,098.90
A-82	Northrop Aircraft Corp. Bethesda, Calif.	Valley Dive Bombers	-	17,611,130.00	17,611,130.00	-	-	6,817,056.00	6,817,056.00	17,611,130.00	10,794,074.00
A-83	Valve Aircraft Corp. Vallejo Field, Calif.	Model 48-C Pursuit Plane	-	10,186,793.38	10,186,793.38	-	-	5,687,567.69	5,687,567.69	10,186,793.38	4,499,225.69
A-84	Lockheed Aircraft Corp. Burbank, Calif.	Venture Planes	-	42,229,862.50	42,229,862.50	-	-	12,825,000.00	12,825,000.00	42,229,862.50	29,404,862.50
A-85	Lockheed Aircraft Corp. Burbank, Calif.	Hudson II B Airframes	-	42,595,649.31	42,595,649.31	2,921,946.40	-	17,528,186.78	17,528,186.78	39,673,502.91	28,134,403.05
A-86	Curtis-Wright Corp. New York, N. Y.	W4A Hawk Airframes	-	22,414,067.80	22,414,067.80	-	-	10,850,000.00	10,850,000.00	22,414,067.80	11,564,067.80
A-87	Curtis-Wright Corp. New York, N. Y.	T5A - 4 & 3 Hawk Airframes Spares	-	1,158,359.69	1,158,359.69	123,271.09	-	491,832.17	491,832.17	1,036,527.60	521,837.60
A-88	Consolidated Aircraft Corp. San Diego, Calif.	Flying Boats	-	1,435,000.00	1,435,000.00	1,435,000.00	-	-	-	-	-
A-89	Consolidated Aircraft Corp. San Diego, Calif.	Liberator Airplanes	-	2,414,738.81	2,414,738.81	6,754.67	-	2,352,741.93	2,352,741.93	2,407,984.15	145,754.66
Total			612,000.00	659,184,914.70	659,796,914.70	80,671,650.35	131,667.61	237,537,733.97	237,670,120.58	578,213,264.35	341,154,842.77

Regraded Unclassified

Value in U. S. Dollars

THE UNITED STATES GOVERNMENT
UNITED STATES OF AMERICA
as at February 15, 1941

STRICTLY CONFIDENTIAL

STRICTLY CONFIDENTIAL											
Classification and Contract No.	Supplier	Material	Total Value of Contract			Value of Deliveries	Advance Outstanding in Credit of Mission			Value of Undelivered Material	Balance of Payments Due
			Capital	Product	Total		Capital	Product	Total		
Aircraft Engines											
A-194	United Aircraft Corp. East Hartford, Conn.	P. & W. SC36 Engines & Propellers	-	1,115,931.60	1,115,931.60	1,115,931.60	-	-	-	-	-
A-195	Curtiss-Wright Corp. New York, N. Y.	GRISON & 2600R Engines	-	20,342,400.00	20,342,400.00	12,282,111.60	-	5,635,596.40	5,635,596.40	8,060,288.40	1,444,692.00
A-196	Curtiss-Wright Corp. New York, N. Y.	SC300A Engines	16,305,200.00	64,896,161.50	81,201,361.50	3,077,459.55	14,450,700.00	32,261,130.48	46,711,830.48	61,818,701.95	21,412,071.47
A-196	General Motors Corp. New York, N. Y.	Allison Engines	6,466,837.00	63,190,080.00	69,656,917.00	8,865,268.43	6,593,115.80	30,427,930.00	37,021,045.80	34,325,811.97	23,971,835.07
A-282	United Aircraft Corp. East Hartford, Conn.	P. & W. R2800 Engines	6,406,434.00	14,900,140.00	21,306,574.00	28,952.28	6,406,434.00	8,286,480.00	14,692,914.00	14,671,187.79	6,184,707.72
A-532	Curtiss-Wright Corp. New York, N. Y.	Engine Spares	-	2,792,847.55	2,792,847.55	1,178,601.39	-	791,892.07	791,892.07	1,434,246.36	822,354.19
A-787	Packard Motor Co. Detroit, Mich.	Hollis Joyce Merlin IX Engines	24,900,000.00	110,000,000.00	134,900,000.00	-	24,900,000.00	19,549,954.56	44,449,954.56	110,000,000.00	95,450,095.44
A-5095	United Aircraft Corp. East Hartford, Conn.	Pratt & Whitney Engines	-	45,921,206.00	45,921,206.00	-	-	11,480,701.50	11,480,701.50	45,921,206.00	34,440,504.50
Total			54,079,471.00	342,759,366.75	396,837,837.75	26,528,454.65	52,150,247.90	108,439,805.03	160,589,052.53	296,230,942.90	189,726,260.59
Aircraft Accessories											
A-287	Curtiss-Wright Corp. New York, N. Y.	Propellers	2,140,000.00	15,556,840.00	17,696,840.00	321,863.08	2,140,000.00	7,613,288.54	9,753,288.54	13,230,976.80	7,617,688.38
A-303	United Aircraft Corp. East Hartford, Conn.	Propellers	-	10,408,353.00	10,408,353.00	519,299.54	-	3,944,921.04	3,944,921.04	9,889,053.46	3,944,132.42
A-314	Sperry Gyroscope Co. Brooklyn, N. Y.	Gyroscopes	-	1,260,000.00	1,260,000.00	1,185,333.73	-	17,403.74	17,403.74	74,666.26	57,266.51
A-521	Fairchild Aviation Corp. Jamaica, N. Y.	Omars White	-	2,485,610.15	2,485,610.15	-	-	1,242,805.08	1,242,805.08	2,485,610.15	1,242,805.07
A-1437	Fairchild Aviation Corp. Jamaica, N. Y.	Omars Machine Guns	-	1,160,198.15	1,160,198.15	116,436.75	-	315,504.56	315,504.56	1,043,752.40	538,256.84
A-2551	United Aircraft Corp. East Hartford, Conn.	Hamilton Propellers	-	4,458,120.00	4,458,120.00	-	-	1,114,330.00	1,114,330.00	4,458,120.00	3,343,790.00
A-2553	United Aircraft Corp. East Hartford, Conn.	Propellers, Constant Speed Controls	-	1,797,600.00	1,797,600.00	-	-	719,040.00	719,040.00	1,797,600.00	1,078,560.00
A-2554	United Aircraft Corp. East Hartford, Conn.	Propellers	-	1,268,760.00	1,268,760.00	-	-	577,504.00	577,504.00	1,268,760.00	761,256.00
A-2555	United Aircraft Corp. East Hartford, Conn.	Propellers	-	1,110,523.00	1,110,523.00	-	-	277,630.75	277,630.75	1,110,523.00	832,892.25
A-2556	United Aircraft Corp. East Hartford, Conn.	Propellers	-	2,813,400.00	2,813,400.00	-	-	1,125,360.00	1,125,360.00	2,813,400.00	1,688,040.00
A-2557	United Aircraft Corp. East Hartford, Conn.	Propellers	-	1,519,236.00	1,519,236.00	-	-	-	-	1,519,236.00	1,519,236.00
A-5064	Sperry Gyroscope Co. Brooklyn, N. Y.	Headlights, carrying cases, etc.	-	1,590,542.68	1,590,542.68	-	-	540,095.30	540,095.30	1,590,542.68	1,050,447.38
A-3147	Curtiss-Wright Corp. New York, N. Y.	Propellers	-	1,518,264.00	1,518,264.00	149,130.00	-	626,110.00	626,110.00	1,369,154.00	743,034.00
Total			2,140,000.00	46,947,446.98	49,087,446.98	2,296,063.12	2,140,000.00	20,244,253.01	22,384,153.01	44,451,387.86	24,467,230.85
Total Aircraft Products											
			56,230,471.00	1,026,897,728.43	1,083,128,199.43	109,796,138.31	54,290,247.90	366,214,711.99	420,677,627.10	919,092,390.31	355,288,434.01

THE UNITED STATES GOVERNMENT
 UNITED STATES OF AMERICA
 as of February 15, 1942

STRICTLY CONFIDENTIAL

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Classification and Contract No.	Supplier	Material	Total Value of Purchase			Value of Deliveries	Amount Outstanding to Credit of Supplier			Value of Unreceived Material	Balance of Payment Due
			Capital	Fresh	Total		Capital	Fresh	Total		
Machine Tools											
A-415	Louis B. Swenson Co., Chicago, Ill.	Machine Tools	-	1,277,000.00	1,277,000.00	1,277,000.00	-	-	-	-	-
A-707	Louis B. Swenson Co., Chicago, Ill.	Used Machine Tools	-	1,275,000.00	1,275,000.00	1,275,000.00	-	-	-	67,900.00	67,900.00
A-777	International Machine Tool Co., Indianapolis, Ind.	Lathes	-	1,037,360.90	1,037,360.90	-	-	518,985.22	518,985.22	1,037,360.90	518,777.18
A-1200	See Strickland Machine Co., New Britain, Conn.	Service Machines	-	1,310,600.00	1,310,600.00	-	-	793,475.00	793,475.00	1,310,600.00	517,125.00
A-1212	Worthington Co., Worcester, Mass.	Grinders	-	1,422,670.84	1,422,670.84	34,449.30	-	327,845.04	327,845.04	861,221.54	915,776.30
A-1719	Cincinnati Milling Machine Co., Cincinnati, Ohio	Milling Machines	-	1,396,164.50	1,396,164.50	97,411.50	-	647,993.50	647,993.50	1,298,753.00	680,760.50
A-2041	Louis B. Swenson Co., Chicago, Ill.	Used Machine Tools	-	1,235,000.00	1,235,000.00	1,235,000.00	-	5,870.00	5,870.00	29,250.00	23,480.00
A-2300	National Amuse Co., Cleveland, Ohio	Drinking Machines	-	1,962,675.00	1,962,675.00	-	-	864,662.00	864,662.00	1,962,675.00	1,097,973.00
A-3361	Cincinnati Milling Machine Co., Cincinnati, Ohio	Milling Machines	-	3,755,235.60	3,755,235.60	-	-	1,251,745.20	1,251,745.20	3,755,235.60	2,503,490.40
A-3395	Cincinnati Machine Co., Madison, Wis.	Turret Lathes & Equipment	-	2,622,000.00	2,622,000.00	-	-	874,000.00	874,000.00	2,622,000.00	1,748,000.00
A-3429	Warner & Swamy Co., Cleveland, Ohio	Lathes & Equipment	-	2,167,125.00	2,167,125.00	-	-	-	-	2,167,125.00	2,167,125.00
A-3436	Cincinnati Machine Co., Madison, Wis.	Lathes & Equipment	-	1,672,761.85	1,672,761.85	-	-	557,573.95	557,573.95	1,672,761.85	1,115,187.90
A-3522	Leamery & Frazier Corp., Milwaukee, Wis.	Milling Machines, Cutter Arbors	-	2,782,033.00	2,782,033.00	-	-	-	-	2,782,033.00	2,782,033.00
A-3527	National Amuse Co., Cleveland, Ohio	Automatic Screw Machines	-	1,290,000.00	1,290,000.00	-	-	322,500.00	322,500.00	1,290,000.00	967,500.00
A-3579	International Machine Tool Co., Indianapolis, Ind.	Turret Lathes	-	1,007,190.00	1,007,190.00	-	-	251,797.50	251,797.50	1,007,190.00	755,392.50
Total			-	26,212,886.29	26,212,886.29	4,549,020.80	-	6,115,686.41	6,115,686.41	23,663,877.49	15,443,101.08
Explosives & Propellants											
A-47	Atlas Powder Co., Wilmington, Del.	T.N.T.	660,000.00	2,000,000.00	2,660,000.00	741,072.97	222,333.33	-	222,333.33	1,438,927.03	1,703,993.70
A-80	Atlas Powder Co., Wilmington, Del.	T.N.T.	760,000.00	2,000,000.00	2,760,000.00	195,360.00	257,333.33	-	257,333.33	1,804,440.00	2,311,306.67
A-111	Atlas Powder Co., Wilmington, Del.	Rifle Powder	3,015,633.76	4,536,000.00	7,551,633.76	1,878.66	3,015,633.76	1,730,000.00	4,765,633.76	4,536,121.30	2,786,123.30
A-174	E.I. du Pont de Nemours & Co. Inc., Wilmington, Del.	Gunpowder	-	1,308,800.00	1,308,800.00	782,470.16	-	478,430.80	478,430.80	526,329.84	87,999.04
A-474	New Jersey Powder Co., Secaucus, New Jersey	F.N.T. & Smokeless Rifle Powder	-	12,832,000.00	12,832,000.00	-	-	1,740,000.00	1,740,000.00	12,832,000.00	11,092,000.00
A-501	Tennessee Powder Co., Memphis, Tenn.	Plant Expansion	25,494,000.00	-	25,494,000.00	-	25,279,000.00	-	25,279,000.00	-	215,000.00
A-623	New Jersey Powder Co., Secaucus, New Jersey	Plant Expansion	10,566,000.00	-	10,566,000.00	-	9,827,730.45	-	9,827,730.45	-	738,269.55
Total			40,920,633.76	22,476,800.00	63,397,433.76	1,720,781.81	36,998,030.87	3,968,430.80	40,966,461.67	20,956,018.19	18,952,190.28
Ammunition											
A-212	American Gun & Foundry Co., Bridgeport, Conn.	Shells	1,096,000.00	7,568,000.00	8,664,000.00	909,484.40	1,096,000.00	-	1,096,000.00	6,608,315.60	6,608,315.60
A-216	Bridgeport Steel Co., Bridgeport, Conn.	Cartridge Cases	325,000.00	1,464,000.00	1,789,000.00	263,583.45	325,000.00	300,914.65	625,914.65	1,203,616.35	909,701.60
A-290	Western Cartridge Co., East Alton, Ill.	.45 Cartridges	-	1,174,176.00	1,174,176.00	1,174,176.00	-	-	-	-	-
A-316	Pullman-Standard Gun Mfg. Co., New York, N. Y.	6" Shells	424,000.00	2,086,000.00	2,510,000.00	360,932.53	424,000.00	314,990.87	738,990.87	2,225,009.13	1,910,476.60
A-313	Western Cartridge Co., East Alton, Ill.	.303 Cartridges	-	6,127,900.00	6,127,900.00	3,239,174.79	-	-	-	2,888,725.21	2,888,725.21
A-355	Remington Arms Co., Bridgeport, Conn.	.45 Cartridges	-	1,430,755.00	1,430,755.00	1,009,665.21	-	407,881.19	407,881.19	421,289.79	13,406.80
A-408	Remington Arms Co., Bridgeport, Conn.	.30 Cartridges	315,890.00	5,352,366.00	5,668,256.00	165,806.25	315,000.00	2,843,547.94	3,158,547.94	5,186,497.75	2,343,799.84
A-439	Remington Steel Corp., Bridgeport, Conn.	Shells	-	3,107,781.35	3,107,781.35	3,107,781.35	-	-	-	-	-
A-451	U.S. Ordnance Engineers, Inc., Cleveland, Ohio	Shells	-	10,097,900.00	10,097,900.00	5,310,046.25	-	989,415.00	989,415.00	4,987,437.75	5,096,018.75
A-514	Remington Arms Co., Bridgeport, Conn.	.30 Ball Cartridges	938,501.00	6,750,000.00	7,688,501.00	369,567.00	925,000.00	5,607,608.25	6,532,608.25	6,280,437.00	2,786,324.75
A-779	E. W. Bliss & Co., Brooklyn, N. Y.	Primers for Western Cartridge Co.	1,314,764.80	-	1,314,764.80	-	572,648.24	-	572,648.24	-	742,056.56
A-901	Remington Arms Co., Bridgeport, Conn.	.303 Cartridges	484,674.75	4,065,000.00	4,549,674.75	-	484,674.75	1,968,187.60	2,452,862.35	4,065,000.00	2,112,432.40

Regraded Unclassified

THE BRITISH PURCHASING MISSION
BRITISH CONTRACTS IN \$1,000,000 OR OVER
as at February 15, 1942

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STRICTLY CONFIDENTIAL

Classification and Contract No.	Supplier	Material	Total Value of Contract			Value of Deliveries	Advance Outstanding to Credit of Mission			Value of Undelivered Material	Balance of Payments Due
			Capital	Product	Total		Capital	Product	Total		
Armament (Continued)											
A-600	Carlier Cartridge Co. St. Louis, Mo.	Flares	-	1,171,472.85	1,171,472.85	359,390.00	-	118,637.40	118,637.40	811,882.85	497,245.45
A-601	Carlier Cartridge Co. St. Louis, Mo.	Flares	347,211.00	4,473,800.00	4,821,011.00	-	347,211.00	844,760.00	1,191,972.00	4,233,800.00	3,379,040.00
A-628	Knobling Metal Corp. Middleton, Conn.	Armor Piercing 2 Pounder Shot	-	10,800,000.00	10,800,000.00	-	-	2,700,000.00	2,700,000.00	10,800,000.00	8,100,000.00
A-1137	S. I. Woods Machine Co. De. Boston, Mass.	.75 mm. Shells	914,881.00	3,840,000.00	4,754,881.00	-	894,732.19	1,471,814.00	2,366,546.19	3,840,000.00	2,388,334.81
A-1383	National Projectile Co. New York, N. Y.	37 mm. Armor Piercing Shot	180,000.00	1,420,000.00	1,600,000.00	-	-	395,000.00	395,000.00	1,420,000.00	1,145,000.00
A-1386	Bridgeport Brass Co. Bridgeport, Conn.	Cartridge Cases	-	1,103,400.00	1,103,400.00	282,750.00	-	275,850.00	275,850.00	828,650.00	544,800.00
A-1642	Eastern Cartridge Co. East Alton, Ill.	.303 Rifle Cartridges	1,850,000.00	11,895,000.00	13,745,000.00	1,000,833.82	1,854,000.00	1,829,250.00	3,683,250.00	10,874,166.18	9,090,916.28
A-1647	Trojan Powder Co. Allentown, Penn.	Assembling, Loading 40 lb. Bombs	-	1,600,000.00	1,600,000.00	-	-	400,000.00	400,000.00	1,600,000.00	1,200,000.00
A-1720	Bridgeport Brass Co. Bridgeport, Conn.	30 mm. Cartridge Cases	-	1,378,150.00	1,378,150.00	-	-	394,377.50	394,377.50	1,378,150.00	1,183,612.50
A-2041	William Standard Car Mfg. Co. New York, N. Y.	Howitzer Shells	385,000.00	2,679,000.00	3,064,000.00	-	385,000.00	672,500.00	1,057,500.00	2,679,000.00	2,022,500.00
A-2131	Tubala Oil Tank & Pump Co. Port Wayne, Ind.	Bombs, Installation of Special Equip.	206,768.00	2,167,500.00	2,374,268.00	-	206,768.00	321,125.00	527,893.00	2,167,500.00	1,842,375.00
A-2132	Crocker Wheeler Electric Mfg. Co. New York, N. Y.	10 lb. Mortar Bombs	161,000.00	2,313,637.00	2,312,637.00	-	161,000.00	537,909.00	698,909.00	2,151,637.00	1,813,708.00
A-2199	Washington Arms Co. Bridgeport, Conn.	.30 Calibre Cartridges	1,831,000.00	1,169,000.00	3,000,000.00	-	1,831,000.00	1,169,000.00	3,000,000.00	1,169,000.00	-
A-2768*	Western Cartridge Co. East Alton, Ill.	.45 Calibre Cartridges	-	2,378,250.00	2,378,250.00	195,206.51	-	1,070,212.50	1,070,212.50	2,183,037.49	1,112,830.99
A-2938*	E. S. Miles & Co. Brooklyn, N. Y.	Machine Tools for Turbopumps	1,000,000.00	6,250,000.00	7,250,000.00	-	500,000.00	770,000.00	1,270,000.00	6,250,000.00	3,979,000.00
A-2961	Waterbury Clock Co. Waterbury, Conn.	Flares	177,398.57	2,690,000.00	2,667,398.57	-	-	623,300.00	623,300.00	2,690,000.00	2,044,898.57
A-2978	National Fireworks Inc. West Amherst, Mass.	Loading & Assembling 75 mm. Complete Bombs	-	3,892,000.00	3,892,000.00	-	-	300,000.00	300,000.00	3,892,000.00	3,592,000.00
A-2998	Bridgeport Brass Co. Bridgeport, Conn.	30 mm. Cartridge Cases	525,000.00	1,750,000.00	2,275,000.00	-	525,000.00	-	525,000.00	1,750,000.00	1,750,000.00
A-3210	National Fireworks Inc. West Amherst, Mass.	Shells	22,690.00	1,720,000.00	1,742,690.00	-	22,690.00	397,000.00	379,690.00	1,720,000.00	1,340,000.00
Total			12,349,479.12	115,899,166.10	128,248,667.52	16,066,210.36	10,609,525.18	26,685,240.90	37,294,766.08	99,832,966.84	76,807,661.88
Ordnance Equipment											
A-1	Therry Gyroscopic Co. Brooklyn, N. Y.	Predictors	-	1,295,625.00	1,295,625.00	980,550.00	-	-	-	307,075.00	307,075.00
A-248	Colt's Patent Fire Arms Co. Hartford, Conn.	Machine Guns, etc.	800,833.00	6,312,549.41	7,113,382.41	507,324.01	800,833.00	1,273,743.28	2,074,576.28	5,038,806.13	4,331,481.82
A-312 *	Auto Ordnance New York, N. Y.	Sub-machine Guns	-	3,473,237.50	3,473,237.50	3,473,237.50	-	-	-	-	-
A-311 *	T. S. Steel Export New York, N. Y.	Rifles, Cartridges, Powder & Tanks	-	49,174,864.40	49,174,864.40	49,174,864.40	-	-	-	-	-
A-317 *	Auto Ordnance Corp. New York, N. Y.	Sub-machine Guns	-	3,250,000.00	3,250,000.00	2,757,040.00	-	278,960.00	278,960.00	492,040.00	213,960.00
A-370 *	Auto Ordnance Corp. New York, N. Y.	Machine Guns	-	1,850,000.00	1,850,000.00	1,850,000.00	-	-	-	-	-
A-380	Guth & Seaman Inc. Springfield, Mass.	Sub-machine Guns	-	1,785,000.00	1,785,000.00	17,340.00	-	441,957.50	441,957.50	1,767,642.50	1,385,702.50
A-422	Quibble Steel Co. of America New York, N. Y.	Forgings	809,850.00	2,350,000.00	3,159,850.00	-	728,864.00	643,000.00	1,371,864.00	2,350,000.00	1,980,000.00
A-441	Colt's Patent Fire Arms Co. Hartford, Conn.	.30 Calibre Aircraft Machine Guns	8,914,085.00	6,512,089.46	15,426,174.46	-	8,914,085.00	3,883,335.78	12,797,420.78	6,512,089.46	4,626,713.68
A-484	National Projectile Co. New York, N. Y.	Anti-tank Equipment	273,000.00	1,240,493.00	1,513,493.00	-	238,577.50	548,660.75	548,660.75	1,240,493.00	964,882.25
A-126	Keary-Wayne Wheel Co. Detroit, Mich.	Aircraft Machine Guns	8,000,000.00	9,445,577.79	17,445,577.79	-	8,100,000.00	2,376,875.96	10,476,875.96	9,445,577.79	8,948,703.83
A-1380	Peckers Mfg. Co. Buffalo, N. Y.	Lights, .30 & .50 Calibre Ammunition	500,000.00	1,633,000.00	2,133,000.00	428,796.00	430,000.00	681,066.60	1,111,066.60	1,302,933.40	771,137.60
A-1425	Therry Gyroscopic Co. Brooklyn, N. Y.	Predictors	-	1,715,000.00	1,715,000.00	-	-	600,250.00	600,250.00	1,715,000.00	1,114,750.00
A-1412*	Crucible Co. Buffalo, N. Y.	Iron Magnalines	-	1,100,000.00	1,100,000.00	600,000.00	-	323,000.00	323,000.00	500,000.00	375,000.00
A-1559	High Standard Mfg. Co. New Haven, Conn.	.50 Calibre Machine Guns	3,323,000.00	8,499,036.00	11,822,036.00	297,903.63	3,323,000.00	2,237,239.00	5,560,239.00	8,291,112.37	3,963,803.37
A-1586	Guth & Seaman Inc. Springfield, Mass.	Revolvers, 5" Barrel	-	1,623,500.00	1,623,500.00	17.00	-	-	-	1,623,483.00	1,623,483.00

Regraded Unclassified

THE SERVICE PURCHASING COMMISSION
BUYING CONTRACTS OF \$1,000,000 OR OVER
as of February 15, 1961

Values in U. S. Dollars

STRICTLY CONFIDENTIAL Page 4

Classification and Contract No.	Supplier	Material	Total Value of Contracts			Deliveries	Amounts Outstanding to Credit of Balance			Value of Undelivered Material	Balance of Payments Due
			Capital	Prohibit	Total		Capital	Prohibit	Total		
Defense Equipment (Cont'd.)											
A-1600	Buffalo Arms Co., Buffalo, New York	.30 Caliber Colt Aircraft Gun	5,852,000.00	6,733,270.10	12,585,270.10	-	5,852,000.00	1,975,317.50	7,827,317.50	6,733,270.10	4,753,952.60
A-1610	Turk Safe & Lock Co., York, Pa.	37 mm. Anti-Tank Carriages	-	1,260,000.00	1,260,000.00	-	-	315,000.00	315,000.00	1,260,000.00	945,000.00
A-2164	American Type Foundry Inc., Elizabeth, N. J.	37 mm. Gun, U. S. Army Design	750,000.00	5,500,000.00	6,250,000.00	-	750,000.00	2,600,000.00	3,350,000.00	5,500,000.00	3,000,000.00
A-2212 *	Auto-Ordnance Corp., New York, N. Y.	Box & Drum Magazine for Thompson	-	1,840,000.00	1,840,000.00	1,072,726.70	-	241,525.25	241,525.25	987,273.30	525,718.08
A-2212	Heavy Ordnance Co., Brooklyn, N. Y.	Revolvers	-	2,691,000.00	2,691,000.00	-	-	911,850.00	911,850.00	2,691,000.00	1,779,150.00
A-2218	Auto-Ordnance Corp., New York, N. Y.	Thompson Sub-Machine Gun Model 38-A	-	6,933,332.00	6,933,332.00	123,232.47	-	2,709,175.37	2,709,175.37	6,808,096.53	4,498,913.96
A-2311	National Transmatic Co., New York, N. Y.	Tank Guns & Spare Parts	550,000.00	1,560,360.00	2,110,360.00	-	550,000.00	390,090.00	940,090.00	1,560,360.00	1,170,270.00
A-2340	Cumtill Steel Co. of America New York, N. Y.	Forgings for Loose Barrels	1,889,729.00	4,300,000.00	6,189,729.00	-	1,700,750.11	1,790,000.00	3,490,750.11	4,300,000.00	3,248,522.89
A-2795	American Ordnance-Grade Corp., New York, N. Y.	20 mm. Gun Barrels	838,350.00	5,469,210.00	6,307,560.00	-	285,000.00	1,201,060.00	1,486,060.00	5,469,210.00	4,819,500.00
A-3457	Empire Ordnance Corp., New York, N. Y.	75 mm. Tank Gun	-	6,175,000.00	6,175,000.00	-	-	1,568,125.00	1,568,125.00	6,175,000.00	4,606,875.00
A-3773	Empire Ordnance Corp., Bridgeport, Conn.	.30 Rifle	2,764,861.70	33,812,000.00	36,576,861.70	-	2,764,861.70	1,235,138.30	4,000,000.00	33,812,000.00	32,576,861.70
A-3798	Sturtevant Mfg. Co. of America Sturtevant, Pa.	4" M1 Star & 3.7 A.S. M1 Gun Barrels	1,497,500.00	4,216,840.00	5,714,340.00	-	1,123,125.00	1,054,710.00	2,177,835.00	4,216,840.00	3,377,005.00
A-5438	Empire Ordnance Corp., New York, N. Y.	Mounts for 75 mm. Tank Gun	-	7,000,000.00	7,000,000.00	-	-	700,000.00	700,000.00	7,000,000.00	6,300,000.00
A-5439	Empire Ordnance Corp., New York, N. Y.	Recoil Mechanisms for 75 mm. Tank Gun	-	7,000,000.00	7,000,000.00	-	-	300,000.00	300,000.00	7,000,000.00	6,700,000.00
Total			36,763,300.70	129,542,984.16	232,306,284.86	63,289,052.42	33,641,105.31	28,697,063.25	62,338,168.57	132,253,934.04	106,739,064.17
Tanks & Tank Equipment											
A-111	Rockway Tractor Hitcher Co., Findlay, Ohio	Transmissions	95,000.00	1,325,000.00	1,420,000.00	1,325,000.00	95,000.00	-	95,000.00	-	-
A-109	Rockway Tractor Hitcher Co., Findlay, Ohio	Transmissions	40,000.00	1,084,045.00	1,124,045.00	112,845.00	-	1,275,600.00	1,275,600.00	2,571,260.00	1,333,600.00
A-475 *	Turk Safe & Lock Co., York, Pa.	Co-axial Mountings	25,000.00	1,115,773.00	1,140,773.00	431,988.00	25,000.00	212,695.50	237,695.50	883,988.00	673,289.50
A-476 *	American Gun & Foundry Co., Berwick, Pa.	Suspension Units	19,800.00	1,108,695.00	1,128,495.00	513,730.10	-	108,150.00	108,150.00	994,874.90	506,314.90
A-1361	Pullman-Standard Car Mfg. Co., Chicago, Ill.	M-3 Tanks	1,900,000.00	25,000,000.00	26,900,000.00	-	1,332,520.00	5,500,000.00	6,832,520.00	25,000,000.00	19,067,480.00
A-1465	Continental Motor Corp., Wagon, Mich.	Wright M-37 Engines	-	24,734,340.00	24,734,340.00	-	-	5,800,000.00	5,800,000.00	24,734,340.00	19,114,340.00
A-2794 *	General Steel Castings Corp., Shelbyville, Pa.	Armor Castings	-	2,520,000.00	2,520,000.00	-	-	477,689.74	477,689.74	2,520,000.00	2,042,310.26
A-1798	Pressed Steel Car Co., Pittsburgh, Pa.	M-3 Tanks	1,900,000.00	25,000,000.00	26,900,000.00	-	500,000.00	5,500,000.00	6,000,000.00	25,000,000.00	20,900,000.00
A-1960	Walden Locomotive Co., Shelbyville, Pa.	M-3 Tanks	150,000.00	39,253,925.00	39,403,925.00	-	-	5,685,000.00	5,685,000.00	39,253,925.00	33,718,925.00
A-1466	Lincoln Locomotive Works, Lincoln, Ohio	M-3 Tanks	725,000.00	22,000,000.00	22,725,000.00	-	725,000.00	1,400,000.00	2,125,000.00	22,000,000.00	17,400,000.00
A-2125 *	Kline-Snow Co., Pittsburgh, Pa.	Armor Castings for Tank Turrets	105,000.00	1,090,000.00	1,195,000.00	-	75,000.00	438,750.00	513,750.00	1,090,000.00	842,250.00
A-2097	Cumtill Steel Co. of America New York, N. Y.	Tank Parts	18,660.00	1,231,800.00	1,250,460.00	4,077.40	18,660.00	331,310.00	350,000.00	1,231,800.00	896,152.60
A-2668	Republic Steel Corp., Cleveland, Ohio	Steel Plate for Tanks	4,125,000.00	17,820,000.00	21,945,000.00	-	4,125,000.00	500,000.00	4,625,000.00	17,820,000.00	17,320,000.00
Total			8,303,460.00	166,437,088.00	173,740,548.00	2,407,200.52	6,496,210.00	30,339,214.74	37,207,424.74	166,437,088.00	133,843,978.76
Other Vehicles											
A-1770	Chrysler Export Corp., Detroit, Mich.	Dodge Trucks	-	5,188,097.82	5,188,097.82	5,188,097.82	-	-	-	-	-
A-1795 *	Four Wheel Drive Co., Climberville, Wis.	Truck Chassis	-	3,102,008.99	3,102,008.99	1,157,262.68	-	472,889.46	472,889.46	1,648,741.91	1,175,856.43
A-1797 *	Four Wheel Drive Co., Climberville, Wis.	Four Wheel Drive 20-000 Chassis	-	3,062,362.16	3,062,362.16	-	-	869,217.08	869,217.08	3,062,362.16	2,193,145.26
A-2322	Chrysler Export Corp., Detroit, Mich.	Dodge Trucks	-	3,068,825.52	3,068,825.52	-	-	915,609.01	915,609.01	3,068,825.52	2,153,216.51
A-1793 *	Max Mfg. Corp., Long Island City, N. Y.	Two Ton Wheel Trucks	-	3,102,413.39	3,102,413.39	232,502.30	-	774,726.97	774,726.97	2,870,910.39	2,096,183.32
Total			-	17,823,376.18	17,823,376.18	7,175,862.70	-	1,032,542.50	1,032,542.50	10,622,522.78	7,796,985.28

Regraded Unclassified

Values in U. S. Dollars

THE UNITED PURCHASING COMMISSION
SECTION REPORTS OF \$1,000,000 OR OVER
as of February 15, 1941

STRICTLY CONFIDENTIAL

STRICTLY CONFIDENTIAL											
Classification and Contract No.	Supplier	Material	Total Value of Contract			Value of Deliveries	Advances Outstanding to Credit of Mission			Value of Unutilized Material	Balance of Payments Due
			Capital	Product	Total		Capital	Product	Total		
Explosives Metals											
A-451	Aluminum Co. of America New York City, N. Y.	Aluminum Rods, etc.	-	2,342,065.60	2,342,065.60	1,480,450.87	-	473,936.40	473,936.40	812,612.73	288,054.23
A-377 *	Ames Wire & Cable Co. New York City, N. Y.	Copper Wire Rods	-	1,075,200.00	1,075,200.00	1,075,200.00	-	-	-	-	-
A-410 *	American Brass Co. Waterbury, Conn.	Cartridge Brass Strip	-	1,176,000.00	1,176,000.00	1,099,345.09	-	30,154.21	30,154.21	80,644.91	60,500.70
A-446 *	Bridgeport Brass Co. Bridgeport, Conn.	Cartridge Brass Strip	-	2,352,000.00	2,352,000.00	2,352,000.00	-	-	-	-	-
A-448 *	Severe Copper & Brass Co. New York City, N. Y.	Cartridge Brass Strip	-	2,352,000.00	2,352,000.00	2,352,000.00	-	-	-	-	-
A-449 *	American Brass Co. Waterbury, Conn.	Cartridge Brass Strip	-	1,176,000.00	1,176,000.00	1,079,076.60	-	52,636.25	52,636.25	96,913.40	4,287.15
A-443 *	Chase Brass & Copper Co. Waterbury, Conn.	Cartridge Brass Strip	-	1,176,000.00	1,176,000.00	1,176,000.00	-	-	-	-	-
A-444 *	American Brass Co. Waterbury, Conn.	Cartridge Brass Strip	-	3,920,000.00	3,920,000.00	2,824,934.01	-	980,000.00	980,000.00	1,079,068.99	115,065.99
A-445 *	Severe Copper & Brass Co. New York City, N. Y.	Cartridge Brass Strip	-	1,176,000.00	1,176,000.00	777,414.36	-	294,000.00	294,000.00	403,585.64	109,885.64
A-443 *	Severe Copper & Brass Co. New York, N. Y.	Cartridge Brass Strip	-	3,136,000.00	3,136,000.00	3,136,000.00	-	-	-	-	-
A-1536	Dow Chemical Co. Midland, Mich.	Magnesium Ingots	-	1,536,000.00	1,536,000.00	-	-	360,000.00	360,000.00	1,536,000.00	1,176,000.00
A-1538	Dow Chemical Co. Midland, Mich.	Magnesium Bar Ingots	2,750,000.00	2,100,000.00	4,850,000.00	-	1,300,000.00	-	1,300,000.00	2,100,000.00	3,550,000.00
A-1627	Raynolds Metals Co. New York, N. Y.	Aluminum Rod & Bar	-	1,195,040.00	1,195,040.00	-	-	340,000.00	340,000.00	1,195,040.00	955,040.00
A-1625	Raynolds Metals Co. New York, N. Y.	Aluminum Sheet	-	1,123,824.24	1,123,824.24	-	-	-	-	1,123,824.24	1,123,824.24
A-1601	Aluminum Co. of America New York, N. Y.	Round Rod & Aluminum Alloy Bars	-	1,046,281.60	1,046,281.60	-	-	-	-	1,046,281.60	1,046,281.60
Total			2,750,000.00	26,882,411.44	29,632,411.44	17,343,420.93	1,300,000.00	2,460,346.86	3,760,346.86	9,536,990.51	8,528,441.65
Ships & Marine Equipment											
A-136	Pontiac Motor Car Co. Detroit, Mich.	Marine Engines	-	2,360,000.00	2,360,000.00	2,029,848.70	-	82,600.00	82,600.00	330,151.30	347,151.30
A-405	Sterling Engine Co. Buffalo, N. Y.	Marine Engines	-	1,375,000.00	1,375,000.00	-	-	458,333.33	458,333.33	1,375,000.00	916,666.67
A-1032	Pontiac Motor Car Co. Detroit, Mich.	Marine Engines	-	2,360,000.00	2,360,000.00	-	-	590,000.00	590,000.00	2,360,000.00	1,770,000.00
A-2354	Pontiac Motor Car Co. Detroit, Mich.	Marine Engines	-	4,720,000.00	4,720,000.00	-	-	944,000.00	944,000.00	4,720,000.00	3,776,000.00
A-2398	Hall-Scott Motor Car Co. Berkeley, Calif.	Marine Engines	-	1,774,000.00	1,774,000.00	-	-	-	-	1,774,000.00	1,774,000.00
A-3165	Todd-Bath Shipbuilding Corp. South Portland, Maine	Large Steamers	4,094,000.00	44,742,000.00	48,836,000.00	-	2,031,000.00	10,000,000.00	12,031,000.00	44,742,000.00	36,836,000.00
A-3166	Todd-California Shipbuilding Corp. Oakland, Calif.	Large Steamers	4,105,000.00	43,045,000.00	47,150,000.00	-	1,500,000.00	10,000,000.00	11,500,000.00	43,045,000.00	35,650,000.00
Total			8,199,000.00	100,376,000.00	108,575,000.00	2,029,848.70	3,531,000.00	22,074,933.33	25,574,933.33	98,512,151.30	80,970,217.97
Electrical Equipment											
A-2391	Sanitt Radio Corp. Baltimore, Md.	Spare Radio Instruments	-	1,896,569.33	1,896,569.33	-	-	379,313.87	379,313.87	1,896,569.33	1,517,255.46
Total			-	1,896,569.33	1,896,569.33	-	-	379,313.87	379,313.87	1,896,569.33	1,517,255.46
Oil											
A-125 *	Standard Oil Co. of N. Y. New York, N. Y.	Payments to credit of Anglo American Oil Co.	-	1,070,092.60	1,070,092.60	1,070,092.60	-	-	-	-	-
Total			-	1,070,092.60	1,070,092.60	1,070,092.60	-	-	-	-	-
Total Non-Aircraft			108,847,903.58	873,793,399.20	982,641,302.78	115,729,480.22	94,564,871.36	124,023,734.87	218,587,606.03	538,063,918.98	448,344,196.53
GRAND TOTAL - UNITED			165,696,374.58	1,702,685,127.43	1,868,381,502.21	225,525,618.54	148,987,786.27	290,237,464.85	609,225,233.13	1,477,159,509.09	1,003,638,430.54

* Contracts being completed by April 30, 1941.

British Purchasing Commission
Statistical Division, New York
February 23, 1941

Revised March 9, 1941

Regraded Unclassified

THE BRITISH PURCHASING MISSION
 FORMER FRENCH CONTRACTS UNDER THE TOTAL OF UNRECOVERED FRENCH ADVANCES
 AND BALANCE OF PAYMENTS DUE IS IN KINDS OF \$10,000,000
 As At February 15, 1941

STRICTLY CONFIDENTIAL

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Values in Thousands of U. S. Dollars

Values in Thousands of U. S. Dollars																		
Classification and Contract No.	Supplier	Material	Advances Outstanding to Credit of Missions						Balance of Payments Due	Estimated Payments							Total of British Advances & Balance Due	Total of British & French Advances & Balance Due
			French Advances			British Advances				Feb. 16 - 28	Mar.	Apr.	May	June	July-Dec.	After Dec.		
			Capital	Product	Total	Capital	Product	Total										
Aircraft																		
F-272	Glenn L. Martin Co.	Martin Model 167-F, Parts & Equipment	-	877	877	-	4,386	4,386	7,640	654	1,800	1,800	1,800	1,406	-	-	12,036	12,903
F-672	Bowling Aircraft Co., Seattle, Wash.	240 DB-7B Airplanes & Spares	-	5,916	5,916	-	10,531	10,531	14,136	-	-	-	300	600	13,236	-	24,667	30,583
F-677	Consolidated Aircraft Corp. San Diego, Calif.	Bombers LB-30 Spares	-	1,838	1,838	-	15,000	15,000	21,874	-	1,820	980	1,820	2,100	15,154	-	36,874	38,712
F-704	North American Aviation, Inc. Inglewood, Calif.	Trainer Planes, Pratt & Whitney Engines	-	4,096	4,096	-	4,770	4,770	9,615	-	-	-	-	-	7,935	1,680	14,585	18,481
F-719	Douglas Aircraft Corp., Santa Monica, Calif.	DB-7B Airplanes, Spares	-	3,871	3,871	-	13,510	13,510	13,158	-	-	-	-	2,300	10,958	-	26,668	30,539
Total			-	16,598	16,598	-	48,197	48,197	66,423	654	3,620	2,780	3,920	6,506	47,283	1,680	114,620	131,218
Aircraft Engines																		
F-244	United Aircraft Corp., East Hartford, Conn.	Wasp Engines	-	7,250	7,250	-	10,317	10,317	12,381	912	2,400	2,000	1,500	1,500	4,069	-	23,698	29,948
F-296	(1) Curtiss-Wright Corp. New York, N. Y.	B-2600 Cyclone Engines	-	3,498	3,498	-	27,792	27,792	51,923	1,028	5,441	5,135	5,796	6,208	16,598	11,717	79,715	83,213
Total			-	10,748	10,748	-	38,109	38,109	64,304	1,940	7,841	7,135	7,296	7,708	20,667	11,717	103,413	113,161
Total French Contracts			-	27,346	27,346	-	86,306	86,306	130,727	2,574	11,461	9,915	11,216	14,214	67,950	13,397	217,033	244,379

(1) Includes that portion of A-5103 which was formerly the option on F-296.
~~British advance of \$2,400,000 under option was omitted from the statement - amount of \$2,400,000 remains listed February 1941~~

British Purchasing Commission,
 Statistical Division, New York
 March 1, 1941

Revised March 9, 1941

THE BRITISH PURCHASING MISSION
 BRITISH CONTRACTS WERE THE TOTAL OF UNCOVERED ADVANCES
 AND BALANCE OF PAYMENTS DUE IS IN EXCESS OF \$10,000,000
 As at February 15, 1943

STRICTLY CONFIDENTIAL

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Values in Thousands of U. S. Dollars

Classification and Contract No.	Supplier	Description	Advances Outstanding to Credit of Mission British Advances			Balance Due	Estimated Payments							Total of Advances & Balance Due
			Capital	Product	Total		Feb. 16-28	Mar.	Apr.	May	June	July- Dec.	After Dec.	
Airframes														
A-37	Consolidated Aircraft Corp., San Diego, Calif.	Flying Boats	-	10,205	10,205	5,313	73	281	296	471	379	3,811	678	16,018
A-48	Lockheed Aircraft Corp., Burbank, Calif.	Single Seat Fighters	-	7,278	7,278	17,591	890	3,054	3,197	3,147	2,914	4,384	-	24,869
A-54	Curtiss-Wright Corp., New York, N. Y.	Hawk 82A & 87A	-	10,420	10,420	7,909	408	2,222	2,501	2,778	-	-	-	18,379
A-57	Douglas Aircraft Corp., Santa Monica, Calif.	Boston Bombers	-	14,394	14,394	27,681	35	848	924	1,134	1,992	18,649	3,699	48,075
A-58	North American Aviation, Inc., Inglewood, Calif.	Harvards	-	3,194	3,194	9,280	894	3,129	2,682	678	824	1,788	-	12,474
A-218	Bell Aircraft Corp., Buffalo, New York	Airacutras	-	4,860	4,860	6,151	-	905	1,631	1,410	1,446	759	-	11,721
A-224	Glenn L. Martin Co., Baltimore, Md.	Bombers - Model 127	133	32,747	32,880	22,797	105	589	1,956	2,623	3,145	14,381	-	55,877
A-225	Lockheed Aircraft Corp., Burbank, Calif.	Model 322	-	15,443	15,443	36,537	-	3,271	3,381	4,463	4,545	20,777	-	51,979
A-250	North American Aviation, Inc., Inglewood, Calif.	W.A. - 73's	-	3,659	3,659	11,113	-	816	1,643	2,060	2,084	4,510	-	14,779
A-344	Lockheed Aircraft Corp., Burbank, Calif.	Model 37's	-	11,507	11,507	21,527	-	71	-	215	715	20,526	-	33,034
A-557	Vultee Aircraft Corp., Vultee Field, Calif.	Dive Bombers & Spares	-	16,401	16,401	27,995	1,923	402	675	48	509	9,420	15,022	64,796
A-642	Brewster Aeronautical Corp., New York, N. Y.	Dive Bombers	-	17,864	17,864	18,076	-	2,018	2,420	2,420	2,420	8,798	-	31,646
A-1478	Bell Aircraft Corp., Buffalo, N. Y.	Alcantaras	-	6,252	6,252	7,661	-	694	-	-	-	3,474	3,473	13,893
A-1492	Brewster Aeronautical Corp., New York, N. Y.	300 Dive Bombers	-	4,513	4,513	13,799	812	812	812	812	812	7,428	4,294	20,292
A-1493	North American Aviation, Inc., Inglewood, Calif.	W.A.73 Airplanes	-	6,264	6,264	9,029	458	451	481	481	-	4,473	2,745	13,293
A-1555	Northrop Aircraft Corp., Northrop, Calif.	Vultee Dive Bombers	-	6,817	6,817	10,794	852	831	-	-	-	4,152	4,999	17,611
A-1556	Vultee Aircraft Corp., Vultee Field, Calif.	Model 45-C Pursuit Planes	-	5,688	5,688	4,499	-	-	133	245	311	3,806	-	10,187
A-1748	Lockheed Aircraft Corp., Burbank, Calif.	Ventura Planes	-	12,825	12,825	28,405	855	1,031	1,031	1,031	1,073	7,183	18,201	41,230
A-1749	Lockheed Aircraft Corp., Burbank, Calif.	Holcom II & Airframes	-	17,538	17,538	22,135	3,826	3,324	4,917	3,483	4,760	1,825	-	39,473
A-1825	Curtiss-Wright Corp., New York, N. Y.	77A Hawk Airframes	-	10,850	10,850	11,564	-	-	48	129	164	3,963	5,260	22,414
Total			133	218,718	218,851	322,316	11,377	24,747	28,698	28,000	28,000	145,398	36,731	542,187
Airplane Engines														
A-184	(1) Curtiss-Wright Corp., New York, N. Y.	R2600 A Engines	14,451	32,261	46,712	31,412	15	2,783	3,842	4,207	4,101	12,669	3,795	78,124
A-196	General Motors Corp., New York, N. Y.	Allison Engines	6,393	30,428	36,821	23,972	906	4,374	3,704	3,122	2,881	8,985	-	60,793
A-282	United Aircraft Corp., East Hartford, Conn.	P. & W. R2600 Engines	6,406	8,287	14,693	6,184	18	978	775	932	1,240	2,647	-	20,877
A-377	Packard Motor Co., Detroit, Mich.	Rolls Royce Merlin II Engines	24,900	19,550	44,450	90,450	-	10,000	10,000	20,000	20,000	30,450	-	134,900
A-2095	United Aircraft Corp., East Hartford, Conn.	Prett & Whitney Engines	-	11,480	11,480	34,441	6,888	4,992	-	-	-	11,394	11,567	45,923
Total			52,150	102,006	154,156	186,459	7,827	22,321	18,321	28,961	28,222	66,145	15,362	340,615
Explosives & Propellants														
A-474	New Jersey Powder Co., Kearny, N. J.	TRI & Rockwell Rifle Powder	-	1,740	1,740	11,092	-	600	600	1,000	1,000	5,876	2,016	12,832
A-502	Tennessee Powder Co., Memphis, Tenn.	Plant Expansion	29,279	-	29,279	215	-	30	50	80	85	-	-	29,494
A-577	New Jersey Powder Co., Kearny, N. J.	Plant Expansion	9,828	-	9,828	738	600	158	-	-	-	-	-	10,566
Total			39,107	1,740	40,847	12,045	600	788	650	1,080	1,085	5,876	2,016	48,892

Regraded Unclassified

Values in Thousands of U. S. Dollars

THE BRITISH PURCHASING COMMISSION
BRITISH CONTRACTS WHERE THE TOTAL OF UNRECOVERED ADVANCES
AND BALANCE OF PAYMENTS DUE IS IN EXCESS OF \$10,000,000
As of February 15, 1941

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STRICTLY CONFIDENTIAL

Classification and Contract No.	Supplier	Description	Advances Outstanding to Credit of Missions British Advances			Balance Due	Estimated Payments							Total of Advances & Balance Due
			Capital	Product	Total		Feb. 15-28	Mar.	Apr.	May	June	July-Dec.	After Dec.	
Ammunition														
A-1028	Hoebbing Metal Corp. Middletown, Conn.	Armour Piercing 2 Pounder Shot	-	2,700	2,700	8,100	-	550	600	700	750	3,500	-	10,800
A-1562	Western Cartridge Co. East Alton, Ill.	.303 Rifle Cartridges	1,804	1,829	3,633	9,091	1,797	1,512	1,119	1,177	1,176	2,350	-	12,724
Total			1,804	4,529	6,333	17,191	1,797	2,062	1,719	1,877	1,926	7,850	-	23,524
Engines														
A-844	Colt's Patent Fire Arms Co. Hartford, Conn.	.50 Calibre Aircraft Machine Guns	8,914	3,883	12,797	4,629	-	-	387	-	-	1,158	3,084	17,426
A-1065	Kelsey-Spence Wheel Co. Detroit, Mich.	Aircraft Machine Guns	6,100	2,377	8,477	8,969	-	600	600	700	-	3,426	3,272	17,446
A-1159	High Standard Mfg. Co. New Haven, Conn.	.50 Calibre Machine Guns	3,323	2,237	5,560	5,964	-	-	-	300	500	2,950	2,214	11,524
A-1600	Buffalo Arms Co. Buffalo, N. Y.	.50 Calibre Colt Aircraft Guns	5,832	1,995	7,827	4,935	-	-	-	987	124	1,755	2,069	12,782
A-2773	Washington Arms Co. Bridgeport, Conn.	.30 Rifles	2,765	1,235	4,000	32,577	-	1,005	1,005	1,005	1,000	8,532	20,030	36,577
Total			26,934	11,727	38,661	57,074	-	1,605	1,992	2,992	1,624	17,891	30,970	95,755
Tanks & Tank Equipment														
A-1381	Pullman-Standard Car Mfg. Co. Chicago, Ill.	M-3 Tanks	1,333	5,500	6,833	19,667	-	1,500	1,500	1,500	1,500	9,045	4,622	26,500
A-1465	Continental Motor Co. Washington, Mich.	Wright R-975 Engines	-	5,800	5,800	19,126	1,126	700	700	700	1,150	8,320	6,434	24,924
A-1795	Pressed Steel Car Co. Pittsburgh, Penna.	M-3 Tanks	500	5,500	6,000	20,500	-	2,500	2,500	2,000	2,000	7,600	3,900	26,500
A-1960	Baldwin Locomotive Co. Eddystone, Penna.	M-3 Tanks	-	5,685	5,685	33,719	-	2,300	2,300	2,300	2,300	11,000	13,719	39,404
A-1962	Lima Locomotive Works Lima, Ohio	M-3 Tanks	723	4,600	5,323	17,600	-	1,000	2,000	2,000	1,400	5,600	5,600	22,723
A-2869	Republic Steel Corp. Cleveland, Ohio	Steel Plate for Tanks	4,125	300	4,425	17,320	141	1,100	1,700	1,700	1,700	6,000	4,099	21,945
Total			6,683	27,385	34,068	127,930	1,261	9,100	10,600	10,200	9,950	47,565	39,254	161,998
Ships														
A-2165	Todd-Bath Shipbuilding Corp. South Portland, Maine	Cargo Steamers	2,000	10,000	12,000	36,836	1,717	2,642	3,192	2,500	2,500	12,100	12,189	48,836
A-2166	Todd-Bath Shipbuilding Corp. Oakland, Calif.	Cargo Steamers	1,500	10,000	11,500	35,650	1,000	3,255	2,200	2,500	2,500	12,000	12,195	47,150
Total			3,500	20,000	23,500	72,486	2,717	5,897	5,392	5,000	5,000	24,100	24,384	95,986
Total British Contracts			126,331	386,105	512,436	795,501	25,299	66,520	67,372	77,380	75,792	314,825	168,313	1,207,937

(1) Includes that portion of A-2103 which was formerly the option on A-194.

March 10, 1941
9:15 a.m.

RE PORT CLEARANCE OF BRITISH TRADE VESSELS

Present: Mr. Gaston
Admiral Waesche

H.M. Jr: At Cabinet the question came up, and I haven't got it, and Herbert, if you would call up Stimson's office and ask him for a copy of a letter which evidently Herbert Hoover wrote to Stimson, and that is what brought up the whole thing, in which he talked about this delay in turning over ships; and if we would turn it out and speed up, it would make so many more tons available, you see. If you can get the letter from Stimson's office.

So the President turned to me and said, "What about it?" And I said it was under us. The President wanted us to look into it and see what could be done, and any other agency like Commerce, whoever else - who else besides Commerce does inspection? Oh yes, there is a 60-day - some kind of labor contracts. I am not familiar with it. It is on the unloading, stevedores or something.

Well, anyway, I want you to get out a cable this morning to all your port captains and say, "How long are ships being held in the harbor, what is the average delay," you see. I want a quick report and what are the causes of the delay.

- 2 -

Waesche: And that, of course, is just on the turn-around to England?

H.M.Jr: Well, wherever they go.

Waesche: South American ports, too?

H.M.Jr: Why not let's get the delay on all ships; but let's start in with the English flag ships. Let's start with the English flag first, and then follow it up with the others.

The amusing thing, when I was in the Navy, one of the jobs that I had - there were these delays in these coal colliers that were coming up there. Remember the ones that --

Waesche: Like the Cyclops?

H.M.Jr: And they sent me down there, and they were coming up from Norfolk. It took eight to ten days to turn them around. I turned them around in two days. So I am back to my old job again, shirt sleeves to shirt sleeves. But I turned them around in two days.

Gaston: At Norfolk?

H.M.Jr: No, New York Harbor. Two days, where it was taking six to eight days.

Now, Herbert Hoover has some figures, but I would like to step on this and get a report from the President.

Waesche: All right, we will get at it right away.

H.M.Jr: That is the trouble. I think you will run into trouble -- you will find out there is

- 3 -

something with the stevedores. I had the same thing. It was hard to get them to work continuously on the unloading.

Waesche: Well, they usually like overtime.

H.M.Jr: I went all through that. I got to be pally with those fellows. I got the results. But I wish you could get it out. New York would be the first place. Have you got a good port captain in New York?

Waesche: Yes, Baylis.

H.M.Jr: Find out what the hell the trouble is.

Gaston: Harry Durning can probably be helpful in those things.

H.M.Jr: And - of course, the trouble may be that they go from New York up to Halifax and lay over up there. You may have to send a man up to Halifax to find out.

Waesche: Of course, we do know that there is a delay in Halifax, in that they congregate there and form the convoy, and they hold them there until some of the ships get together to form the convoy.

H.M.Jr: How long do they keep them there?

Waesche: The time varies. They keep them until they get the number of ships to make up the convoy, and the time varies.

H.M.Jr: Could you find out who runs the convoys, who controls them, makes them up?

Waesche: I think the British Shipping Minister in New York has a lot to do with it.

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H.M.Jr: The man in Canada is the C.P.R. Sir Edward Behy has it in Canada, and he controls Montreal and Halifax. But can you get into it and get a picture fairly fast?

Gaston: Oh yes. We can get a preliminary picture on Halifax probably from this Customs man we have got up there on the C.P.R. docks.

H.M.Jr: I would like something pretty fast, kind of an over-all report. They might be clearing the harbors in New York very quickly. Then they go up and lay around in Halifax for God knows how long. I don't know whether they accumulate ships for convoy for Bermuda or not.

Waesche: That is right, I don't know.

H.M.Jr: And how many ships are they sending down to Africa? I mean, the first thing is how long are they delayed in American harbors, United States harbors. Let's get that first.

Waesche: Then follow them right through.

H.M.Jr: Let's get that first, how long are they here?

Gaston: Yes. There is some stuff going from the Gulf, too.

H.M.Jr: But how long - what is the average length in number of days from the time a British flag ship comes in until she turns around and departs. That oughtn't to take terribly long; where is the delay?

Gaston: Ships in the British trade, that includes some Norwegian ships and Dutch.

- 5 -

H.M.Jr: Well, will you get on it?

Waesche: Yes, sir.

H.M.Jr: You ought to have something for me tomorrow morning.

Waesche: I think we can give you a preliminary report tomorrow morning.

H.M.Jr: You ought to have something for me.

Gaston: A preliminary report this afternoon on it. Then they can get into trying to break the jam after that.

H.M.Jr: I have heard nothing from the President. I gave him this last letter. You have heard nothing from the President either?

Waesche: No.

H.M.Jr: Or from the English?

Gaston: No.

H.M.Jr: O.K., gents, thank you.

March 10, 1941
9:30 a.m.

GROUP MEETING

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

H.M.Jr: Schwarz, just as a matter of interest, see where George Morris says that Morgenthau is opposed to the aid to farmers. I mean, I am just curious to see if that comes out of the Department of Agriculture. I don't think Mr. Wickard would say that.

Schwarz: I will talk to them.

H.M.Jr: Herbert, do we or don't we?

Gaston: We have no obligation.

H.M.Jr: On Wallace, you mean?

Gaston: Yes.

- 2 -

H.M.Jr: But does he want it?

Gaston: Not himself, but a group of his intimate friends are terribly worried about the --

H.M.Jr: Does he want it?

Gaston: He does not.

H.M.Jr: Then I would forget about it.

Gaston: So Dave Coyle says. He wants to be left alone. They are worried about the fact that he wanders around alone and won't be cautious and he won't accept any protection.

H.M.Jr: Did you send somebody to see Wallace?

Gaston: No, I didn't.

H.M.Jr: I would suggest that you do have Chief Wilson call on him and tell him that if he would care to accept protection, we would be very glad to give it to him. Will you do that?

Gaston: Yes.

H.M.Jr: I would let Wilson call on him and say if he wants protection, we would be glad to give it to him.

Gaston: Yes.

H.M.Jr: How many men have we got looking after Princess Martha and her children? I don't know how many we have got. We have got at least three, and maybe more.

Sullivan: I saw one of them on the street the other day, and he says it is a great job. She

- 3 -

is one of the nicest people he ever met.

H.M.Jr: Who said that?

Sullivan: One of the guards who used to be here. Our cars were parked together at a traffic light.

H.M.Jr: We ought to look after Henry Wallace, too.

Gaston: A young lady in Stimson's office said that she had put that letter in the mail Saturday night, but she is sending another one over by messenger.

H.M.Jr: O.K. Anything else?

Gaston: No, I haven't anything else.

H.M.Jr: John?

Sullivan: I don't think we have a meeting of the minds on this tax returns of people in the foreign diplomatic service, because the facts aren't at all what you indicated. Here is a memorandum on it. Here are the returns of all --

H.M.Jr: Let's you and I sit down on it some time. Shall we?

Sullivan: All right.

H.M.Jr: You ask for an appointment, and I will sit down with you some time.

Sullivan: Yes, sir. That is all.

H.M.Jr: That is all you have?

Sullivan: The boys are working getting ready for Gulick and getting out all of the studies

- 4 -

that have been made in the last five years.

H.M.Jr: Before he comes down, could I sit down with you and --

Sullivan: Yes, I would like very much to.

H.M.Jr: And have a sort of a preview.

Sullivan: Right.

H.M.Jr: I would like to go to school on that.

(Mr. Bell and Mr. Foley entered the conference.)

Sullivan: And when are you going to sit down on the bill?

H.M.Jr: Well, I thought tomorrow - these fellows are busy on the House. I thought just as soon as this Lend-Lease got through the House that I would get - ask them - I wish you would be thinking, should we simply do it with the House side or should we try to get the House and the Senate?

Sullivan: I think you and I should have a pretty definite idea of what we want to do, and I think it should be cleared with the President before we talk with them.

H.M.Jr: He won't talk about it this week.

Sullivan: He won't?

H.M.Jr: I don't want to talk to him about it. I would rather talk with you and then with them.

Sullivan: Then I think you and I had better get together.

- 5 -

H.M.Jr: Well, here is Lend-Lease this morning and English finances tomorrow morning. How soon are you ready?

Sullivan: I will be ready whenever you are.

H.M.Jr: Are you sure?

Sullivan: Yes, sir.

H.M.Jr: Three o'clock tomorrow.

Sullivan: Yes, sir.

H.M.Jr: All right.

Sullivan: I think you would want some others in on that, too.

H.M.Jr: Well, you fix it up. You arrange for whoever you want, will you?

Sullivan: Yes, sir.

H.M.Jr: All right.

Cochran: After our meeting Saturday morning, I telephoned Mr. Gifford and that suggestion was agreeable to him, and I got to Frank; and he is having a group come down today to talk it over. The British promised that supplementary statement today.

H.M.Jr: I spoke to Frank last night. He was going to give me a ring before my four o'clock press conference. He is having those men come down this afternoon. He said he would let me know what happened.

Cochran: I told Mr. Gifford that the group would not

- 6 -

be set up without consulting with him further, that we would talk with him now.

H.M.Jr: Exploratory?

Cochran: That is right.

H.M.Jr: What else?

Cochran: That is all.

H.M.Jr: Would you some time before lunch go over to the State Department and have a look-see at the cables?

Cochran: And see --

H.M.Jr: Yes.

Pehle: Nothing.

H.M.Jr: Are you sort of following this correspondence between Hoover, President Hoover and the English?

Pehle: Yes.

H.M.Jr: Ferdie?

Kuhn: I have nothing.

H.M.Jr: Philip?

Young: Nothing.

H.M.Jr: George? Are you feeling all right again?

Haas: Yes, I am feeling better this morning, thank you, Mr. Secretary.

(Handing reports to Secretary) Did you want to see this?

- 7 -

H.M.Jr: That is right, until you hear from Knudsen or Meigs. Have you heard from either of them?

Haas: Neither of them.

H.M.Jr: I wonder if Allison will ever really begin to manufacture engines?

Haas: They will probably have a slow-down again when they switch over, you see.

H.M.Jr: Yes. I might as well get this off my desk. Ferdie, this is something - somebody told me that Wilson's address on Lincoln, they thought there might be something you could pick out of there for some slogans.

Kuhn: Oh, I didn't know what you wanted that for.

H.M.Jr: For Defense Savings Bonds.

Kuhn: Thank you.

H.M.Jr: Anything else, George?

Haas: I have nothing else.

H.M.Jr: Harry?

White: Nothing.

Schwarz: The UP in the morning ticker has a weekend story saying Treasury officials predicted that 1940 incomes would return three billion in taxes, and I asked Knowlton. I said I didn't think we had any such estimates. He said, "Well, we got it out of the Budget and we forgot that the Budget and Treasury weren't the same any more."

- 8 -

H.M.Jr: Anything else?

Schwarz: That is all.

H.M.Jr: Harold? What contracts are you letting today?

Graves: We are advertising today for the albums, and we are trying also to get our copy to - finished for these booklets for banks and post offices.

I think we are going to do that, possibly at the Government printing office this time. We will take out the color and so on.

H.M.Jr: And how many stamps is the Post Office going to order?

Graves: Well, that is under discussion with them now.

We are thinking of 30 million of these albums, and the post offices --

H.M.Jr: Each album holds how many?

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Graves: Twenty-five fifty in dollar stamps. Each album would hold 75 and five dollar stamps, fifteen.

H.M.Jr: What would be the total?

Graves: Well, the 25-cent stamp a 25-dollar bond and the 50-cent a 50-dollar bond and the 75-cent stamp a 75-dollar bond and a one-dollar stamp a 100-dollar bond. The Post Office gave us their estimate for stamps, and they were incredibly low, and we have got to study that with them again. Of course, there is no particular hurry about getting the Post Office Department estimates for stamps because we are manufacturing--

H.M.Jr: Have you started?

Graves: Yes, they are engraving now.

H.M.Jr: Anything else?

Graves: That is all.

Bell: Are you going to the Government Printing Office for speed, is that the idea?

Graves: We will when--

Bell: Cutting out the colors for speed?

Graves: We will go there only in case we can get assured delivery on time, Dan, but the reason why we have not gone there before is the colors that have been in these--

Bell: Yes, I realize that, and I wondered if you were cutting out the colors for speed.

Graves: No.

- 10 -

Bell: You don't like them?

Graves: We figure that for information books, for people who come to the counter at a bank or people who come to the counter at a post office and make inquiry about these bonds, we can eliminate the color, simplify the circular.

H.M.Jr: I made a criticism of the American eagle pushing a flag along, and Harold said it was too late. I think it is unfair to the American eagles.

Graves: We are just bond to go ahead not later than the next day or two and advertise. I was afraid that we might get involved in delay.

H.M.Jr: All right.

Bell: I have this list I would like to go over with you right after this meeting if I can have two minutes.

H.M.Jr: I will give it to you. You want two minutes after this meeting?

Bell: Yes.

H.M.Jr: So do I. What have you got?

Thompson: Elmer Ireys has been anxious for sometime to get a new badge. That is a design for it. Mr. Gaston thinks the stars in the border should be taken out and put in the center.

H.M.Jr: Why couldn't you do this? I have got an idea. Some people around the Treasury wanted some sort of coordination, you know, which I have always been against. Why couldn't you have one badge--

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Gaston: I thought you were for coordination. I think you started that. (Laughter)

H.M.Jr: What I was just thinking, if you were going to change it, why couldn't you have a Treasury Department Intelligence Service and then just somewhere, Narcotics or Revenue or Secret Service?

Thompson: Have them all alike but--

Gaston: That is a good idea.

H.M.Jr: So you know this is a Treasury man coming in, but that is the Bureau he belongs to. Treasury Department Intelligence or something, you see, and then just - then just in one place would be the word "Narcotics," or "Secret Service."

Gaston: What is the matter with that badge for that purpose, "Treasury Department, United States," then they have "Narcotics." All you need there would be "Intelligence Unit," or whatever it is.

H.M.Jr: I think so.

Gaston: I kind of like the eagle on top. Don't you?

H.M.Jr: Yes.

Well, here under here would be "Internal Revenue, Intelligence," or just the word "Internal Revenue." They don't need "Intelligence." "Internal Revenue, the Treasury Department, United States." If you could get in a Treasury seal, it would make that "United States" stand out. I like the "United States" standing out, but how about in the background, instead of the eagle, having a Treasury seal? I mean the Treasury seal in the background.

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Thompson: Do you like the round one better than you do this other one?

H.M.Jr: Well, it is a question of - that on top, is that going to catch on anything? It would be sort of a nuisance.

Gaston: I don't care too much for that. It looks to much like an ordinary police department badge with an eagle on top.

H.M.Jr: But if you just had the Treasury Department with the Treasury seal in the background and the names under here.

Where is my Treasury seal?

Bell: No Treasury seals. (Laughter)

Gaston: I like the thing, if you could get the United States - have the Treasury seal instead of the eagle.

H.M.Jr: I would like the Treasury seal in the background. "Treasury Department," and then just stick the "United States" right over that. That is what I would suggest. Then everybody would have the same. Gaston and Harold Graves won't like this but.... (Laughter)

Thompson: I think that is a darn good idea.

H.M.Jr: We get an idea once in a while.

Thompson: I will have a design made.

H.M.Jr: I didn't get anywhere with my eagle pushing a flag. Maybe I will get somewhere on this.

Thompson: Coast Guard have a Second Lieutenant in the Reserves who is a cryptanalyst. They need him

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for their own work down there, and I would like to get a deferment for him, putting him in the Reserve Officers' pool.

H.M.Jr: Why, if he is in the Coast Guard?

Thompson: He is a civilian officer, but he is a lieutenant in the Reserve Corps.

H.M.Jr: Why don't they put him in the Coast Guard Reserve?

Thompson: He has been a civilian officer for sometime.

H.M.Jr: O.K.

Thompson: If you approve, I will send it over. I think it is a good case. That is all I have.

H.M.Jr: You (Foley) came in since we started?

Foley: I came in with Dan. I was in Dan's office talking about the meeting yesterday.

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

Bell: Yes, I had him in there at a quarter of nine.

Gaston: Here is the Stimson-Hoover thing.

H.M.Jr: Oh, nothing else?

Foley: Nothing.

H.M.Jr: All right.

C O P Y

BRITISH EMBASSY,

WASHINGTON, D. C.

March 10, 1941.

MOST URGENT - BY HAND.

Dear Cochran,

I enclose the data regarding our
existing contracts for which you asked on
Saturday.

Yours sincerely,

(Signed) E. W. Playfair

M. Merle Cochran, Esq.,
U. S. Treasury,
Washington, D. C.

Received March 11, 1941
10.15 A.M.

dm

C O P Y

EXISTING CONTRACTSA. Statistical Data.

Table I below gives estimates of all the contracts of the British Purchasing Missions as of February 28.

Table II, compiled on the same lines as Table I, gives figures for all contracts whose total value is over \$1,000,000, as of February 15.

Table I covers several thousand contracts, many of them very small, and has been compiled statistically; it is a close estimate, but not accurate to the last cent. Table II, on the other hand, has been compiled from the actual contracts, and, subject to any error, is exact. The full data on which it is based is contained in Exhibit A, attached to this note. The contracts covered by Table II are 242 in number, and cover nearly 90% of the outstanding value of all the contracts.

Exhibit B gives fuller details regarding those contracts where the payments due after February 15 plus the advances standing to the credit of the British Government exceed \$10,000,000. These contracts, 50 in number, cover about 70% of the outstanding value of all the contracts.

Table III gives estimates of the periods within which the payments remaining to be made on all the contracts fall due.

B. The application of these data.

Assuming that it is possible simply to assign contracts as they stand from the British Government to the U. S. Government, the liability which the U. S. Government would assume would be the original value of the contract

- 2 -

less the value of deliveries already made (Item 3 of Tables I and II). But when this resulted in the repayment to the British Government of any advances made by the French (Item 4), these would have to be paid to the State of France. Such payment is made by placing dollars to the credit of the State of France in an account at the Bank of Canada. France cannot withdraw such funds, but they are lost to the United Kingdom, so that the benefit which the British Government would receive from the assignment to the United States would be reduced by that amount (Item 5). This benefit would consist of (a) the repayment to them of advances made by them standing to their credit with the contractor, including capital payments (Item 5 (a)) and (b) the fact that they would be relieved of future liability on these contracts (Item 5 (b)).

In practice, the procedure for transferring contracts may not be so simple as suggested above. If the U. S. Departments concerned find it necessary to negotiate fresh contracts, leaving us to cancel ours, there may be cancellation charges, etc., to pay, depending on the terms of each contract, and the benefit to the British Government may be correspondingly reduced (cf. the case mentioned in paragraph 6 of Section C of this note).

Owing to the amount of work involved, it has not been possible to compile Tables I and II as of the same date. But it is not thought that the difference in the outstanding value of the contracts between February 15 and February 28 will be great, since increases in the total value of contracts placed during that period are offset by the value of deliveries received.

C. Assignment Negotiations now in train.

The following paragraphs give details of the negotiations for transfer of contracts presently in train. The outstanding value of these contracts is shown in Table IV.

- 3 -

1. Curtiss-Wright Corporation.

The R.F.C. has examined this property and some negotiations have commenced. However, the condition of the title and other complications make it doubtful that a sale can be concluded with R.F.C.

2. General Motors Corporation.

This has been mentioned to the R.F.C. as a possible case, but the British Purchasing Missions had no knowledge of any current negotiations which R.F.C. may be considering.

3. Tennessee Powder Company.

Arrangements for the sale of the Tennessee Powder Company plant have reached the stage of agreement in principle and papers may shortly be executed. The net cash realization which will be available after completion of plant (expected to be in May, 1941) will be approximately \$20,000,000. after setting aside certain funds withheld as security for rent, insurance, etc.

4. New Jersey Powder Company.

Negotiations have been commenced for the sale of New Jersey Powder Company and may proceed after Tennessee Powder Company has been concluded as a prototype case.

5. Packard Motor Company.

The R.F.C. has stated that this should be a fairly simple matter to conclude in view of their present ownership of other Packard properties, but negotiations have not progressed.

6. Colt's Patent Fire Arms Company.

This and the other three machine gun contracts that follow are in an advanced state of negotiation on the following lines:

- 4 -

- (a) The Army Ordnance Department is negotiating new contracts for the product which, when concluded will leave the British Purchasing Commission free to negotiate cancellation of the existing product contracts. The cash recovery on cancellation will be less than the advance product payments owing to difference in price between old and new contracts, disappearance of royalty payments in new contracts and other cancellation charges to be settled between British Purchasing Commission and the suppliers.
- (b) The R.F.C. is concurrently negotiating for the purchase of the plant facilities. The realization will be less than the value of the capital advance due to the elimination of special tools, personnel training cost and other intangible items, and in any event payment will not occur until after each plant has been completed in the latter half of 1941.

The above machine gun negotiations involve numerous complications remaining to be resolved. It may not be possible to finalize the contracts until some time in April.

7. Oerlikon Gun Subcontracts.

The British Purchasing Commission has proceeded to execute certain subcontracts for the manufacture of parts for the Oerlikon gun. The United States Navy is carrying on negotiations with the principal supplier to whom these subcontracts are to furnish certain parts. It is contemplated that these subcontracts will be taken over by the United States Navy after the basic contract has been concluded.

Washington

March 10, 1941.

TABLE I

Total outstanding advances & estimated future payments as of February 28, 1941, on all existing contracts.

(In millions of U. S. dollars)

	<u>Capital</u>	<u>Product</u>	<u>Total</u>
1. Original value of British commitments for capital + product. (including British liability to French state for capital and advances).	180	2840	3020
Less 2. Value of product deliveries (including pro rata repayment by British of French advances).		795	795
3. Total capital commitment plus value of undelivered product (including balance of British liability to French state for capital + advance).	180	2045	2225
Less 4. Balance of British liability to French state for capital and advances.	15	65	80
5. Net British commitment for capital + undelivered product (after deduction of British liability to French state for capital + advance).	165	1980	2145
Vis: (a) Payments made by British on account of capital and undelivered product.	155	660	815
(b) Payments due to be made by British on account of capital and undelivered product.	10	1320	1330

TABLE II

Total outstanding advances & estimated future payments, as of
February 15, 1941, on all existing contracts whose value is over \$1,000,000

(in millions of U.S. dollars)

		<u>Capital</u>	<u>Product</u>	<u>Total</u>
	1. Original value of British commitments for capital + product (including British liability to French state for capital and advances).	167.2	2,242.0	2,409.2
Less	2. Value of product deliveries (including pro rata repayment by British of French advances).		439.8	439.8
	3. Total capital commitment plus value of undelivered product (including balance of British liability to French state for capital + advance).	167.2	1,802.2	1,969.4
Less	4. Balance of British liability to French state for capital and advances.	0.4	52.7	53.1
	5. Net British commitment for capital + undelivered product (after deduction of British liability to French state for capital + advance.)	166.8	1,749.5	1,916.3
Via	(a) Payments made by British on account of capital and undelivered product.	150.1	587.4	737.5
	(b) Payments due to be made by British on account of capital and undelivered product.	16.7	1,162.1	1,178.8

TABLE III

Estimate of sums payable by the British Purchasing Missions in respect of all outstanding contracts, as of February 28, 1941.

(In millions of United States dollars)

March	165
April	135
May	130
June	130
July - August	220
September - December	370
January - August 1942	265
September - December 1942	<u>25</u>
	<u>1440</u>

Note: The total of \$1440 millions is composed of the figure of \$1330 millions shown under heading 5(b) of Table I, plus \$30 millions outstanding reimbursement due to the French State as of February 28, 1941

*Plus \$80 millions shown under heading 4 of Table I

BRITISH CONTRACTS, THE TRANSFER OF WHICH HAS BEEN
UNDER DISCUSSION
As at February 15, 1941

Contract Number	Supplier	Material	Capital	Advances Outstanding Product	Total	Balance Due	Total of advances Outstanding and Balance Due
A-194	Curtiss-Wright Corp., New York, N. Y.	R2600A Engines	14,450,700.00	32,261,130.48	46,711,830.48	31,412,071.47	78,123,901.95
A-196	General Motors Corp., New York, N. Y.	Allison Engines	6,393,113.50	30,427,500.00	36,820,613.50	23,971,535.07	60,792,148.57
A-502	Tennessee Powder Co., Memphis, Tenn.	Plant Expansion	25,279,000.00	-	25,279,000.00	215,000.00	25,494,000.00
A-633	New Jersey Powder Co., Kenvil, N. J.	Plant Expansion	9,827,730.45	-	9,827,730.45	738,269.55	10,566,000.00
A-787	Packard Motor Co., Detroit, Mich.	Rolls Royce Merlin - XX Engines	24,900,000.00	19,549,904.56	44,449,904.56	90,450,095.44	134,900,000.00
A-844	Colt's Patent Fire Arms Mfg. Co., Hartford, Conn.	Aircraft Machine Guns	8,914,085.00	3,883,335.78	12,797,420.78	4,628,753.68	17,426,174.46
A-1265	Kelsey-Hayes Wheel Co., Detroit, Mich.	Aircraft Machine Guns	6,100,000.00	2,376,875.96	8,476,875.96	8,968,701.83	17,445,577.79
A-1559	High Standard Mfg. Co., New Haven, Conn.	Machine Guns	3,323,000.00	2,237,259.00	5,560,259.00	5,963,853.37	11,524,112.37
A-1600	Buffalo Arms Co., Buffalo, N. Y.	Aircraft Machine Guns	5,852,040.00	1,995,317.50	7,847,357.50	4,935,952.80	12,783,310.30
A-2795	American-Oerlikon Cayda Corp. Subcontracts	Oerlikon Gun	285,000.00	1,203,060.00	1,488,060.00	4,819,500.00	6,307,560.00
TOTAL			105,324,668.95	93,934,383.28	199,259,052.23	176,103,733.01	375,362,785.24

Send

March 10, 1941.

MEMORANDUM

TO: Mrs. Klotz
FROM: Mr. Gaston

With reference to the attached letter, Congressman Hunter came in to see the Secretary at 10:30 this morning and I was present at the Secretary's request. Mr. Hunter recited some of the circumstances of the political situation in Ohio and expressed the view that he ought to have the privilege of naming the Collector of Internal Revenue at Toledo. The Secretary told him that he could not undertake to decide these political arguments but that he would cheerfully carry out any directions given him by the White House. There seems to me to be no need of any other reply to the letter. Mr. Hunter wrote me practically the same letter, with the same enclosures, which I have in our personnel file.



JOHN F. HUNTER
9th DISTRICT OHIO

174

R. O. SNYDER
SECRETARY

GEORGE E. CARROLL
ASST. SECRETARY

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

March
seventh
1941

The Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

My dear Mr. Morgenthau:

Anticipating that a decision is near on the appointment of a Collector of Internal Revenue in the Toledo(Ohio) office, it is my desire to call your attention to certain facts which I consider pertinent.

1. Mr. Ralph O. Snyder, whom I have indorsed, was first proposed in August, 1940, by Senator Vic Donahey. At that time there was some publicity in the newspapers of Ohio; and I am informed that many letters were sent to the Senator, expressing approval of his choice. It is not probable that many letters from the district were sent to any other source, as it was considered by Democrats of the district that the Senator's recommendation would be followed.

Later, when Ohio newspapers carried stories that there was a contest and that Frazier Reams had some backing for the position, the newspapers all stated that the decision would be made by Honorable Edward J. Flynn, Chairman of the Democratic National Committee.

I have been informed that a great amount of mail has reached Mr. Flynn's office from persons in Ohio who urged Mr. Snyder's appointment. Copies of some of these letters have been forwarded to me.

There is one letter written by Tom Stahl, Ottawa County Chairman, American Legion, and Chairman of the Democratic War Veterans of Ottawa County, which I would particularly like you to read as it conveys a plain indication of where some of the opposition to Mr. Snyder is arising.

Hon. Henry Morgenthau, Jr.

-2-

March 7, 1941

There is another letter in Mr. Flynn's files of which I have no copy but which I am sure you can obtain from Mr. Flynn's office. This letter was written by Mr. O. L. Teagarden, Chairman of the Ottawa County Democratic Committee, in which he tells of requesting Mr. Reams to take part in the recent political campaign and of Mr. Reams' refusal to speak for the President. I am informed of this letter by Mr. Charles Scherer, Chairman of the Ottawa County Democratic Campaign Headquarters, who also wrote Mr. Flynn.

I would like to request that letters in Mr. Flynn's file be secured and given consideration by your Department.

2. I am recommending Mr. Snyder because I believe his experience, training and understanding of the public will make him an outstanding Collector if he is appointed.

I have the utmost respect for Mr. Reams, but I do not consider legal training alone makes him an outstanding candidate for the position of Collector.

From the political viewpoint alone, these angles must be considered: Mr. Snyder has been extremely active for the Democratic party during recent years; he is known and respected throughout the entire Northwestern Ohio.

Mr. Snyder's wife, Babette, was organizer of Roosevelt-Wallace clubs in that district during the 1940 campaign.

On the other hand, Mr. Reams has taken no part in politics in the last four years—even refusing to address meetings in behalf of the President during the 1940 campaign, as attested by letters in Mr. Flynn's possession.

We will concede that he was active prior to 1936. However, any obligation incurred on behalf of the Party has already been paid many times over. In the first place, Mr. Reams was given a license for a radio station of which he is now president and general manager. His law partner has been given a United States commissionership. His law office also has had a large portion of the legal work of the Home Owners' Loan Corporation and other Federal agencies and departments in the city of Toledo. This fact can easily be ascertained. Under the circumstances, any claim that Mr. Reams has earned further "pay" at the hands of the Administration seems to be greatly exaggerated.

Hon. Henry Morgenthau, Jr.

-3-

March 7, 1941

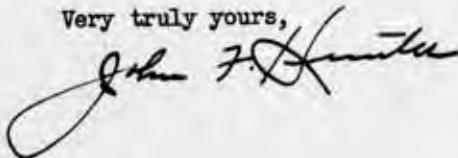
3. For more than seven years, while the late Charles Graves was Collector in the Toledo office, it was common knowledge that Mr. Graves spent less than a day a week in the office or on Collector's duties, devoting his time to his own law business and other interests. In making my recommendation of Mr. Snyder, I recommended a capable man who I knew would be prepared to devote full time to this important position.

The opposition candidate is a very busy member of a law firm handling a great deal of Federal business, and is president and active in the management of a radio station. I am sure that you have no desire to name men to important positions who are prepared to devote very little of their time to the duties of the office.

I have presented these few points as briefly as possible in order to clarify a situation that has been considerably confused by inter-party difficulties in Ohio. I know you will give them your personal consideration.

With best personal wishes, I am,

Very truly yours,



JFH:SC

Oak Harbor, Ohio, Jan. 18, 1941

Hon. Edward J. Flynn,
Democratic National Committee,
Mayflower Hotel,
Washington, D. C.

Dear Mr. Flynn:

In connection with the appointment of Collector of Internal Revenue, Toledo, Ohio, at a meeting of our committee held last evening, they endorsed Mr. Ralph Snyder of Toledo and requested me to advise you of their action. This, of course, is in further confirmation of the endorsement of Mr. Snyder by the writer, about last August 15th, 1940.

Our committee is of the opinion, in view of Mr. Snyder's endorsement by our congressman, Hon. John Hunter, and of our Congressman at Large, Hon. Stephen Young, Cleveland, Ohio, that their recommendation should be followed and we request your favorable consideration of this gentleman.

We believe that it is time that the leaders of the two factions in Ohio realize the necessity of harmony in the party, and we believe that for the best interest of the Democratic Party in Ohio, both Mr. Sawyer and Mr. Bittinger should resign and someone be named who can secure the support of all.

Please accept the writers best wishes

Yours very truly

(Signed) O. L. Tegarden

WESTERN UNION TELEGRAM

Celina, Ohio

1940 Aug 19

Hon Vic Danahey US Senator

Mercer County Executive Committee endorses Ralph Snyder
for Internal Revenue Collector

Clyde Rutledge, county chairman

WESTERN UNION TELEGRAM

Defiance, Ohio

1940 Nov 27

Honorable John Hunter, House of Reps

Dear Mr. Hunter. We recommend Ralph O. Snyder of Toledo for
appointment as Internal Revenue Collector at Toledo, Ohio.

Dan Batt, chairman Defiance County Executive Com.

Richard Laudick, chairman Putnam County Executive Com.

William Mentzer, chairman Paulding County Executive Com.

WESTERN UNION TELEGRAM

Van Wert, Ohio

1940 Aug 15

Senator Vic Donahey
Washington, D. C.

Van Wert County Committee recommends appointment Ralph
Snyder to succeed Graves, Internal Revenue Collector.

C. A. Springer, chairman

WESTERN UNION TELEGRAM

Wapakoneta, Ohio

1940 Aug 15

Hon. A V Donahey, Senator

I hereby endorse Ralph O. Snyder of Toledo to position
collector of internal revenue Toledo district to succeed
Charles Graves deceased.

Y. P. Killian, chairman Auglaize County
Democratic Executive Committee

WESTERN UNION TELEGRAM

Sidney, Ohio

1940 Aug 17

Senator Vic Donahey

Our endorsement and recommendation of Ralph Snyder for
Collector Internal Revenue office Tenth District Ohio

Lee J. McFarland, chairman (Shelby County)
Democratic Committee

WESTERN
UNION

1940 Aug 15

Hon. Vic Denahy
Senate Office Bldg. Washington, D. C.

Enderse Ralph Snyder Teleds to be collector of Internal
Revenue to succeed Charles Graves. Your assistance
his behalf will be appreciated.

A. L. Teagarden, chairman Ottawa County
Democratic Central Committee

Y
O
F
C

THE DARK COUNTY
DEMOCRATIC CENTRAL-EXECUTIVE COMMITTEE
GREENVILLE, OHIO

August 16, 1940

The Hon. Vic Donahey,
Washington, D. C.

Dear sir:

We the undersigned officers of the
Darke County Central Executive Committee
appointed to make indorsements for vacancies
hereby recommend and endorse Ralph Snyder to
fill vacancy caused by the death of Chas.
Graves, the position of Internal Revenue
Collector.

Chairman
B. B. McGriff

September 19, 1940

Honorable Franklin D. Roosevelt
The President of the United States
Washington, D.C.

My dear Mr. President:

On August 23rd, I suggested the name of Mr. Ralph O. Snyder of Toledo, Ohio, to you for the vacancy existing in the Toledo office of Collector of Internal Revenue. The death of Honorable Charles H. Graves left this post vacant and it is of importance to the political well being of Northwestern Ohio that the post be filled.

Commissioner Helvering advises me your full approval is awaited in this connection and that a tentative investigation had been made of Mr. Snyder. Snyder was the Secretary of Congressman John F. Hunter and it is vital to the interests of Congressman Hunter, the only democratic Representative in Congress covering all the northwest districts of thirty some counties, and as well as to Ohio that determination be reached before election. It is hoped confirmation might be had before adjournment.

Would you please inquire into this matter and advise me the present status in order to favor Mr. Hunter in this regard.

With sincere regards and best wishes,
I remain

Sincerely yours,

Vic Donahey

COPY

THE ALLEN COUNTY DEMOCRATIC EXECUTIVE COMMITTEE
Headquarters 527 Dominion Building
Lima, Ohio

August 17, 1940

Hon. Vic Donahey,
United States Senate
Washington, D. C.

Dear Senator Donahey:

A vacancy has occurred in the office of the Collector of Internal Revenue of the Toledo District. A fine capable Democrat by the name of Ralph Snyder who is secretary to Congressman Hunter is a candidate for this position.

I want to assure you that if you have any doubts as to Mr. Snyder's ability and his integrity I have known him for a good many years and feel that he is well qualified to hold this position. As State Central Committeeman from the Fourth District and as Chairman of Allen County it gives me great pleasure to endorse Mr. Snyder.

With kindest regards, I am

Yours very truly

(Signed) Francis W. Durbin
Chairman

COPY

DEMOCRATIC EXECUTIVE COMMITTEE
WOOD COUNTY, OHIO

September 10th, 1940

Hon. Vin Donahay,
U.S. Senator—Ohio,
Washington, D. C.

My Dear Senator:

My attention has been directed to a vacancy that exists in the office of Collector of Internal Revenue, 10th District with Headquarters in Toledo, Ohio. This vacancy was caused by the recent death of Mr. Graves.

In this connection it is my pleasure to recommend the name of Mr. Ralph Snyder, Toledo, Ohio for consideration as appointment for this position. Mr. Snyder is well qualified to perform the duties required and his past connections present him as an asset to the position.

Thanking you in advance for any consideration extended to Mr. Snyder, I remain

Sincerely Yours,

(Signed) Theodore R. Black
Chairman, Wood County DEC

ALLIED INSULATING &
BUILDING CO. INC.

TOLEDO, OHIO

January 17, 1941

(COPY)

(COPY)

Hon. Edward J. Flynn, Chairman,
Democratic National Committee,
Mayflower Hotel,
Washington, D. C.

Dear sir:

May I, as a business man and war veteran, endorse the
appointment of Mr. Ralph Snyder as Collector of Internal
Revenue for the 10th Ohio District.

I have known and respected Mr. Snyder for the past
15 years, both as a newspaper man and as secretary to the Hon.
John F. Hunter, Congressman from my home district and state of
Ohio.

Mr. Snyder has always been unfailing in his duties
to the public of this district and has brought credit and
prestige to the Democratic party of this district and state.

As a life long Democrat, I believe it is my duty
to endorse this appointment of an able and efficient
Democratic official.

Very truly yours

(signed) DENNIS G. BURNS

COPY

March 4, 1941

Mr. Edward J. Flynn,
Chairman
Democratic National Committee,
Mayflower Hotel
Washington, D. C.

My dear Mr. Flynn:

I am writing to you with the hope that I may be able to give you some information relative to the fight that has come up between Ralph Snyder and Praser Reams for the Collector of Internal Revenue at Toledo, Ohio.

Both Mr. Reams and Mr. Snyder are personal friends of mine, but I feel that because of the backing that Mr. Reams has that he should not be entitled to this position, and here is why I say this.

I am enclosing herewith a letter which I will mark Exhibit A, which I sent out in behalf of John Hunter during the last campaign. I am also sending you a copy of a letter marked Exhibit B, sent out by Mr. Hunter's opponent.

This copy, marked Exhibit B, was made from a letter handed to a voter by Mr. William Zeis, an appointee of Charles Sawyer and working out of Mr. Sawyer's headquarters, and paid by the National Democratic Executive committee. These letters were carried about with him and shown to different veterans, especially veterans whom Mr. Zeis queried and found to have received one of the copies of Exhibit A as sent out by me. When Mr. Zeis found that they had received such a copy, he made a personal attack on me, alleging that I was a drunkard, and then handed to them a letter sent out by Mr. White of which I have enclosed a copy as marked Exhibit B. Now Mr. Zeis at this time was working out of Mr. Sawyer's Democratic headquarters, was an employee of the Democratic Executive committee, and receiving Democratic money.

Up until that time I had always been a supporter of Charles Sawyer, but when I found that he was employing this sort of men

with Democratic funds, I felt as I do now that it was to the best interest of the Democratic party to get rid of him.

It seems to me that the opposition to Mr. Ralph Snyder is not because of his personal integrity or lack of integrity, but is opposition on the part of Mr. Sawyer and his cohorts to anything that Congressman Hunter wants.

In my humble opinion, now that Martin L. Davey has taken himself out of the picture by illness, I feel that if Mr. Sawyer were taken out of the picture by you, we would again be able to get together in Ohio and start to go some place.

Sincerely yours

(signed) Tom D. Stahl
Chairman
Democratic War Veterans of
Ottawa county.

January 20, 1941

Hon. Edward Flynn, Chairman
Democratic National Committee
Washington, D. C.

Dear Mr. Flynn:

I claim no political influence. I control no votes other than my own. But I have been a consistent Democratic voter in Lucas County, even at times when I had to make excuses for candidates offered locally by the Democratic party. I have done this because of my belief in the party's principles and on the supposition that the national party would function more advantageously with local Democratic administrations than otherwise. I imagine that many more of the 80,000 who voted Democratic in Lucas County in November felt the same way I did.

We were a bit disgusted with the inter party fight between Sawyer supporters and Davey supporters which carried on right through the presidential campaign. We were so fed up on some of the local candidates that we shed no tears over the defeat of two Democratic county candidates put up by the local Quinnivan-Galvin machine. We resented the undercover attacks by that machine on our campaign for Congress, John Hunter, and we helped give him a 15,000 majority over his Republican opponent.

We have resented the strong arm method of controlling political jobs in Lucas County, which has resulted in the rather bitter jest common among Democrats here that you can't get a political job unless you are related to one of the "Six Families."

The Toledo Blade of Jan. 18th says that there is a dispute over the appointment of a collector of revenue in Toledo. This is no surprise because Congressman Hunter has never accepted the "Six Family" tradition and has attempted to make appointments according to merit and qualifications. We have an outstanding example of this in the appointment of a career man as postmaster in Toledo and by the appointment of boys to Annapolis and West Point after competitive examinations. Democratic voters have applauded these actions and have given Mr. Hunter growing majorities in his elections as a result, while the "Six Families" lost the only two county offices contested for in the election two years ago, and two additional county offices in the last election.

Two years ago John Quinnivan, head man of the "Six Families" was a candidate for ward committeeman. His only opponent was a boy of 23 who had no job and who had never been active in politics. Quinnivan lost

Page 2

by a two to one vote. Reams was a candidate in the primary for the nomination for attorney general-and lost. Sawyer was a candidate for governor-and lost.

Now, Quinlivan, in the best "Six Family" tradition, proposes Reams, a member of the "Six Families" in good standing, to Sawyer as a candidate for collector of internal revenue in Toledo. Sawyer, according to the Toledo Blade has followed tradition and made the recommendation to you.

Democratic voters of Lucas County are waiting to see whether you will accept the recommendations of two persons they have repudiated who are recommending a third person whom the voters also have repudiated.

Or will you follow the recommendations of the Congressman the Democratic voters have elected to his third term by a greatly increased majority, and whose popularity is at least partly due to the high caliber of the appointees he has placed in public positions.

I am certain many loyal Democratic voters are awaiting your decision with great interest.

Very truly yours,

/s/ Frank M. Fisher

ALBERT M. MATTHEWS
Attorney at Law
1217 Sylvania Ave.
Toledo, Ohio

January 17, 1941

Hon. Edw. J. Flynn
Chairman of Democratic National Committee
Mayflower Hotel
Washington, D. C.

Dear Sir:

I wish to express my earnest desire, as an active Democrat in Toledo for the past fifteen years, that you will appoint Ralph Snyder as the new Collector of Internal Revenue in Toledo, Ohio.

The fact that he is endorsed by John F. Hunter, the only Democratic Congressman from the district, should merit the appointment. The long record in public office and at the polls has proven John F. Hunter to be the most popular and outstanding Democrat in this district of Ohio.

To deprive him of his just right to make the appointment would be extremely ungrateful and cause much dissension. I am safe in asserting that the vast majority of the local Democrats are wholeheartedly behind John F. Hunter and likewise his candidate Ralph Snyder for Collector of Internal Revenue in Toledo, Ohio.

Respectfully yours

/s/ Albert M. Matthews

AMOS L. CONN
Attorney at Law
921 Edison Building
Toledo, Ohio

August 20th, 1940

My dear Senator Donahay:-

May I bear a word of testimony on behalf of my long time friend, Mr. Ralph H. Snyder, Executive Secretary for Congressman John F. Hunter, of the 9th District, who is a receptive candidate for United States Collector at Toledo, there being a vacancy due to the untimely passing of our mutual friend, the Honorable Chas. H. Graves?

You know Mr. Snyder as well or perhaps better than I do. However, I would like to say a word of commendation and recommend him to your favor consideration. He is a man of good character and is well and favorably known in this community. He is clear-headed and has large capacity in getting things done. He is conscientious and a man of strong convictions. He has all the vigor and energy of youth, plus the understanding and wisdom that comes with wide experience and knowledge of men.

I feel that Mr. Snyder would fill this important position with honor and dignity, be a credit to the Party, and render a public service of such high character that will at all times justify the confidence reposed in him. Your favorable consideration will be greatly appreciated.

Please accept my good wishes and my assurances of respect and esteem.

Cordially yours,

/s/ A. L. Conn

THE EAST TOLEDO DEMOCRATIC CLUB

Toledo, Ohio

August 19, 1940

Hon. Vic Donahey
U. S. Senate - Ohio
Washington, D. C.

My dear Senator:

As an organization of long standing and which has the esteem of the Democracy of this County, I beg to inform you that we heartily endorse the candidacy of one Ralph O. Snyder, able secretary to Congressman J. F. Hunter for the office of Internal Revenue Collector this district.

We kindly urge you to place his name before President Roosevelt.

Thanking you beg to remain,

Sincerely,

/s/ S. J. Saxon

President

SJS:JJH

CLARENCE J. MATTHEWS
2352 Georgetown Avenue
Toledo, Ohio

January 17, 1941

Edward J. Flynn
Chairman Democratic National Committee
Mayflower Hotel
Washington, D. C.

Dear Mr. Flynn:

Because of the interest and importance of the position of Internal Revenue Collector in our district and because of my desire to see harmony in the ranks of the local democratic organization; I am writing you on behalf of the appointment of Mr. Ralph Snyder for the position of Internal Revenue Collector in our district.

Mr. Ralph Snyder is a democrat respected and well qualified and surely deserving of such consideration.

However, whoever may receive this appointment should certainly have the unqualified endorsement of the leading democrat in our district, and that is our 9th District Congressman, the Honorable John F. Hunter.

It is my sincere hope, and with no anticipation of personal benefit, that Mr. Ralph Snyder will be recognized and that Mr. John F. Hunter will be given the credit that is rightfully his from the national organization. I thank you for this consideration.

Sincerely yours,

/s/ Clarence J. Matthews

CJM:B

January 15, 1941

Hon. Edward J. Flynn, Chairman
Democratic National Committee
Mayflower Hotel
Washington, D. C.

Dear Mr. Flynn:

As I have been actively engaged in Democratic Politics for a number of years I am anxious that those who have labored earnestly and diligently on behalf of the party are properly rewarded.

An appointment is soon to be made to fill the vacancy caused by the death of Charles H. Graves, Collector of Internal Revenue for this district, and I would very much appreciate you considering Ralph Snyder, Secretary to Congressman John F. Hunter. Mr. Snyder has been very active in democratic politics throughout this district for a number of years, very courteous and highly esteemed by all who know him.

I feel that the appointment of Ralph Snyder would not only be a compliment to himself, but a credit to the Treasury Department.

Very truly yours,

Myron A. Rosentreter

mar:jfw

January 15th, 1941

Hon. Edward J. Flynn,
Chairman
National Democratic Executive Committee,
Mayflower Hotel,
Washington, D. C.

Dear Chairman Flynn:

When the matter of the vacancy in the office of U. S. Collector at Toledo, Ohio, came on for consideration (due to the untimely death of our friend, Charles H. Graves), I lent what influence I had in favor of Mr. Ralph O. Snyder, Executive Secretary to Congressman Hunter, as a well qualified man to assume the duties of this important office.

Intervening events have strengthened my conviction as to the all-round fitness of Mr. Snyder for this position.

Mr. Snyder is a hard working Democrat in all kinds of weather, and he is a man of recognized ability, wide experience, and what is perhaps of greater importance, a man of good character. We believe that your favorable consideration and your recommendation of Mr. Snyder's appointment will be in the interests of public service and tend to strengthen the Democratic Party in this district.

With assurances of esteem, we remain

Yours respectfully,

Amos L. Conn

ALC:EFD

Oak Harbor, Ohio
Dec. 6, 1940

Hon. Chas. Sawyer,
Columbus, Ohio

Dear Mr. Sawyer:-

In view of stories which have appeared in the newspapers recently regarding Federal patronage in Ohio, I believe I am justified in assuming that you ~~will~~ have additional influence in Washington from now on.

There is one matter directly concerning our County in which you might assist us, this is in the appointment of a Revenue Collector for the Tenth Treasury District with headquarters at Toledo. Four months ago our Committee endorsed Mr. Ralph O. Snyder of Toledo, Ohio, for this position; he also received the endorsement of Senator Donahey, Congressman Hunter and a majority of the County Committees in the District. For some reason the appointment has never been made. Congressman Hunter is the only Democratic Congressman elected in the entire District and I believe you will see the necessity of backing his endorsements in such matters.

This appointment has been delayed so long that I urge you to help bring it to the proper conclusion by concurring with Congressman Hunter's recommendation without further delay.

With kindest personal regards, I remain

Yours very truly,

/s/ O. L. Teagarden
Chairman

OLT:A

JOHN MCSWEENEY
Attorney-at-Law
Wooster, Ohio

November 11, 1940

Mr. Ralph Snyder
House of Representatives
Washington, D. C.

Dear Ralph:

I hope that you, Congressman, Mark and all
will realize how deeply grateful I am for
your kindnesses to me.

I was very glad that John was reelected,
and for me to share the enthusiastic help
of you friends was a wonderful advantage,
as the returns from Lucas County show.

I hope some day I may show my appreciation.

Most Sincerely your Friend,

/s/ John McSweeney

JM:HMS

(Democratic candidate for U.S. Senate in
the 1940 campaign.)

DEMOCRATIC NATIONAL COMMITTEE
Hotel Biltmore
New York City

Roosevelt-Wallace Clubs
Harry M. Washington
Director

October 18th, 1940

Mrs. Babette P. Snyder, Dist. Mgr.,
Roosevelt-Wallace Clubs,
1413 Eleanor St.,
Toledo, Ohio

Dear Mrs. Snyder:

May I thank you for your prompt co-
operation with the Roosevelt-Wallace Clubs Division.

I can readily see by the aggressive way
in which you have developed this program, that you will
get splendid results in your Congressional District.

A kit of campaign material is being sent
you similar to that which will be sent to other Clubs as
soon as their names and addresses together with the name of
the executive officer are received here.

Again thanking you and assuring you that
we will co-operate from here in every way possible, I am

Sincerely yours,

/s/ Harry M. Washington

Harry M. Washington,
Director.

March 10, 1941
10:45 a.m.

RE AID TO BRITAIN

Present: Mr. White
Mr. Bell
Mr. Cochran
Mr. Young
Mr. Foley
Mr. Cox
Mr. Kuhn
Mr. Gaston

H.M.Jr: I thought I would start this meeting off - I am having lunch with the President today, so it is fortunate we are having this meeting. I asked this morning, Cochran to - if he could by this time give me a summary of the various things that I did with England, the various sources that I had in connection with their finances. I didn't give you much time. Have you got something?

Cochran: It is all dictated, and I think it will be in while this meeting is going on. (See attachment A.)

H.M.Jr: Then we will just skip that.

Bell: I asked Phil to do it, too. I don't know whether he had a little more time.

H.M.Jr: Have you got something, Phil?

Young: Danny called me about 10:15 and I dictated a page just on the general aspect of what our

- 2 -

office does down there on foreign purchasing.
(See attachment B.)

H.M.Jr: This is a result of our eight o'clock meeting, Dan. Well, when does yours come off your machine?

Young: It ought to be in in just a minute, I think.

H.M.Jr: Then we will skip you.

Young: It is very general in its nature.

H.M.Jr: Well, let's wait until it comes in. I personally explained to Cochran what I wanted. How soon do you think yours will be in, Cochran?

Cochran: It is not awfully short. It will be a couple or three pages. It will take half an hour.

H.M.Jr: Well, we will wait. How long?

Cochran: Twenty minutes. (Laughter)

H.M.Jr: When did you finish dictating? Do they know we are waiting for it?

Cochran: Yes, but I finished dictating it just before I came in.

H.M.Jr: All right. Professor Foley, what have you got? Is yours off the machine?

Foley: Well, all we have got is conversation, Mr. Secretary.

H.M.Jr: All right. (Laughter) Let's have what you have got.

Foley: It seemed to us that now that the Byrd amendment is in the bill, that the problem breaks

- 3 -

down in so far as financial considerations are concerned into a deal that would be worked out for the billion three hundred million dollars of defense articles on hand, which could be made available and a deal which could be worked out in so far as new defense articles are concerned which will be acquired through appropriations Congress will make from time to time to carry out the purposes of the Lend-Lease Bill.

Starting from there, it seemed to us that under no circumstances should we be put in the position of taking over any existing commitments that the British have. In other words, for us to take them out of any contracts and agree to pay American manufacturers for defense articles for which the British have agreed to pay American manufacturers would not sit very well with the country.

H.M.Jr: The fact that I am quiet doesn't mean I agree. I thought I would let you run through your story.

Foley: Yes. And that is substantially what you told the committees when you appeared before the committees, and to go back on that might be unfortunate.

Now, the British have advanced to American manufacturers for land, for buildings, and for machine tools, approximately a hundred and thirty-four million dollars, and that investment --

H.M.Jr: Have you got that figure?

Cochran: No, sir.

H.M.Jr: What is that figure again? The British have what?

- 4 -

Foley: A hundred and thirty-four million dollars.

H.M.Jr: A hundred and thirty-four represents what?

Foley: Well, for instance --

H.M.Jr: You mean this is capital or down payment?

Foley: Well, let's take the powder plant in Tennessee. They have made a total payment of \$21,459,000. The land is a million three, the building is five million eight, the machine tools are eighteen million.

The land, the buildings and the equipment are owned by the Tennessee Powder Company, which is wholly owned by the United Kingdom.

H.M.Jr: But I thought that was one of the ones that the RFC --

Foley: And that is being operated by DuPont. Yes, this is one of the ones that they are talking about with the RFC.

Now, they are talking about that with the RFC as a means of raising additional dollars. It seems to us that they don't need those additional dollars in order to pay for commitments that they have already made in the light of the figures that we got, as analyzed by Harry yesterday. All of that plant investment could be made available against so much of the billion three of existing defense articles that could be made available to the British at once. In addition to that, we could take a certain portion of their exports to the United States of tin and rubber, strategic materials.

H.M.Jr: Let's just stop right there. What I have asked for is this. You are getting down into

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too many details now. You give me a figure here of a hundred and thirty-four million dollars, which I take it is down payments and property and tools and so forth that they have advanced.

Foley: Land, buildings and tools.

H.M.Jr: Now, this breaks into two things. One thing, I asked whether the Army is negotiating for part of this.

(Unrecorded telephone conversation.)

H.M.Jr: Somebody calls up for Harriman a few minutes ago and said he wanted to talk to me to thank me for my message, and then when I said I was busy, "Well, Mr. Harriman is just about to leave." The Clipper left two hours ago. I don't understand it.

Now, let me just get this thing straight. I am not going to get tied up with a lot of figures. The RFC - I wanted the figure, I may not get it - is negotiating for the purchase of the English --

Foley: Plant investment in this country.

H.M.Jr: And how much does that amount to?

Foley: One hundred and thirty-four million dollars.

H.M.Jr: Are they negotiating for the whole amount?

Foley: Yes.

H.M.Jr: Then of this hundred and thirty-four, the RFC is trying to buy the whole bunch, is that right?

Foley: That is right, take them out of what they

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put into plants in this country.

H.M.Jr: A hundred thirty-four.

Foley: A hundred thirty-four.

H.M.Jr: Is that the figure?

Foley: That is the figure.

H.M.Jr: RFC in process of buying one hundred thirty-four million of English plants, munitions plants in U.S.A.

Now, of the hundred and thirty-four, have they concluded anything?

Foley: I don't believe they have concluded a thing yet, and they are not taking it up on the over-all basis. They are taking it up in connection with specific plants that our Army or our Navy could use and could reimburse the RFC for it if the RFC took the British out. It may all add up to the one hundred thirty-four. That is the over-all commitment.

H.M.Jr: Now, the thing that I call the McCloy plan, where the Army is trying to buy it, like that Kelsey Wheel thing, is that in the hundred and thirty-four?

Foley: No, that is separate.

Cox: That is mainly a take-out on orders and not on plant.

H.M.Jr: How much does that amount to?

Cox: Well, the total figure on the ones they are negotiating on now is a little over five million.

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H.M.Jr: But I thought it was a couple of hundred million.

Cox: No, they are taking the Kelsey Hayes and one other as a pattern, and they are working on that with the theory that if they get that executed they can step it to a much larger dollar amount of present existing orders.

H.M.Jr: How much?

Cox: I don't think McCloy knows the figure on that.

H.M.Jr: Doesn't anybody know? This RFC and then United States Army. They are buying up contracts, too, aren't they?

Foley: Yes, and that is the phase of it we thought we ought not to go into.

H.M.Jr: Well, I have asked for this for tomorrow. I don't know why it is so difficult to get this. Buying up English munitions contracts as against plants, is that right?

Cox: That is right.

Foley: That is right, supply contracts.

H.M.Jr: And how much that amounts to you don't know?

Cochran: Playfair told me he would give us their figures today on both the RFC and the Army.

H.M.Jr: Now, Ed, as far as I am concerned, I would not interfere in this, and I say I don't want to get bogged down. I don't want to take the idea of stopping this and leaving this as a mortgage against - that the powder plant is an asset against what we are going to

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lend-lease. My answer to you on that is definitely no. I mean, this is in the process that they are counting on the money that they are getting from these things to use for English specification things, and they are going to need that.

Foley: Well, I --

H.M.Jr: And this has all been agreed on over a period of months, and I don't care what Harry says. I mean, it doesn't -- I have got my -- I have got a definite understanding with these people that the money that they get -- we went through hell on this thing, and now we suddenly say no, that we don't want this thing, and then they come back and say, "What are we going to use for money to buy English specification stuff?" I don't know where Harry gets his ideas. This is a thing -- it is peanuts, anyway.

White: Well, apparently there was an agreement among six of us. It isn't only my idea. We were discussing it.

H.M.Jr: Well, I mean it isn't worth discussing. I am trying to get a formula for several billions, and here --

Foley: Well, a billion three, Mr. Secretary.

H.M.Jr: Well, let's start -- no, I want a formula for billions.

Cox: Right, but look, can we argue to that point a minute?

H.M.Jr: What?

Cox: To the powder plants in this country? It

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seems to me that - and I think most of us were agreed - that on the first disposition without disclosing what the equipment was that you were disposing of because it might be a military secret, you might still want to say to the public who had been led to believe that all this stuff is being given away that as to those things which are exhaustible like bullets and so forth, we are getting powder plants and so forth.

H.M.Jr: Doesn't appeal to me at all. It is chicken feed.

Cox: I know it is chicken feed, but --

H.M.Jr: Well, do you mind? It is part of the other picture, which I have agreed to, and it would upset Stimson, it would upset Jones. It has all been agreed that they should work on this thing and this should flow into the pot to be used to give the English money for new orders to be used for English specifications, you see. We are sort of back-tracking, and it just isn't worth it.

White: Does the Lend-Lease Bill exclude the purchase here of items which satisfy British requirements but not our own? I didn't gather that it did.

H.M.Jr: Yes, it does.

White: Well, the lawyers don't feel that way.

H.M.Jr: Well, they are wrong. Certainly the Army feels that way. I mean, to give you an example, I will give you a specific example. There was a certain kind of plane, I can't just think of the name, but maybe Philip can. Knudsen said to me, "Now, the English

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want a certain kind of plane."

Young:

Typhoon?

H.M.Jr:

Well, I don't know, a dive bomber or something. Let's say type "X". Knudsen has been the most difficult on this. He says, "Now, we don't have this plane. They want six different types. We don't have two types. I am talking generally." He said, "All right, until we get it, I, Knudsen, will say that we will for six months build the kind of plane that the English want, because we don't have that kind of a plane and we will try to develop one ourselves; but for six months I will make a strictly English type plane because they need it, you see."

Now, that was crossed - Philip, you were there on that stuff. Did you hear what I said? Am I telling it about right?

Young:

Yes, sir. Knudsen did say at one point that when we first talked about the lend-lease thing that he visualized placing orders himself for British type goods.

H.M.Jr:

Well, I know he did in this case.

Foley:

That would be with appropriations that would be made to carry out the Lease-Lend Bill.

Young:

Out of the theoretically floating part of the fund as distinguished from a specific War and Navy appropriation.

Foley:

Yes, but as I see it, Phil, I mean the discussions we had out at the Secretary's that day, have been cut across now by the Byrd amendment, and the Byrd amendment makes it necessary, and I believe that they have

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acquiesced in it, Harry Hopkins and Smith, of going down and asking for a lump sum appropriation to carry out the Lease-Lend Bill and not appropriations to the Army and not appropriations to the Navy to carry out the Lease-Lend Bill. That is the fight that we made, and we lost when Jimmie Byrnes agreed to the Byrd amendment, and now they are going to agree to it in conference.

H.M.Jr: Well, Ed, I am still groping for the thing and I don't see that there is very much difference - I mean, start with a billion three. Supposing the President says, "I won't wait until we get an appropriation bill. I want to act up to a billion three." Let's just take that.

Foley: Yes.

H.M.Jr: And he says, "All right, Henry, now we want to operate on that."

Foley: We will make up a consideration that I can announce to the American public that I am getting this billion three.

H.M.Jr: Then he will say, "On the billion three, I want to give them so many ships and planes and that and the other."

Foley: Now, what can we get?

H.M.Jr: What can we get and what legal form can it take? That is what I am groping for today.

Foley: Well, that is what we are trying to give you, Mr. Secretary. Now, we thought --

H.M.Jr: I don't like this RFC stuff, I don't like

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the Army stuff, because I think it has all been done once, and I don't want to disturb it because I don't want to disturb Jones, I don't want to disturb Stimson, and I don't want to disturb the Purchasing Commission.

Foley:

As far as the Army is concerned, the supply contracts are not in this at all. This wouldn't cut across anything the Army was trying to take them out of, and in so far as the RFC is concerned, it might be a much more feasible and much more effective way of getting the whole thing, because the RFC may end up by taking only so much of the stuff as could be disposed of in this country. A lot of this machine tool stuff they may not want to touch. They would only want to touch what they could put a mortgage on.

H.M.Jr:

I don't want to get on that basis either. I get what you have in mind. Let's just forget it.

Foley:

We were going to suggest that plus a portion of their tin and their rubber exports over a period of five years.

Bell:

Well, can he lease or lend the material under the billion three?

Foley:

Yes.

Bell:

Well, what do you have to have? You don't have to have dollar for dollar, something coming back, do you? It is either a repayment in kind or a payment of rentals.

Gaston:

You don't have to have anything but a promise.

Bell:

That is all you have to have, is a promise.

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- Foley: We thought the problem broke down as to the billion three, and as to the new stuff and as to the billion three if you want to make it all available to them right now, it might sit better with the American public to show that you had worked out a good sound financial arrangement and got good consideration for so much of those defense articles on hand as you made available at the present time.
- Bell: I have had a little difficulty --
- Foley: Then so far as the new appropriations are concerned, you go into the more intangible values such as the British fleet and such as what happens if the British go down and what happens if the British win the war.
- Bell: I have a little difficulty distinguishing between what goes out under the billion three and what goes out under the Lend-Lease appropriations.
- Foley: Well, I don't blame you. The only distinction that you make is because of the distinction made by the Byrd amendment. The Congress has said that ten per cent of the articles purchased with appropriations made prior to the past bill may be disposed of, and that creates a difference between articles on hand and articles to be procured in the future.
- Bell: Only as to limitation.
- Foley: Only as to limitation.
- Gaston: I don't think it will sit better with the American public that we have made a chiseling bargain by which we are going to get back the value of what we are going to give them.

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I think what is going to sit best with the American public is the impression that we are doing something to aid England.

Bell: I think so too. I don't think that - what is coming back amounts to a tinker's damn in the public mind.

Cox: Now wait a minute, you are going to have pending an appropriation request when these first dispositions are made, and it seems to me you ought to state in the financial terms of the disposition your two policy things, that is, that it isn't a Shylock deal by which you squeeze somebody that is in need, and secondly, that in addition to the intangible benefits which the United States gets, it is also as to things which are exhausted, getting something that is direct and tangible by which the British really give up very little except the possibility of dollar exchange; and secondly that as to the lease-lend end of the thing, you are going to negotiate that out on both - on a governmental basis, that it isn't only a straight business transaction, that what you are going to do is look after the benefit of the United States as to that.

Now, I don't think that on the first disposition you could have ready a complete financial document which will cover the rest of the billion three or the appropriations up to "X" billion, which will come under the new bill, and it is just a question of what you first present to the public on the first disposition, on "A", possibly something concrete, and "B", something which you possibly can't answer for this time.

H.M.Jr: Just hold yourself for a minute. I want to

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ask two things. What is the last position - what are the commitments of England in this country, do you know? The last figure I heard was a billion, their contracts. Has anybody got it?

Young: You mean unpaid balances?

H.M.Jr: Yes, how much do they owe American contractors?

Young: It is about a billion three, isn't it, Harry?

White: Including these additional orders it must be at least that.

H.M.Jr: Last I heard it was around a billion.

White: But they have given about two hundred and eighty-five million dollars worth of contracts since January 1, new contracts.

H.M.Jr: Two hundred and how much?

White: About two hundred and eighty-five million.

Bell: That made a billion six to liquidate.

White: And then they have paid off some of the old. How much they have paid off I don't know, but I imagine it must be two hundred million dollars or something of that order.

H.M.Jr: Would I be safe to say that it is around a billion three or a billion four they still owe us?

White: I should think so. You might be a hundred million too high, but it is about a billion three, I think.

Young: That is about right.

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H.M.Jr:

Now, let me just come back a minute to this, which I would like to get. If I could only get my hands on this. Never mind what we are going to get in exchange for the minute. If you want to have something in mind, let's say we are going - for a billion three they are going to give us a mortgage on Bermuda, let's say. I don't want to run it, but just we have got first mortgage on Bermuda. What I want to get, if I can, desperately, Dan, for Bermuda we are going to give them ten Coast Guard Cutters, you see.

Now, what kind of piece of paper is that contract written on? That is what I want to know. That is what I have been groping for first. Under this thing there are going to be ten Coast Guard Cutters and in exchange for that we are going to take a mortgage on Bermuda. How would that be written?

White:

I think it is impossible for a sovereign country to give away a mortgage.

Bell:

You would have to put it under --

H.M.Jr:

I don't care what it is, but I mean - the British fleet. I mean, I am not saying any particular thing. I am just trying to say there has to be some kind of a contract, some kind of a document, and I take it the Treasury is going to prepare that document.

Cox:

Well, that has both legal and psychological questions, depending upon the kind of property. Now, if it were going to be the British fleet, you could draw the legal document by which you set up under what conditions you get possession as well as title of the British fleet under

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the mortgage and then you would have the question of whether you want the President and the Prime Minister of Britain to sign it or whether you want the President to delegate it to somebody and Churchill to delegate it to somebody to be signed.

On the other hand, if you - going back for illustration to these powder plants, the British Purchasing Commission apparently has the full authority to sign without going back to the government.

H.M.Jr:

Well, let's take in the case of Bermuda, it would be what, the State Department? They did these other bases, didn't they?

Cox:

Yes, but you have got to be careful there as to whom you get to sign the thing, because the closer you get to something that is like a treaty, then you have got to go back to the Senate for confirmation or approval, and you tend to open again the whole discussion.

H.M.Jr:

You see, I know what the President has in mind, up until the last time he talked to me about it, which was last week, because I mentioned the fact to him that Canada wants to get under the Lend-Lease and they wanted only the engines, but they didn't want to sign.

So he said, "Well, in case of engines," he said, "we get something back." He has got an idea that if we are going to give them some planes, they will replace it with planes. If we give them ships, they will replace it with ships. That is the way he has talked up to now.

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White: Well, it seemed to me that we had a statement that might cover that, aside from the legal papers.

H.M.Jr: I am not through with that --

White: Any legal document, it seems to me, would have to be in terms of either the identical planes or of an equivalent number of planes, neither of which would be possible or feasible, or, what would be feasible, have a plane of equal value. It would have to be set in terms of dollars.

If that were true, it seems to me you are driving just the kind of hard bargain that I gather the others feel --

H.M.Jr: A plane of equal value wouldn't be dollars. The President wants to get away from the dollars, that is the whole point.

White: You can't use an identical plane.

H.M.Jr: Now mind you, just so nobody misunderstands my position. My position, which I stated before the Lend-Lease Bill ever was introduced, so there can be no misunderstanding, if I was left alone to write this thing, I would give it to them, so don't anybody misunderstand me.

White: But I don't think the American public will understand that.

H.M.Jr: I just want you to know where I stand personally. If it was to me, I would give it to them and I wouldn't go through all this monkey business; but just so that nobody gets an idea that I am trying to drive a hard bargain, if left to me, I would give the stuff.

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After all, by the time they fight it and it is their lives which are at stake and not ours, I think the important thing is done when they put the boys in to fight the things and I think when we begin to talk about getting something back in addition to having the men fight this thing while we get time, I think we are driving too hard a bargain; so if it was just left to me, I would give them the stuff, so don't, Harry, get any idea --

White:

I am thinking exclusively from the point of view of being able to help them most, and I think that our view was that you will be able to help them most and be closer to the very objective which you stated of wanting to give them more if the initial transaction were made to abide by two principles, one to make the American public think they are not giving it away; second, to make the British public and their allies and their potential allies not feel that they are giving anything up in order to encourage them, something to abide by both those principles, and I thought we had something that might work.

H.M.Jr:

Well, let me show you where I disagree with you totally. Let's say that - if I understand you gentlemen correctly, on the billion three while the appropriation bill is going through, we want to make a wonderful showing to show what we have got for the billion three, is that right?

White:

Without having the British sacrifice anything so the British won't feel they are giving up anything they want. In other words, we get something and they are not giving anything.

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That is possible, I think, in this way. We thought we would break down the problem into three parts.

H.M.Jr: What are you going to give them, the pixies?

White: You are going to give them such things as Coast Guard Cutters and so on, which will be in terms of a lease and in which you will get back the same cutters, and certainly no British will object to that. They will say to themselves, "You can have it back." It doesn't mean anything out of their skins. At the same time the American public will feel that goods of that character, they are going to get it back and depreciation can either be allowed or thrown in the kitty. That is one thing which the American people feel they are going to get back and which the British people feel they are not giving anything when they give it back to us.

A second character was the American plants which are in the United States. Now, the Americans would say, justly, "We would be glad to get these plants back. They are plants we otherwise would not have had, and we really are getting something for them. They are in the United States and they can produce these commodities."

So far as the British or the Greeks or Chinese are concerned, they would say to themselves, "Well sure, we got the use of those plants. We already wrote those off. It is only reasonable that you should have ammunition plants that are in your country," and I don't think they would regard that as giving up anything.

As regards the third character, I thought

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we concluded on that one that we ought to be vague and merely say, "The discussions are going forward with respect to quid pro quo's on other items," so that you would have two real items which the American public would be impressed with.

H.M.Jr: Let's just for a minute say I took it just as you gave it, and let's say that Ed Foley had to go up to testify on this bill because I am not going, you see, and Ed Foley goes up and says - now, he explains this. They say, "That is wonderful, that is something. Now, Mr. Foley, you are asking for another five billion dollars. Would you mind telling us what you are going to get for that?"

Foley: Yes, and I think that simplifies the problem, because until you get this stuff out of the way --

H.M.Jr: Yes, but --

Foley: And you come to Congress and say we have gotten the stuff --

H.M.Jr: Then what --

Foley: This is a tangible value that we can get. We have gotten a certain portion of their exports, we have gotten their plant investment in this country, we have gotten these tangible assets of ours that we made available to them, we have got them to agree to give them back to us when they get through with them.

H.M.Jr: Now what are you going to get with the five billion?

Foley: Now we are asking for five billion dollars for bullets and ammunition and guns, things

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that can't be returned, things that are used up.

H.M.Jr: What are you going to get for that?

Foley: And we are going to get an agreement that we will work out with the British whereby if Britain is overrun and conquered, what is left of their war machine comes to us, so that we can take up the burden there of carrying on.

H.M.Jr: May I interrupt you?

Foley: Yes.

H.M.Jr: After Britain is conquered, we are going to get their war machine? What do you mean, Mr. Foley?

Foley: Well, we have an agreement with Mr. Churchill and the British Cabinet whereby orders will be given to their captains to bring their ships into American ports if the British are conquered.

H.M.Jr: Have you got anything else?

Foley: That is the French Navy situation and it wasn't done with France. The British had to go in and shoot them up. We don't want to have to send our ships in to shoot the British.

H.M.Jr: What else are you going to get besides the British Navy?

Foley: We are going to get whatever is left of their fighting equipment, whatever we can get out of there, the planes they can fly out, the bombers they can get over to this country,

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what they have in Canada that is being manufactured and gotten ready to take over to Great Britain, all of the remnant of the war machine that is left should come here and in addition to that, their holdings in the western hemisphere, Newfoundland, British Guiana, the islands in the West Indies, Canada is released. If Canada wants to throw in with us, she comes to us. All of their ownings and their holdings in the western hemisphere we fall heir to, and that is the kind of an agreement that we will have to work out; and we are going to make the very best deal we can in consideration of this five billion dollars.

H.M.Jr: Are you --

Bell: I wonder if the Appropriations Committee is going to ask you what kind of a deal you are going to make for this money that you are going to spend for Great Britain? I think you are anticipating something that won't come up.

Foley: Dan, there is a certain amount of Yankee trading that you have got to be able to demonstrate to this committee, that is going to make the appropriation, that you have gone through, and they have gotten rid of their fixed investments in this country. They have liquidated them. They have liquidated their marketable securities and then in addition to that, we have taken what we can get of their plant investments for war purposes, and their exports to this country. We have gone through all that, and we have taken what we can get out of that, and from there in, it is a question of working out the most statesmanlike arrangement that we can work out.

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But I think that Congress is going to be much more disposed to grant appropriations for things that we never expect to get back in order to keep Britain going. Once Congress realizes that we have made a sincere effort to --

White: That is right, to get what is available.

Foley: To take over what is available in this country, and I think until we do that, the Woodrums and the rest of these fellows are going to say, "Well, by golly, we have got enough to do getting ourselves ready without appropriating taxpayers' hard earned money to carry on a war in Great Britain.

Bell: I think all you have to do is carry out a statement the Secretary made before the committees in Congress, that they are going to liquidate their investments in this country.

Foley: When, Dan?

Bell: To meet their contracts.

Foley: When?

Bell: Well, they are in the process of doing it now.

Foley: We don't want to make any more appropriations to carry out this bill until that has been done.

Bell: I don't believe Congress will take that attitude.

Foley: Well, they may.

White: I think we are talking about the same thing,

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Danny. Those investments which the Secretary spoke of, Ed isn't referring to. They are supposed to be sold and paying for their past debt. That is out of the picture. They no longer have them in the discussion. What he had reference to were these plants which they have bought, only, as far as the United States is concerned.

H.M.Jr: One hundred and thirty-four million dollars.

Bell: Yes, one per cent of the - even the property limitation of the bill.

H.M.Jr: One hundred and thirty-four million.

White: It is a small amount, and that is why they won't object; and yet it seems to me - well, the opposition won't have anything good which they can ask you to take. You put them on the defensive instead of being on the defensive. You have taken everything that is reasonable, and even though it is small, at least that is the best under the circumstances. Anything beyond that involves grave difficulties which they themselves would be reluctant to advise, and I don't see why the British would object.

Bell: It seems to me all we have got to do in this picture is to see that you have kept faith with the Congress in your statement before the two committees. We have also got to see that the British --

Foley: More than that.

Bell: That the British do not lay up any surplus funds during the period that we operate under the Lease-Lend Bill, and I take it

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that there will be many articles - even food items, that you can't get under the Lease-Lend Bill that the British will have to pay for from their cash resources. I wouldn't want to see the British come at the end of the year and the war end and them have a half billion dollars in dollar resources built up in this country and have a lease-lend operation of four or five billion. I don't think we want to see that.

H.M.Jr: I don't think you will.

Bell: And I think that is all we have got to prevent.

H.M.Jr: Let's just stop here a minute. Can you (Cochran) read your memorandum, please?

Cochran: I am not sure this helps very much. It summarizes what we have been doing.

H.M.Jr: Well, let me hear it, will you please? Let me decide.

Cochran: And there is one last paragraph that is coming yet.

H.M.Jr: Let's just hear it, and see, because I have certain objects in mind.

(Mr. Cochran read the document which is Attachment A of this transcript.)

Cochran: Now, there are a couple of more paragraphs which are just the same as a memo I drew up last fall when we were thinking of this bill. They are on national defense and statistics. Do you want me to read them?

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H.M.Jr: No, it will come in with the other.

Cochran: Yes.

H.M.Jr: This is all right, I can use this for what I want. This is all right. I can condense it. The other one will be in?

Cochran: Yes, sir.

H.M.Jr: Now let me just - let me just think a minute. What I have got to do at one o'clock with the President is simply say, "Now look, Mr. President - see if we agree on this. as I see it, these are the steps you can immediately on the signing of the bill go to work on, on the transfer, up to a billion three."

Cox: Yes.

H.M.Jr: "And if it is possible on the signing of the bill to announce what you are going to do up to a billion three, of course, I think the psychological effect would be wonderful. I mean, if it was ready. I don't suppose it is physically possible. And then after all, what do you want? How is your mind running, what you want in exchange for the billion three? And then if you have made up your mind whether you are going to have a lump sum or whatever you are going to have, what do you want in exchange for that?" And with this discussion which I have had here, which is helpful, I hope to be able to get what he has in mind, if he has, and I would be very much surprised if he didn't have it clearly in mind.

Then I can come back and we will try to go

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to work. The way I am thinking, if you ask me, as far as listed securities and the direct investments they have got in this country, those are all earmarked to go to the payment of outstanding commitments, and any chicken feed that they can pick up through the RFC sales of plants, they need all of that for the payment for things which they find they won't be able to get through the lend-lease, and there will be plenty of those. There isn't a day - they buy planes and then they suddenly find they want de-icers on those planes.

White: Are you sure of that statement, Mr. Secretary, that there are things which they can't buy under the lend-lease? Because the lawyers have a very different opinion. They claim the way the bill is written you can buy anything you want for them, food and so on. That is as a matter of law, and not as a matter of policy.

H.M.Jr: I am talking not as a matter of policy or law, I am talking of the matter of the human frailty of mind that they have got to go up against. By the time they get the thing through all the agencies and all the criss-crosses and get the stuff out, they are going to say to themselves, "Well, we had better buy this ourselves." I am not arguing with you as to the law.

Bell: I should think the committee might say that to them. "You have got money enough, why don't you buy this directly?"

H.M.Jr: I am sure the President hasn't thought this all through, but I don't see that I can go much further today than we have now until I find out what he has got in mind. When I talked to him originally about the lend-

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lease and came back from lunch, he had it very clearly in mind and gave me enough that we could go ahead and draw a bill and the bill which we originally drew didn't differ very much from the way it finally came out.

Cox: There is only one incidental psychological point on this RFC thing. Suppose when the appropriation is pending that it gets out that the RFC or the Government through the RFC has given dollars in exchange for these plants in addition to what they are going to get under the Lend-Lease Bill?

H.M.Jr: And so what?

Cox: Well, that is just a question of public reaction and what effect it will have on your appropriations.

H.M.Jr: I think you fellows are making a mountain out of a mole hill. I don't - hasn't Jones announced publicly that he was doing this?

Cox: No.

H.M.Jr: He hasn't?

White: And I am not sure that if he did the public would understand it, but sooner or later some of the committeemen would understand it, and it seems to me they can put you on the defensive when I don't see any reason in the world why you should be, because if they need any money later, you can make it up in other ways. The Lend-Lease Bill is broad enough so that you can take care of any of their subsequent requirements without being vulnerable to the slightest criticism --

H.M.Jr: I am not vulnerable. I am not going to

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going to fight over a hundred and thirty-four million dollars. I say it is peanuts.

White: That is why it shouldn't --

H.M.Jr: Harry, let's drop it. I mean, I am not going to - this is Jones' contribution, and he has announced again in the Cabinet, what he is doing, and this is his baby.

Now, let's call a spade a spade. If we take it away from him, he is going to be sore, and he is going to put up a big fight. He is going to say we are doing this to discredit him and all that, and he immediately has something and begins to go to work against the whole thing, and that is what I have got in my mind.

White: I thought the way you outlined it he was going to do it anyway, only he doesn't give them dollars, he just gives them - he just gives them credit as part of the quid pro quo, but everything he has done up to date and everything he contemplates doing will take place anyway.

Foley: That is right, the only thing he doesn't do is give them dollars.

H.M.Jr: Well, I will go over and see what he has and as soon as I come back, I will let you know. I hope he has got it clearer in mind than I have.

March 10, 1941

Secretary Morgenthau

Mr. Cochran

The following paragraphs set forth the functions performed by the Treasury Department in the field of liaison between the American and British Governments:

FINANCE

Under an arrangement suggested by the Treasury Department shortly after the war broke out in 1939 the Chancellor of the Exchequer had the Bank of England open a special account with the Federal Reserve Bank of New York to be utilized exclusively for our purchases in the United States. It was agreed that the Secretary of the Treasury should have personal and confidential access to those accounts. Since the setting up of this arrangement the Federal Reserve Bank has provided the Secretary weekly with full transcripts of the operations carried on under this special account. The Secretary thus knows the exact total and movement of funds in the account, including the identity of payees. The Federal Reserve Bank of New York charges no commission for carrying this account. As Fiscal Agent of the Treasury, the Federal Reserve Bank of New York also provides the Treasury weekly with a statement showing all disbursements, both through the British Purchasing Commission and otherwise, made from the accounts of the British Government and Bank of England with the Federal Reserve Bank of New York. This gives in detail the sources of such funds, whether coming from sales of gold or securities or from other credits. This analysis shows total debits and credits and Government expenditures. The Treasury Department has arrangements for receiving reports from Foreign Service Officers throughout the world whenever gold shipments to the United States are made. From the British Treasury officials it obtains in confidence such information as the British have with respect to their own and foreign gold holdings, and particularly data as to the amount and location of gold belonging to the British Government.

In the Summer of 1940 Sir Frederick Phillips, Under Secretary of the British Treasury, with whom the Treasury has had close relations for the past several years, came to the United States for an exchange of views with this Treasury. He returned again in November 1940, and is still in Washington. He has with him two Treasury experts, one of them a specialist on statistics. Through constant liaison with Sir Frederick Phillips and his assistants, including Mr. Pincock, the Financial Secretary of the British Embassy, the Treasury is in a position to be kept currently informed in regard to the British financial position. The British Treasury officials have either cable or telephone London whenever we require any special information. Through this channel the Treasury was able to compile the extensive data submitted to Congress in connection with the Lend-Lease Bill.

Since 1934 the Treasury has availed itself of the services of an American Foreign Service Officer in London to submit special reports upon financial and monetary subjects. Such officer has also been used for liaison functions with the British Treasury in London. Since the coming of Sir Frederick Phillips and his assistants

to the United States, practically all of the balance was lost from operations in Washington.

REMARKS

As a result of suggestions made by the Treasury, working in conjunction with the Committee and Exchange Commission, the Chancellor of the Exchequer sent to the United States in the autumn of 1939 a British security report to suggest the sale in this country of dollar securities to which the British Government was taking title. This representative committee to dispose of officially owned securities, especially providing any operations which might adversely affect our market, collecting such professional advice as may be desired, and keeping the Treasury currently informed of his transactions. Forward such and, the security agent in New York provides the Treasury, through the British Embassy in Washington, fully with one statement showing total sales of securities, indicating the number of shares and the dollar proceeds, and especially an itemized list by name and amount of all securities sold each day. The New York branch of a Canadian bank serves as the depository for the securities held under this system. At the beginning of this arrangement, the British Treasury provided the American Treasury with a detailed list of all American securities registered with the British Government. The agent in New York looks to the price a statement of those securities which are voted from time to time, and has since a month after the beginning of the present year given such statements as to those securities which are completely liquidated.

OTHER INVESTMENTS

At the suggestion of the Treasury the British Government sent to this country at the end of January, Sir Edward Peacock, a director of the Bank of England and head of the banking firm of Baring Brothers to oversee the liquidation of British direct investments in the United States. Assisted by the staff of Mr. Clifford, the agent who is disposing of listed securities, Sir Edward Peacock has now begun his efforts toward evaluating and selling British direct investments. He has conferred already with the Treasury and the S. E. G. and his various propositions are having the study of the Treasury's General Council before being consummated.

CONCLUSIONS

Upon the Treasury's recommendation, the President set up in November 1939 an internal committee to be the consultative liaison body of this Government dealing with the representatives of foreign governments interested in the purchase of war materials in the United States. Representative of the Treasury, War and Navy Departments and within this committee, which reports to the President through one of his Administrative assistants. The three primary purposes of this committee were to study and advise on the availability of the desired articles; to arrange priorities; and to coordinate purchases in such a manner as to reduce price upsets that might result from staggered and competitive purchasing. It has been the Treasury's policy to encourage the British Government to send to this country a qualified purchasing commission to represent that Government in buying war materials. The Secretary himself has close personal contact with the head of this commission.

NATIONAL DEFENSE

As the national defense program of the United States developed, together with the increasing demands of the British Empire for arms, munitions, and materials of war, it became evident that increasing attention must be given to integrating British purchases with those of the United States. To this end the Treasury, through the purchase of the President's National Committee, has worked continuously with the representative on the President's National Committee, has worked continuously with the British Purchasing Commission with the following general objectives: The establishment of a system of preliminary clearance in order to be placed so that they could be considered and acted upon in conjunction with Army and Navy purchases of the same items or from the same suppliers; the institution of a system, through the Military Commission to the Council of National Defense, of investigating alternative sources of supply so as to avoid counterbalancing British orders in large quantities who were already established; the development with representatives of the British Purchasing Commission of long-range programs for various products to assist the Military Commission to the Council of National Defense and the Army and Navy in determining limitations to the demands which would have to be provided through additional plant production facilities which would have to be provided through additional plant expansion; the institution of standardization conferences intended to concentrate United States and British orders on products of identical design so that additional supply created by the British for their orders would be useful to the United States in case of emergency.

REMARKS

Continuous contact is maintained by the Treasury Department with the statisticians of the British Purchasing Commission. Information is obtained periodically from the Commission regarding purchases in the United States by the British Empire agreements. Weekly statements are received covering in dollar volume the items purchased by the British Empire Government through the Commission the items purchased made by these Governments with the knowledge of the Commission but not through the facilities, and supplies made by the Commission or with its knowledge for future purchases. Similar statements are received showing, by itemized contracts, the dollar volume of deliveries made with respect to orders placed by Great Britain through the Commission. The data with respect to contracts for end-deliveries of airplanes and airplane parts are specially detailed and useful in connection with the American defense program. Each week there is a report showing commitments by British Empire Governments for capital expenditures in the United States and for extraordinary charges designed to expedite deliveries from American companies. A weekly statement shows the amount of British payments made to date, the value of orders to date, and the residual amount of balances due, together with the estimated schedule of future payments.



Rough Draft - Not presented to the ²³² Secretary. B

March 10, 1941

To: The Secretary

From: Mr. Young

Re: Foreign Purchasing Operations

The work of the Liaison Committee can be divided into three major categories: (1) Handling all routine requests; (2) Reporting activities; and (3) Participation in defense committee activities.

(1) Handling All Routine Requests.—Since July 1, 1940, the Liaison Committee has handled approximately 3000 requests from about twenty-one countries in addition to the British and Dutch Empires. Of these, over 1000 were British, 700 Dutch, and the balance miscellaneous. Practically all of these countries file requests on a routine form known as Preliminary Negotiation Report, which is circulated through the War Department, the Navy Department, and the Office of Production Management. A constant check is also maintained on these requests with the State Department and with Export Control. The clearance of a PNR basically means an allocation of United States production capacity for a foreign order.

In addition to these requests a new system has been in operation for six weeks for the handling of foreign priorities. Approximately eighty-five priorities cases have already been handled.

(2) Reporting Activities.—The Research and Statistics Division of the Treasury compiles in cooperation with the Liaison Committee detailed reports on all phases of British Purchasing operations as well as on the operations of the Netherlands Purchasing Commission, and Lindstrom, Inc., a Dutch East Indies export firm. In addition to routine periodic reports, special studies are made from time to time. Every effort is being made to compile in one spot a survey of foreign orders for war materials placed in the United States in order that the impact of such orders on our economy may be adequately studied and coordinated with national production planning.

- 2 -

(5) **Participation in Defense Committee Activities.**--In addition to the foregoing the Liaison Committee holds membership on the Advisory Committee of the Administrator of Export Control, on the Export Control Sub-Committee on Legislation, Proclamations, and Regulations, the Joint Army-Navy-British-GPM Aircraft Committee, the Joint Aircraft Sub-Committee on Standardization and Allocation of Deliveries, and the Joint Tank Planning Committee. Participation in these activities was made necessary in order that foreign orders might be coordinated with the defense program.

It should be noted that the office of the Treasury member of the Liaison Committee, which now has a staff of twelve, is the administrative office and the focusing point for foreign purchasing operations. The War, Navy, and Export Control members of the Committee serve as contacts in the respective agencies for carrying on the work of the Committee. Further, as the PER clearance procedure noted under (1) above was originally instituted at the request of Mr. Knudsen, a very close relationship has been worked out and maintained between the activities of GPM and the Liaison Committee.

H.M.J.

Because of the general
financial picture can you
carry up

- (a) R.F.C. taking over of
British payments made
for plants
- (b) War Dept. taking over
of material payments
made by the British.

I Jor

at lunch March 10th 1941.

March 10, 1941
2:16 p.m.

H.M.Jr: Hello.

Operator: Chairman Eccles.

H.M.Jr: Hello, Marriner.

Marriner
Eccles: Oh, Henry

H.M.Jr: I apologize but I was just all tied up in a knot this morning.

E: Well, it isn't anything very special. I suppose you saw it in the paper, but we got that Chicago thing fixed up.

H.M.Jr: No, I did not see it in the paper.

E: Well, I called you Saturday

H.M.Jr: I know you did.

E: and I just thought you'd like to know what the result was. After I last talked to you we had another session over here with Cummings - somewhat of a knock-down and drag-out - and the result of it was, however, we told him where to head in in no uncertain terms and he went back and they finally elected Young, who has been in the bank for nearly twenty years.

H.M.Jr: I missed that.

E: Hello.

H.M.Jr: Hello.

E: I say they went back and elected Young, who has been in the bank for about twenty years, as President and Preston, they retained him as first vice president.

H.M.Jr: I see.

E: They didn't go outside at all, and they have two men who are experienced and competent and I feel that can carry on.

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H.M.Jr: Yeah.

E: And they wouldn't go outside to any other District; they stayed within the bank.

H.M.Jr: Well, I congratulate you.

E: Now, I think it really was the thing to do rather than to go outside and bring somebody in who is entirely unexperienced at this time.

H.M.Jr: It sounds like a very happy solution.

E: There is one other thing that I want to mention. I notice by the paper that you're in favor of, if they report you correctly, of getting more revenue from taxation and less from borrowing; that as much as two-thirds of our expenditures, if possible, from taxation looking to '42 and more like a third from borrowing.

H.M.Jr: Well, two-thirds from revenue. Yes, that's correct.

E: Well, I was just going to say that I'm so thoroughly in accord with it that I was delighted to read that and I'd like to be able to do anything I can to - in connection with revenue - to support that kind of a policy with all of the economic reasons that I can help to devise.

H.M.Jr: Well, I can't tell you how pleased I am and I'll get in touch with you Thursday or Friday.

E: Well, that's fine, because if I can help in connection with the Hill and legislation or anything, I'll be glad to go right to the bat, because I think it's terribly important from an inflationary standpoint. Taxation I have always felt is the one way, if there is a way, to deal with it.

H.M.Jr: Well, nothing would please me more than to have you - to work with you.

E: Well, I just wanted to let you know the way I felt about it.

H.M.Jr: I'll be getting in touch with you.

E: Fine.

March 10, 1941
2:45 p.m.

RE AID TO BRITAIN

Present: Mr. Kuhn
Mr. Bell
Mr. Cox
Mr. Gaston
Mr. Cochran
Mr. White
Mr. Foley
Mrs. Klotz

H.M.Jr: Well, this is all extra confidential. I had a very satisfactory talk to the President of the United States and I wanted to introduce my remarks by saying that the criticism that I had of either Bell or Foley for not being prepared after talking with the President, I would say, was unjustified, because neither is he. (Laughter)

Foley: Well, that is not so simple.

H.M.Jr: I told you if I was not justified, I would tell you so. Again, I can't overemphasize the necessity for secrecy. Harold Smith came out as I went in, and when I saw the look on his face, I just burst out laughing. I said, "You had better go and get yourself a drink of whiskey." He looked as though he had been through three keyholes. He says, "You go on in and get yours."

When I came in I was still laughing, and the President says, "What is so funny?" And I

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said, "The face on the Director of your Budget." So he says, "I will let you enjoy your lunch and give you the figure afterward."

What they have got in mind is seven billion dollars for the Lend-Lease, most likely all contractual money. Is that what you call it?

Foley: Yes, not dividing it up.

H.M.Jr: Divided up into about seven items. He is having me over tomorrow when he sees the Finance people from the Hill.

Bell: Appropriations people?

H.M.Jr: Yes, and I will try and take you with me, if I can.

Gaston: Is that supposed to be a year?

H.M.Jr: July 1, '42.

Bell: Available until that time?

H.M.Jr: Well, he was very much surprised that the leaders he saw this morning took it so well, so I told him maybe we plowed the ground when we went up with the debt limit and showed fifty-eight and seven made sixty-five and everybody guessed it was for the Lend-Lease.

Bell: They will know now that we knew what it was.

H.M.Jr: Sure, just the way I said the day after election we needed sixty-five for the debt limit. (Laughter) We have been lucky. So we always had this in mind.

Bell: Yes, you dreamed it.

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H.M.Jr:

On the billion three hundred million, he evidently has made out his list, when he said he would show me Wednesday. He is thinking - for instance, he talked in terms of four cutters. We will say they are worth two million new and worth a million now. And within five years after the war is over, England should return us a million dollars worth - well, four cutters, four million dollars worth of ships to be specified at the time in United States value. If they can build them for less, all right, but in United States value. He isn't interested in the Islands, he is not interested in their fleet. All of this is terribly confidential. He is not going to make any deal on the seven billion at this time. He hasn't thought it through. Amongst ourselves, he just hasn't thought it through.

So the only thing I am going to do is, I am going to order the stuff, see, and then we have got to get it and talk about what we are going to do with it afterward, but he has nothing in mind. I am giving you the only example he gave me on the cutters, you see.

He said, "Henry, you and I know as much as anybody what a cutter is worth. Maybe a two million dollar cutter is worth a million. Well, we say within five years after the war is over we want a million dollars of some kind of ship back."

As to the paper work and contract work and all that, he expects it to be done in the Treasury. I mean, as to the forms. I didn't get it because I - I pressed him pretty hard. I don't think he really had thought through who was going to place the value and who was going to do the swapping, you see. I am sure he hasn't, because I really pressed him awfully hard. I

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know he is not thinking of these other things. I had an ample chance to tell him what we are doing on the finances. I told him about the "Harry White Plan" for the hundred and thirty-four million - no, I just mentioned a hundred and thirty-four million over there, that as far as I knew we hadn't gotten anything yet and the Army and Navy five. And without my asking he said, "I will give you something," which is priceless. He wrote down, "H.M.Jr: Because of the general financial picture, can you hurry up, A, RFC taking over British payments made for plants, plants on the line; B, War Department taking over material on the line, payments made by the British. FDR."

That is for me to show Jones and Stimson. I got over to him that my understanding with the British was that their direct investments and the sales from their securities was to be used for existing contracts, that any money they got from the RFC and the War Department could be used for British standard. He said, "That is right, that is good."

I got over the story about the Belgian gold and the mental earmarking and got all that over. He listened very closely, and I had plenty of time. He didn't hurry me. I said, "Now, my position is, I am going to keep pressing the English to sell their securities and investments to pay for their contracts." I told him I thought they had enough money to last until April 1. He said he had always thought May 1, that was the figure he carried in his mind.

He is going to give me a cruiser to go down to South Africa. So I don't - right now, I don't see that there is much that we can do. The appropriation bill, the drafting of it, is being handled by Harold Smith. You lawyers

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ought to be concentrating on some kind of forms so that, for instance, if we lend-lease them four cutters, what kind of papers you are going to have. I think you ought to concentrate on contracts.

Foley: Oscar has got an outline here that Harry Hopkins asked for that might be helpful for you to read. You could read it aloud, maybe, to the rest of the people.

H.M.Jr: How long is it?

Cox: It is very short. It shows the minimum legal requirements.

H.M.Jr: Is it more than a page?

Cox: Yes.

H.M.Jr: Well, I have got O'Neal outside. How long will it take you to read it?

Cox: Oh, I can tell you very briefly.

H.M.Jr: Tell it to me, and we will need a copy for the files.

Cox: On the minimum legal requirements, one is the President has to authorize either the Secretary of War, Navy or Treasury or whatever department is concerned to dispose of it. Secondly, he has to have evaluation. Thirdly, you have to have an agreement from the British Government that they won't transfer this stuff to any other country without the consent of the President, and fourthly, you need a record for a reporting element to Congress. Fifthly,

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an agreement to show what the financial terms are if it is anything other than a disposition or a memorandum to agree later.

What we have tried to do is to put in one document most of the steps so that the thing will initiate from the Secretary of War and Navy saying that so and so equipment, giving it in detail, is available. The Chief of Staff --

H.M.Jr: Talk a little louder. O'Neal is outside, of the Farm Bureau Federation. (Laughter)

Cox: The Chief of Staff and the Chief of Naval Operations have been consulted, and they recommend the transfer. Then the Secretary of War, Navy or Treasury signs. The Chief of Staff indicates that he has been consulted. Then the President approves. So that that one document will take all that part except the financial agreement. Then you ought to have a note from the British Ambassador, including these two other things, that property won't be transferred without the consent of the President and if it is necessary to protect American patent holders, the British Government will do so if requested by the President or his designee to do so.

H.M.Jr: When did you get the request for this?

Cox: Yesterday.

H.M.Jr: Can I have a copy of that?

Cox: You can have the original. A formal document is being typed now.

H.M.Jr: Well, Bell, what do you see now after what I have told you people what we can do?

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Bell: That is all.

H.M.Jr: You are giving a copy to Bell?

Cox: Yes.

Bell: I did a little work this morning on a form, Bartelt and I did. I think you have got to work out first whether you are going to have master agreements first and what is going to be the evidence attached to that master agreement. I was trying to work up something to be signed by an Army officer and, say, a British officer when this material comes off the line and it goes over to the British. There ought to be some document signed right then, it seems to me, as an invoice or something. Then that ought to come some place as a formal part of this agreement.

H.M.Jr: I got the President's approval, and I am telling Halifax tonight that by the end of the week if Sir Edward Peacock doesn't show results, I will ask for his recall. The President approved heartily. I have arranged to see Halifax either going or coming.

Bell: On this seven billion dollars, you said it was all contractual authorization. Isn't there going to be a large sum of it in the form of an appropriation and the balance contractual?

H.M.Jr: I meant all appropriation.

Bell: Oh, you meant all appropriation?

H.M.Jr: All appropriation.

Bell: No contractual authorization?

H.M.Jr: All appropriations, and then he is going to see Sullivan and me Thursday on the tax bill.

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Did you (Young) take care of Meigs?

Young: Yes. He is going to send over his report, his new aircraft report tonight or tomorrow. He wanted to bring it himself. I suggested he send it over and let us look at it first and then you could talk to him about it, either ask him questions about it or whatever you decide to do with it, after we have a chance to go over it.

H.M.Jr: That is all right.

Gaston: That will be the four cutters of the Modoc type?

H.M.Jr: I imagine so. He evidently had read the thing and had those in mind, Herbert.

Gaston: Yes.

White: Do you think it would be helpful to have a memorandum for yourself in which all the possible reasonable quid pro quos that you have been talking about are listed with the various discussions of pros and cons of each one, because some of them that you have been talking about have disadvantages which are not patent on the surface. If he is going to make up his mind within the next couple of days what to ask for for this billion three, it would be helpful. If he is not, it doesn't matter.

H.M.Jr: Can't do any harm by listening. From the way he talked this morning, he is, but it doesn't do any harm to listen. All right, gents.

White: Did you want anyone from the Treasury to go to the SEC? They have got a meeting right now. I didn't know whether you wanted anybody to participate in it or not. They are asking for somebody right away. They have got the

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leaders of the two associations there and they have called up twice.

H.M.Jr: What do you people think?

Cochran: I would let them go ahead, I think, on it.

White: I think he feels a little sore.

Cochran: He telephoned at noon. Jerry and Purcell tell me that he had talked with the other Commissioners and they preferred that nothing be given out at the press conference.

H.M.Jr: I got that, but what about having somebody at 10:00?

White: He called me up this morning. I referred him to Cochran. Then he called up again saying they wanted somebody. I said I wasn't certain - at least I felt that I thought they ought to carry the ball on that. He said, "Well, the least you can do is send somebody."

H.M.Jr: I think we should have somebody over there. You had better go, Harry.

White: I thought of Cairns.

H.M.Jr: All right, Cairns.

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3/12'41
9:55 a.m.

Miss Chauncey:

Mr. Cox says that there is an enclosure for "(3)", but he will have to get it (he doesn't now have and hasn't yet had) and when he receives it he, Cox, will send to you.

As I told you yesterday, this was written again in the afternoon of the 10th. They are making another run of the second draft and will send the original copy of the rewrite to you. The first original of the Second Draft was given to Harry Hopkins by Mr. Cox.

F. M. Stare
FMS

first draft

Minimum Legal Steps Required To Be Taken
In Disposing of Defense Articles
Under H.R. 1776

The following minimum legal steps are required to be taken under H.R. 1776:

- 1) An authorization by the President to the Secretary of War, the Secretary of the Navy, etc., to dispose of the defense articles;
- 2) A valuation of the defense articles transferred to Britain, etc.
- 3) A short overall representation by the British Ambassador, etc., that he agrees on behalf of his government that every contract or agreement made for the disposition of defense articles or defense information shall be deemed to include a clause that His Majesty's Government undertakes that it will not, without the consent of the President or someone designated by

- 2 -

him for that purpose, transfer title to or possession of such defense articles or information or permit its use by anyone not an officer, employee or agent of the British Government. The note from His Majesty's Ambassador should also contain a representation that, where, as a result of the transfer to his Government of defense articles or defense information, it is necessary to protect fully the patent rights of American citizens, it will do so when so requested by the President or his designee.

- 4) For record purposes, it should be indicated that the Chief of Staff or the Chief of Naval Operations, or both, have been consulted in connection with the disposition of defense articles obtained out of appropriations made before H.R. 1776 is passed.

- 3 -

- 5) For record purposes, and in order to make the necessary reports to the Congress and the Administrator of Export Control, a record should be kept of the defense articles and defense information disposed of under the Bill, showing the quantities, character, value, terms of disposition, and destination of the articles and information exported.
- 6) If the defense articles or defense information are to be disposed of by gift, no separate agreement is required to embody the financial terms. If it is desired to cover the financial terms, an agreement doing so will be necessary.

(1), (2), (4), and (5).

As a practical matter, it may be desired to have the proposal to dispose of the defense articles come originally from the Secretary of War, the Secretary of the Navy, or the

- 4 -

head of the department or agency concerned.

Thus, for example, if it is desired to provide Britain with ten mosquito boats, the Secretary of the Navy might prepare a memorandum listing such boats, giving their value, and stating that, in his opinion and in the opinion of the Chief of Naval Operations, their disposition to Britain would be in the interests of our defense.

The President could then indicate his approval on such a memorandum.

A memorandum of this type would, therefore, cover in one motion the steps (1), (2), (4), and (5).

In the interests of reducing the number of steps required, there is annexed hereto a form of such a memorandum which may be used.

(3)

Annexed is a form of note which the British Ambassador can send to the Secretary of State.

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(6)

Any such agreement will, of course, be dependent on what kind of consideration, if any, the United States Government wishes to obtain. Once this major policy decision is made, the agreement can be drafted fairly quickly. Its negotiation with and signature by the British may, of course, require some time, depending on the kind of property that is intended to be conveyed.

If speed is desired, it is possible to enter into a memorandum to agree, leaving the detailed terms to further negotiation.

NAVY DEPARTMENTDisposition Under the Act of March 12, 1941,
of Defense Articles and Defense Information
Procured from Appropriations Made Prior to
That Act.

- - - - -

(1) The defense of Great Britain is vital to the defense of the United States.

(2) The effect of the recommended transfer, annexed hereto, upon the resources of the United States Navy has been investigated in the light of our national defense.

(3) The Chief of Naval Operations has been consulted in connection with the recommended transfer.

(4) The defense articles and defense information set forth in the annexed schedule have been valued in accordance with the provisions of the Act of March 12, 1941.

(5) It will be in the interests of our national defense to transfer such defense articles and defense information, and it is so recommended.

Secretary of the Navy.

Chief of Naval Operations.

Approved:

The President of the United States.

NAVY DEPARTMENT

Defense Articles and Defense Information
Recommended for Transfer Under the Act of
March 12, 1901.

Type of Defense Articles	Quantity	Value	Terms of Disposition	Destination

Type of Defense Information	Quantity	Value	Terms of Disposition	Destination

MAR 10 1941

*Second
final draft*

*first draft is
out to 2105 pm
meeting in 3/10*

Minimum Legal Steps Required To Be Taken
In Disposing of Defense Articles
Under H.R. 1776

The following minimum legal steps are required to be taken under H.R. 1776:

- 1) An authorization by the President to the Secretary of War, the Secretary of the Navy etc., to dispose of the defense articles;
- 2) A valuation of the defense articles transferred to Britain, etc.
- 3) A short overall representation by the British Ambassador, etc., that he agrees on behalf of his government that every contract or agreement made for the disposition of defense articles or defense information shall be deemed to include a clause that His Majesty's Government undertakes that it will not, without the consent of the President or someone designated by

- 2 -

him for that purpose, transfer title to or possession of such defense articles or information or permit its use by anyone not an officer, employee or agent of the British Government. The note from His Majesty's Ambassador should also contain a representation that, where, as a result of the transfer to his Government of defense articles or defense information, it is necessary to protect fully the patent rights of American citizens, it will do so when so requested by the President or his designee.

- 4) For record purposes, it should be indicated that the Chief of Staff or the Chief of Naval Operations, or both, have been consulted in connection with the disposition of defense articles obtained out of appropriations made before H.R. 1776 is passed.

- 3 -

- 5) For record purposes, and in order to make the necessary reports to the Congress and the Administrator of Export Control, a record should be kept of the defense articles and defense information disposed of under the Bill, showing the quantities, character, value, terms of disposition, and destination of the articles and information exported.
- 6) If the defense articles or defense information are to be disposed of by gift, no separate agreement is required to embody the financial terms. If it is desired to cover the financial terms, an agreement doing so will be necessary.

(1), (2), (4), and (5).

As a practical matter, it may be desired to have the proposal to dispose of the defense articles come originally from the Secretary of War, the Secretary of the Navy, or the

- 4 -

head of the department or agency concerned.

Thus, for example, if it is desired to provide Britain with ten mosquito boats, the Secretary of the Navy might prepare a memorandum listing such boats, giving their value, and stating that, in his opinion and in the opinion of the Chief of Naval Operations, their disposition to Britain would be in the interests of our defense.

The President could then indicate his approval on such a memorandum.

A memorandum of this type would, therefore, cover in one motion the steps (1), (2), (4), and (5).

In the interests of reducing the number of steps required, there is annexed hereto a form of such a memorandum which may be used.

(3)

The note which the British Ambassador sends to the Secretary of State should conform to the two sections 4 and 7 of the Act of March 12, 1941.

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(6)

The Financial Terms

Any agreement on the financial terms will, of course, be dependent on what kind of consideration, if any, the United States Government wishes to obtain. Once this major policy decision is made, the agreement can be drafted fairly quickly. Its negotiation with and signature by the British may, of course, require some time, depending on the kind of property that is intended to be conveyed.

If speed is desired, it is possible to enter into a memorandum to agree, leaving the detailed terms to further negotiation.

OSC:aja:djb
3/10/41

MAR 10 1941

NAVY DEPARTMENT

Disposition Under the Act of March 12, 1941,
of Defense Articles and Defense Information
Received from Appropriations Made Prior to
That Act.

- - - - -

(1) The defense of Great Britain is vital to the defense of the United States.

(2) The effect of the recommended transfer, annexed hereto, upon the resources of the United States Navy has been investigated in the light of our national defense.

(3) The Chief of Naval Operations has been consulted in connection with the recommended transfer.

(4) The defense articles and defense information set forth in the annexed schedule have been valued in accordance with the provisions of the Act of March 12, 1941.

(5) It will be in the interests of our national defense to transfer such defense articles and defense information, and it is so recommended.

Secretary of the Navy.

Chief of Naval Operations.

Approved:

The President of the United States.

NAVY DEPARTMENT

Defense Articles and Defense Information
Recommended for Transfer Under the Act of
March 12, 1941.

Type of Defense Articles	Quantity	Value	Terms of Disposition	Destination

Type of Defense Information	Quantity	Value	Terms of Disposition	Destination

March 10, 1941
3:35 p.m.

H.M.Jr: Hello.

Claude
Wickard: Are you going to come over and eat lunch with me Thursday?

H.M.Jr: Oh, Thursday is a lifetime off.

W: Is what?

H.M.Jr: That's too far off.

W: It is. Well, you said something about we were going to lunch this week and I'm just

H.M.Jr: Are you busy Wednesday?

W: Yes, I am.

H.M.Jr: All right, Thursday.

W: Thursday.

H.M.Jr: Now, here's the only trouble, Claude, what am I going to tell your friend Bankhead between now and Thursday.

W: Do you have to tell him between now and then?

H.M.Jr: Well, not unless he calls me up.

W: Here's what - I talked to the Boss about his proposition; that is, you know, very generally and the Boss has agreed to see Bankhead and Fulmer. - Fulmer is chairman of the House Committee on Agriculture - the last of this week. Now, I don't know what the Boss is going to say but in some ways, what the Boss said the other day to me, looks like that he might go along in general with Bankhead, but he's not going to, I know, approve the high loans - loans as high, at least, as Bankhead is talking about.

H.M.Jr: Well, I can sit tight here until something happens. Your friend, Ed O'Neal, just left here.

W: He did?

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H.M.Jr: Yeah.

W: Did he sell you a bill of goods?

H.M.Jr: Well, he was on the director - farm director for the Federal Reserve.

W: Oh.

H.M.Jr: That's what he came for.

W: He has a candidate?

H.M.Jr: Three.

W: He has three.

H.M.Jr: Yeah. Want to know who they are?

W: Yeah.

H.M.Jr: Well, one is Bill Myers, Earl Smith, and R.E. Short.

W: Oh, none of them are our kind of people, are they, unless it would be Short.

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

W: What about Myers?

H.M.Jr: Well, he used to be all right; I don't know where he was in the last election.

W: Well, he wasn't on our side.

H.M.Jr: I see. Well, I'm only for fellows who voted for Roosevelt three times.

W: Yeah, that's good. Now you and I are getting some place.

H.M.Jr: What do you mean you and I? Good God! where do you think I've been the last 24 years?

W: Well, (laughs), there are a lot of other people who don't remember that far back.

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H.M.Jr: Well, don't forget I rode with him on the day before election five times - twice for governor and three times for President.

W: Well, all right.

H.M.Jr: In an open car where everybody could see me.

W: Well, listen, I belong to the B.C. Club too - before Chicago.

H.M.Jr: Yeah, five times I've campaigned for him.

W: Well, now listen, let's sew that thing up like you said now. We're not going to let any of these fellows - and I doubt whether any of these fellows mentioned or not, unless it would be Short - could qualify.

H.M.Jr: Well, you get busy. My candidate is Campbell, of Montana.

W: The hell you did.

H.M.Jr: (Laughs). That's my fellow, Campbell of Montana.

W: Well, I'll shoot you.

H.M.Jr: Say, you've got to get up early. I think he's a swell guy.

W: You do?

H.M.Jr: Sure, American agriculture representative at the Court of St. James.

W: (Laughs).

H.M.Jr: Heh, heh, heh.

W: All right. Well, I'll talk to you about that Thursday. When is that thing going to be decided?

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

W: Who else - who have you got in mind - anybody?

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H.M.Jr: Nobody. We stick strictly to Treasury matters.

W: Yeah. (Laughs). Oh, yes, I notice you've been doing that.

H.M.Jr: Yeah.

W: (Laughs).

H.M.Jr: All right, Claude.

W: Last week you did an awful good job.

H.M.Jr: All right, Claude.

W: Thanks, and I'll see you Thursday. You come over here Thursday.

H.M.Jr: I will.

W: All right.

H.M.Jr: Good-bye.

W: Say, one other thing. You notice the President made a point or two about getting appropriation language fixed up along the lines that he talked about in Cabinet.

H.M.Jr: Yeah.

W: I wonder if it wouldn't be a good idea for one or two of our men to come over and see your man Cox to see about that appropriation language.

H.M.Jr: You'd better go see the Director of the Budget. He's got it.

W: Better go see him?

H.M.Jr: Yeah.

W: Well, I didn't know. Is he working on the language now?

H.M.Jr: Yeah, he's got it.

W: Well, all right. I'll call up Harold.

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H.M.Jr: Yeah, you call up Harold.

W: Who's doing the work on it. Do you know?

H.M.Jr: It's all in his shop.

W: I didn't know who he had assigned to it is the only thing. I'll call him up. Thanks.

H.M.Jr: Right. Thank you.

March 10, 1941

Mr. D. W. Bell

Secretary Morgenthau

Please keep after me to give Senator Bankhead
an answer. I think you and I ought to talk with the
Secretary of Agriculture and find out where he stands.

3/11/41

Lunch tomorrow with
Secy. Hickard -

*Finished
business*

March 10, 1941

This evening on my way to the Australian Legation, I stopped in to see Lord Halifax. He asked me to come up for a minute, and I told him that after discussing the matter with the President at lunch I felt that if Sir Edward Peacock did not produce some results on the sale of English-owned securities in this country by the end of the week, I wished they would put somebody else in charge.

Halifax's eyebrows went up, indicating amazement. I then explained to him that the President would be sending up an appropriation message within a day or so, and we then would have to testify. I said, "I don't know whether you have read my testimony, but one of the questions they are going to ask me is, 'What about the direct investments?' and I will have to say that you haven't done a thing."

I told Halifax that this isn't like a bolt coming out of a clear sky because Cochran had told Pinsent and Phillips how upset I was about a week ago, and I was sure they repeated the conversation to Halifax. He gave me no indication as to whether they did or didn't tell him, so I repeated to him, "They must have told you how I felt." Then I said, "As a matter of fact, Purvis and Phillips are so upset about this thing that they went up to New York the other day to see whether they could not push Peacock to do something."

Lord Halifax was quite upset and I said, "After all, I think you know by now that I am a friend of England's, and this request that I am making is to save me the embarrassment of having to disclose that you have done nothing." I said, "You appear before Parliament every day and we only go up to testify occasionally, but then they concentrate all their fire on us at that time."

Then Halifax made a remark which always shocks me when I hear it. He said, "Well, you know Sir Edward Peacock has very powerful friends in England and he is very close to the Governor of the Bank of England and has strong underlying political backing." In other words, they are afraid of him. He said, "Oh, if we withdraw him, the reaction back home would be very bad."

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Well, all I can say is, "How about the reaction in this country?" But the point that gets me is that they always think in terms of political affiliations and not in terms of winning the war. Halifax tried his best to get me to back down, but I gritted my teeth and I did not give an inch. Then he told me that he was going to have Purvis, and I think he said either Phillips or Pinsent, at the Embassy at 10:30 tonight, and he asked me whether I wanted him to discuss this with them. I said, "I most certainly do." He said, "Well, I understand that Peacock has tried every way possible to sell these things," and I said, "Now look. He could consummate a sale and leave the ultimate price to some kind of arbitration, and by doing this, it would show that England intends to go through with this thing."

Driving over to the Legation in the car, Halifax said that he appreciated my frankness. I told him that I hoped I hadn't been too frank but I didn't know any other way of presenting the matter. After dinner when we got up to leave he asked me what time I left in the morning as he would like to see me. I told him I was afraid that I left too early because I usually leave the house around 8:30. Then he wanted to know what time I got home in the evening, and I told him around 5:30 or 6:00. Well, he said that he would phone me during the day if he had anything and would try to arrange to see me. I said, "Fine."

H MORGENTHAU JR. PERSONAL

MARCH 10, 1941

(RADIO CORPORATION OF AMERICA)

W AVERILL HARRIMAN PASSENGER

PANAIRCO

LISBON PORTUGAL

WISH YOU GOOD LUCK AND SUCCESS YOUR MISSION REARDS

HENRY MORGENTHAU JR.

Letter to Mr. Phillips 3/10/41 by Mr. [illegible]

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March 10, 1941.

Secretary Morgenthau

Mr. Cochran (abridged by F. L.)

These are the channels through which the Treasury obtains detailed information about the British financial position:

FINANCES

(1) Ever since the Fall of 1939 the Secretary has had confidential access to the accounts of the Bank of England's special fund in the Federal Reserve Bank of New York for the purchase of war materials here. The Federal Reserve Bank reports to him weekly as to the exact total and movement of funds in this account, including the identity of payees.

(2) The Federal Reserve Bank supplies the Treasury weekly with a statement showing all disbursements, through the British Purchasing Commission and otherwise, made from the accounts of the British Government and the Bank of England with the Federal Reserve Bank of New York. This gives in detail the sources of such funds, whether coming from sales of gold or securities or from other credits.

(3) Foreign Service Officers report to the Treasury whenever gold shipments to the United States are made.

(4) Constant liaison with Sir Frederick Phillips and his assistants in Washington has enabled the Treasury to obtain such information as the British have regarding (a) their own and foreign gold holdings, (b) the amount and location of gold belonging to the British Government, and (c) any special information we may require.

SECURITIES

The Treasury is kept informed daily of the activities of the security expert sent here by the British Government to manage the sale of officially issued securities. At the start of this arrangement, the British provided the American Treasury with a detailed list of all American securities registered with the British Government. This daily report shows, (1) total sales of securities, indicating the number of shares and the dollar proceeds, and (2) an itemized list by name and amount of all securities sold each day.

DIRECT INVESTMENTS

The Treasury and the S. E. C. are in close touch with Sir Edward Peacock, who was sent to this country at the end of January to oversee the liquidation of British direct investments in the United States. His various propositions are studied by the Treasury's General Counsel before being consummated.

COMMITTEES

For the past two months the British Purchasing Commission has sent the Treasury a daily list of the contracts it would like to place. Such such list is counter-claimed by Sir Frederick Phillips to indicate that funds are available. The British are not free to proceed with these contracts until they have the approval of the Secretary of the Treasury in each case.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 10, 1941

TO Secretary Morgenthau
FROM Mr. Cochran

The following paragraphs set forth the functions performed by the Treasury Department in the field of liaison between the American and British Governments:

FINANCES

Under an arrangement suggested by the Treasury Department shortly after the war broke out in 1939 the Chancellor of the Exchequer had the Bank of England open a special account with the Federal Reserve Bank of New York to be utilized exclusively for war purchases in the United States. It was agreed that the Secretary of the Treasury should have personal and confidential access to these accounts. Since the setting up of this arrangement the Federal Reserve Bank has provided the Secretary weekly with full transcripts of the operations carried on under this special account. The Secretary thus knows the exact total and movement of funds in the account, including the identity of payees. The Federal Reserve Bank of New York charges no commission for carrying this account. As Fiscal Agent of the Treasury, the Federal Reserve Bank of New York also provides the Treasury weekly with a statement showing all disbursements, both through the British Purchasing Commission and otherwise, made from the accounts of the British Government and Bank of England with the Federal Reserve Bank of New York. This gives in detail the sources of such funds, whether coming from sales of gold or securities or from other credits. This analysis shows total debits and credits and Government expenditures. The Treasury Department has arrangements for receiving reports from Foreign Service Officers throughout the world whenever gold shipments to the United States are made. From the British Treasury officials it obtains in confidence such information as the British have with respect to their own and foreign gold holdings, and particularly data as to the amount and location of gold belonging to the British Government.

In the Summer of 1940 Sir Frederick Phillips, Under Secretary of the British Treasury, with whom the Treasury has had close relations for the past several years, came to the United States for an exchange of views with this Treasury. He returned again in November 1940, and is still in Washington. He has with him two Treasury experts, one of them a specialist on statistics. Through constant liaison with Sir Frederick Phillips and his assistants, including Mr. Piment, the Financial Counselor of the British Embassy, the Treasury is in a position to be kept currently informed in regard to the British financial position. The British Treasury officials here either cable or telephone London whenever we require any special information. Through this channel the Treasury was able to compile the extensive data submitted to Congress in connection with the Lease-Lend Bill.

Since 1934 the Treasury has availed itself of the services of an American Foreign Service Officer in London to submit special reports upon financial and monetary subjects. Such officer has also been used for liaison functions with the British Treasury in London. Since the coming of Sir Frederick Phillips and his assistants

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to the United States, practically all of the liaison work has been performed in Washington.

SECURITIES

As a result of suggestions made by the Treasury, working in conjunction with the Securities and Exchange Commission, the Chancellor of the Exchequer sent to the United States in the Autumn of 1939 a British security expert to manage the sale in this country of dollar securities to which the British Government was taking title. This representative continues to dispose of officially owned securities, carefully avoiding any operations which might adversely affect our market, soliciting such professional advice as may be desired, and keeping the Treasury currently informed of his transactions. Toward such end, the security agent in New York provides the Treasury, through the British Embassy in Washington, daily with one statement showing total sales of securities, indicating the number of shares and the dollar proceeds, and secondly an itemized list by name and amount of all securities sold each day. The New York branch of a Canadian bank serves as the depository for the securities handled under this system. At the beginning of this arrangement, the British Treasury provided the American Treasury with a detailed list of all American securities registered with the British Government. The agent in New York issues to the press a statement of those securities which are vested from time to time, and has once a month since the beginning of the present year given out statements as to those securities which are completely liquidated.

DIRECT INVESTMENTS

At the suggestion of the Treasury the British Government sent to this country at the end of January, Sir Edward Peacock, a director of the Bank of England and head of the banking firm of Baring Brothers to oversee the liquidation of British direct investments in the United States. Assisted by the staff of Mr. Gifford, the agent who is disposing of listed securities, Sir Edward Peacock has now begun his efforts toward evaluating and selling British direct investments. He has conferred closely with the Treasury and the S. E. C. and his various propositions are having the study of the Treasury's General Counsel before being consummated.

PURCHASES

Upon the Treasury's recommendation, the President set up in November 1939 an informal committee to be the exclusive liaison body of this Government dealing with the representatives of foreign Governments interested in the purchase of war materials in the United States. Representatives of the Treasury, War and Navy Departments constitute this committee, which reports to the President through one of his Administrative assistants. The three primary purposes of this committee were to study and advise on the availability of the desired articles; to arrange priorities; and to coordinate purchases in such a manner as to reduce price upsets that might result from disorganized and competitive purchasing. It has been the Treasury's policy to encourage the British Government to send to this country a qualified purchasing commission to represent that Government in buying war materials. The Secretary himself has close personal contact with the head of this commission.

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NATIONAL DEFENSE

As the national defense program of the United States developed, together with the increasing demands of the British Empire for arms, ammunition, and materials of war, it became evident that increasing attention must be given to integrating British purchases with those of the United States. To this end the Treasury, through its representative on the President's Liaison Committee, has worked continuously with the British Purchasing Commission with the following general objectives: The establishment of a system of preliminary clearance on orders to be placed so that they could be considered and acted upon in conjunction with Army and Navy purchases of the same items or from the same suppliers; the institution of a system, through the Advisory Commission to the Council of National Defense, of investigating alternative sources of supply so as to avoid concentrating British orders in large suppliers who were already overloaded; the development with representatives of the British Purchasing Commission of long-range programs for various products to assist the Advisory Commission to the Council of National Defense and the Army and Navy in determining production bottlenecks which would have to be remedied through additional plant expansion; the institution of standardization conferences intended to concentrate United States and British orders on products of identical design so that additional capacity created by the British for their orders would be useful to the United States in case of emergency.

STATISTICS

Continuous contact is maintained by the Treasury Department with the statistical staff of the British Purchasing Commission. Information is obtained periodically from the Commission regarding purchases in the United States by the British Empire Governments. Weekly statements are received covering in dollar volume the itemized purchases by the British Empire Governments through the Commission the itemized purchases made by these Governments with the knowledge of the Commission but not through its facilities, and inquiries made by the Commission or with its knowledge for future purchases. Similar statements are received showing, by itemized contracts, the dollar volume of deliveries made with respect to orders placed by Great Britain through the Commission. The data with respect to contracts for and deliveries of airplanes and airplane parts are specially detailed and useful in connection with the American defense program. Each week there is a report showing commitments by British Empire Governments for capital expenditures in the United States and for extraordinary charges designed to expedite deliveries from American companies. A monthly statement shows the amount of British payments made to date, the value of orders to date, and the residual amount of balances due, together with the estimated schedule of future payments.

Treasury Department
Division of Monetary Research

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Date April 3, 1941 19

Secretary Morgenthau

Applying a new formula for estimating silver production in the United States (devised by Mr. Gunter of this Division) our estimate is that the production of silver in the United States in 1941 will be 74 million ounces (U.S. produced about 72 million ounces in 1940) provided no drastic changes occur in the international situation.

Under circumstances of an expanding business activity, such economic justification as may have existed for the purchase of domestic silver has disappeared. Even the political consideration, which in the past has been decisive, has, I believe, greatly diminished in importance.

I am wondering whether the time is not appropriate to initiate a move to alter existing legislation to return to the discretionary price for domestic silver (by Presidential Proclamation) so that the price paid for domestic silver can be reduced. The financial and business community would be pleased and the public would interpret it as additional protection against inflation.

MR. WHITE
Branch 2058 - 210

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE March 10, 1941

TO Mr. White

FROM John W. Gunter

Subject: A new equation for estimating silver production in the United States.

In order to facilitate the prediction of silver production in the United States, an estimating equation was developed on the basis of the data for the period from 1924 through 1940. The fundamental problem in formulating a reliable equation for estimating silver production is to determine what factors are most closely associated with silver production. It is also necessary that the magnitude of these factors be predictable with considerable accuracy so that a reliable forecast can be made.

There is no great difficulty in selecting the factors closely associated with the production of silver. Quite obviously, the output of silver is likely to vary with the price of silver, the production of copper, lead, and zinc, and industrial production. Calculation of the coefficients of correlation for each of these variables supports the expectation of their close association with silver production. Over the whole period from 1924 to 1940, the coefficient of correlation of the price of silver and silver production is .81, of copper production and silver production, .85, and of lead production and silver production, .60. A comprehensive variable, industrial production, was considered because such a variable is easier to predict than a simple variable, such as copper production. Here a coefficient of .86 was obtained. Apparently the price of silver, copper production and industrial production are worthy of further consideration for our purposes.

For convenience, the following symbols were assigned the various variables:

X_1	= silver production in million ounces
X_2	= price of silver (Mint price)
X_3	= copper production (Federal Reserve index)
X_4	= lead production (Federal Reserve index)
X_5	= industrial production (Federal Reserve index)

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Division of Monetary
Research

Simple correlations of these factors with silver production are as follows:

r_{12}	=	.81
r_{13}	=	.85
r_{14}	=	.60
r_{15}	=	.86

The next step in the formulation of an estimating equation is to determine how these variables act jointly, as shown by multiple correlations. Multiple correlations involving X_1 , X_2 , X_3 , and X_1 , X_2 , X_5 were calculated. The results are as follows:

$R_{1.23}$	=	.97
$R_{1.25}$	=	.91

The estimating equations are:

- I. $X_1 = -2.043 + .5273X_2 + .2425X_3$
 II. $X_1 = -21.985 + .4185X_2 + .5639X_5$

The probable range of error as shown by the standard errors of estimate are:

S_I	=	± 3.65
S_{II}	=	± 6.52

Superior results with copper production and the price of silver indicate that Equation I is preferable for our purposes, in spite of the fact that greater difficulty must be experienced in forecasting copper production than in forecasting industrial production.

Another aspect of the problem was considered without satisfactory results. An examination of the data reveals that there is apparently some tendency for silver production to become more inelastic at higher

prices. Attempts to allow for this tendency were made by substituting roots, logarithms, and exponents for the arithmetic price of silver in these equations. The question will require additional consideration in a future study of the effect of changes in the price of silver on production.

A significant improvement in our results was obtained by lagging the effect of silver prices on silver production. On theoretical grounds a distributed lag seemed reasonable. It is normal to expect that a period of gestation will elapse before a rise in the price of silver exerts its full effect on production. And similarly, a fall in the price of silver will not have its full effect immediately as considerable disinvestment could take place only slowly. An examination of previous results suggested a three-year distributed lag. A change in price was allowed to have 50 percent of its effect the first year, 75 percent by the second year and 100 percent by the third. The results were quite satisfactory as the new multiple coefficient was .994. Calling the new variable X_6 , the estimating equation is

$$\text{III. } X_1 = -7.623 + .1781X_3 + .7308X_6$$

The estimates based on this equation, compared with actual silver production, are given in Table I. It will be noted that the maximum error is only 3.6 million ounces, an error of 5 percent. The standard error, S_{III} , is 2.07 million ounces. Two standard errors are a sufficient range to include all the errors.

A comparison of these results shows that the estimates based on Equation III are best in 9 cases, intermediate in 6 cases, and worst in 2 cases. Moreover, the total amount by which it was superior in the 9 cases is more than twice the total amount by which the other equations were superior in the other 8 cases.

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Division of Monetary
Research

Table I
Actual Silver Production Compared with Estimates
1924 - 1940
(Millions of ounces)

Year	Silver Production	Estimating : Equation : I 1/	Error	Estimating : Equation : II 2/	Error	Estimating : Equation : III 3/	Error
1924	65.4	64.1	1.3	52.3	13.1	64.0	1.4
1925	66.2	67.1	-0.9	58.2	8.0	66.1	0.1
1926	62.7	64.6	-1.9	58.1	4.6	64.8	-2.1
1927	60.4	59.7	0.7	55.0	5.4	61.4	-1.0
1928	58.5	63.9	-5.4	58.1	0.4	61.5	-3.0
1929	61.3	64.9	-3.6	62.2	-0.9	61.2	0.1
1930	50.7	44.9	5.8	45.2	5.5	47.2	3.5
1931	30.9	33.4	-2.5	32.4	-1.5	34.2	-3.3
1932	24.0	22.0	2.0	22.4	1.6	21.8	2.2
1933	23.0	24.7	-1.7	31.6	-8.6	21.8	1.2
1934	32.7	35.4	-2.7	42.5	-9.8	34.4	-1.7
1935	45.9	51.8	-5.9	58.0	-12.1	48.6	-2.7
1936	63.8	62.9	0.9	68.7	-4.9	63.9	-0.1
1937	71.9	71.8	0.1	74.4	-2.5	72.7	-0.8
1938	62.7	54.1	8.6	54.8	7.9	61.0	1.7
1939	65.1	62.0	3.1	67.4	-2.3	64.2	0.9
1940	71.7	69.8	1.9	75.4	-3.7	68.1	3.6

$$S_I = 3.65$$

$$S_{II} = 6.52$$

$$S_{III} = 2.07$$

1/ Independent variables are silver price and copper production

2/ Independent variables are silver price and industrial production

3/ Independent variables are silver price with distributed lag and copper production.

Source: Minerals Yearbook and Computations.

- 5 -

Division of Monetary
ResearchEstimated silver production for 1941

The experience of 1924 to 1940 indicates that Equation III can be used with considerable assurance in forecasting the production of silver. Our estimate of the production of silver in the United States in 1941 is based on the assumption that the present price of silver will continue and that copper production will reach a new high level. Table II shows the effect that various increases in copper production are likely to have in accordance with Equation III.

Table II

Percent Increase in copper production	: Expected silver production *	: Increase over expected in 1940 (68.1)	:
5	70.1 ± 4.1	2.0	
10	71.3 ± 4.1	3.2	
15	72.6 ± 4.1	4.5	
20	73.8 ± 4.1	5.7	

* Margin of error is 2 standard errors or approximately the 95 percent fiducial limits. Unit is million ounces.

In 1940 silver production was 71.7 million ounces. This is 3.6 million ounces above the output expected in 1940. It would seem from this situation that factors not considered in Equation III were operating in 1940 to cause production to be above what normally would be expected in accordance with Equation III. This statement assumes that this margin of error is not random (due to errors of measurement, etc.) If this assumption is true, it would be possible to make a forecast by adding the movement indicated by Equation III to the actual production in 1940, rather than the expected. The results are shown in the following table:

Table III

Percent increase in copper production	: Expected silver production	:
5	73.7	
10	74.9	
15	76.2	
20	77.4	

- 6 -

Division of Monetary
Research

The first method of forecasting is preferable since the standard error provides a range to take care of either random fluctuation or variation due to real factors not accounted for in Equation III. In view of conditions in 1940, it is likely that production will be above normal in 1941. A reasonable estimate at this time will be 74 million ounces.

March 10, 1941

Mr. George Haas

Secretary Morgenthau

When may I expect from you an analysis of the
Gano Dunn report on steel capacity of this country?

*Thurs.
Fri. -*

*Report submitted
3/14/41 -*

March 10, 1941

Mr. George Haas
Secretary Morgenthau

I would like to write a letter to the President about the way imported commodities have steadily increased, and as far as I know we are not doing anything about it. It seems to me that we certainly ought to do something about these particular imported commodities, such as sugar and cocoa, or any other commodities which come from either Central or South America. I do not see why they should go up if there isn't speculation going on. I can understand that there might be a good reason why commodities coming from India should be going up in price, but certainly not from either Central or South America if there is not speculation in futures. *(See letter to Pres. dated 3/14/41)*

March 10, 1941

My dear General:

I would like to see the President
Thursday morning (March 13th) with John
Sullivan to talk about the Tax Bill. I
will need about half an hour.

Sincerely, , please.

(sgh) Henry

General Edwin M. Watson,
Secretary to The President,
The White House.

By *[Signature]* 5

March 10, 1941

My dear General:

I would like to see the President Thursday morning (March 13th) with John Sullivan to talk about the Tax Bill. I will need about half an hour.

Sincerely, , please.

(ygd) Henry

General Edwin M. Watson,
Secretary to The President,
The White House.

By Message

March 10, 1941

My dear General:

I would like to see the President Thursday morning (March 13th) with John Sullivan to talk about the Tax Bill. I will need about half an hour.

Sincerely, please.

(sgd) Henry

General Edwin M. Watson,
Secretary to The President,
The White House.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 10, 1941

TO Mrs. Klotz
FROM Mr. Morgenthau

I want to send a copy of my letter to the President telling him of the cash-on-the-barrelhead era coming to an end to Secretaries Knox and Stimson. I believe that one went to Secretary Hull via Dean Acheson, but you can check up on that. I would also like to send one to Hopkins. Please prepare letters of transmittal in each case for my signature.

(Copies sent to Secretaries
Knox and Stimson and Harry
Hopkins on 3/10/41)

March 10, 1941

Dear Harry:

For your confidential information,
I am enclosing herewith copy of a letter
which I sent to the President on March 5th.

Yours sincerely,

(Bygone) Henry

Honorable Harry Hopkins,
The White House.

By Messenger 12⁵⁵

March 10, 1941

Dear Harvy:

For your confidential information,
I am enclosing herewith copy of a letter
which I sent to the President on March 8th.

Yours sincerely,

(signed) Henry

Honorable Harvy Hopkins,

The White House.

By ~~Handwritten~~

C O R Y

March 5, 1941

My dear Mr. President:

With the signing of the Lend-Lease Bill the period of cash-on-the-barrelhead will come to an end for the great bulk of foreign government orders in this country. Your appointment of an advisory committee, to assist you in administering the provisions of the bill, means that a vital new phase of our effort has begun. I shall be delighted to serve as a member of this committee.

Complete coordination of all foreign buying will, in my opinion, be even more necessary under the new system than under the old cash sales plan. You may remember that at the first meeting of the newly constituted advisory committee, on March 1, I brought to your attention the problem of Russian purchasing, and you said that you felt this came within the scope of the new committee's work. I think that the same considerations should apply just as much to the Dutch and the Canadians, who will continue to pay cash, as to the British and others who will come under the Lend-Lease procedure. It seems to me that all foreign government purchasing, commercial as well as military, can be handled more efficiently and fitted more smoothly into United States production if this purchasing is coordinated in one place.

Therefore, I should like to suggest that all the complex liaison work on foreign purchases, which has been done in the Treasury for the past two and a quarter years, should be consolidated immediately and completely with the work to be done by Harry Hopkins as Secretary of the new advisory committee. This will relieve me of all direct responsibility with respect to foreign purchases, except for the great and continuing responsibility that now faces all the committee members alike. I have already begun to turn over to Harry Hopkins a part of the foreign purchase work we have been doing, and, complying with the request stated in your letter of February 25, I have offered him the assistance of anyone he needs in the Treasury.

Faithfully,

(signed) H. Morgenthau, Jr.

The President,

The White House.

March 10, 1941

Dear Frank:

For your confidential information,
I am enclosing herewith copy of a letter
which I sent to the President on March 5th.

Yours sincerely,

(Rgt) Henry

Honorable Frank Knox,
Secretary of the Navy.

By Messenger 12⁵⁵

March 10, 1941

Dear Frank:

For your confidential information,
I am enclosing herewith copy of a letter
which I sent to the President on March 5th.

Yours sincerely,

(sgd) Henry

Honorable Frank Knox,
Secretary of the Navy.

By ~~Handwritten~~

March 10, 1941

Dear Henry:

For your confidential information,
I am enclosing herewith copy of a letter
which I sent to the President on March 5th.

Yours sincerely,

(Signed) Henry

Honorable Henry L. Stimson,
Secretary of War.

By ~~XXXXXXXXXX~~ 12

March 10, 1941

Dear Henry:

For your confidential information,
I am enclosing herewith copy of a letter
which I sent to the President on March 5th.

Yours sincerely,

(signed) Henry

Honorable Henry L. Stimson,
Secretary of War.

By ~~Handwritten~~

WAR DEPARTMENT
WASHINGTON

March 10, 1941.

Dear Henry:

I have received the copy of your confidential letter to the President of March 5th. I think you have every reason for feeling gratified that you have been able to carry so well this critically important and heavy burden during the two years that it has been lying on your shoulders. I congratulate you.

Faithfully yours,



Secretary of War.

Hon. Henry Morgenthau, Jr.,
Secretary of the Treasury.

AGREEMENT MODIFYING "INTER-BANK" AGREEMENT

OF 10TH OF MARCH, 1939

THIS AGREEMENT is made the _____ day
of _____ 1941 BETWEEN THE HONGKONG AND
SHANGHAI BANKING CORPORATION a Company incorporated under
and by virtue of Ordinances of the Colony of Hong Kong whose
London Office is situate at 9 Gracechurch Street in the City
of London (hereinafter called "the Hongkong Bank") of the
first part THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA
whose registered office is situate at 38 Bishopsgate in the
City of London (hereinafter called "the Chartered Bank") of
the second part THE BANK OF CHINA a Company incorporated
under the laws of China whose registered office is situate at
Kunming in the Republic of China and whose London Office is
situate at 85 Gracechurch Street aforesaid of the third part
and THE BANK OF COMMUNICATIONS a Company incorporated under
the laws of China whose registered office is situate at
Chungking in the Republic of China of the fourth part and is
supplemental to an Agreement (hereinafter referred to as "the
Principal Agreement") dated the 10th day of March 1939 and
made between the same parties

WHEREAS by an Agreement (hereinafter called "the
New Agreement") dated the _____ day of
1941 and made between the National Government of the Republic
of China of the first part, the Central Bank of China of the
second part and the Commissioners of His Majesty's Treasury
(hereinafter referred to as "the Treasury") of the third part
further provision has been made and a New Fund set up for checking
undue fluctuations in the exchange value of the Chinese yuan in
relation to sterling

AND WHEREAS by an Agreement dated the _____
day of _____ 1941 and made between the National
Government of the Republic of China of the first part, the
Central Bank of China of the second part and the Secretary of

the Treasury of the United States of the third part, provision has been made and a New Fund set up for the stabilization of the Chinese yuan in relation to United States dollars.

A N D WHEREAS the British Banks and the Chinese Banks are entering into this Agreement with a view to co-ordinating the operation of the said New Funds and of the Fund set up under the Principal Agreement (which last mentioned Fund is hereinafter referred to as "the 1939 Fund").

N O W IT IS HEREBY A G R E E D as follows :-

1. AS from the date on which this Agreement comes into force until the determination of the New Agreement the 1939 Fund shall be managed and controlled and its assets applied by the Stabilization Board (hereinafter called "the Board") established for the purposes of the New Agreement in accordance with the provisions of the New Agreement and accordingly during that period the Sterling Account, the Chinese Dollar Accounts and the Sterling Income Account opened under the Principal Agreement shall be under the control of the Board and shall be operated in accordance with the directions of the Board.
2. THE Principal Agreement is hereby renewed for a period of six months from the 31st day of March 1941 and thereafter for such further periods of six months as are necessary to ensure that it does not expire until not less than seven days after the determination of the New Agreement but as from the date on which this Agreement comes into force until the determination of the New Agreement all the provisions of the Principal Agreement and the powers and duties of the Management Committee thereunder are suspended.
3. ON the date of the determination of the New Agreement the provisions of the Principal Agreement shall revive in full force subject only to the modifications set out in the following clause of this Agreement and shall apply, in the

absence of any other appointments and so far as practicable, to the Management Committee as it was constituted immediately before such suspension and to the 1939 Fund, the Sterling Account, the Chinese Dollar Accounts and the Sterling Income Account as they stand after all operations thereon and applications thereof have been made under the provisions of the New Agreement.

4. THE modifications of the Principal Agreement which are to take effect on the revival of the Principal Agreement under Clause 3 are as follows :-

(a) Clause 3 shall be amended by adding after the word "Shanghai" the words "and on such other markets as the Management Committee, with the consent of His Majesty's Treasury may direct".

(b) Clause 4 (a) shall be amended by substituting for the words "Shanghai or Hong Kong for account of the Fund in the Hongkong Bank or the Chartered Bank or in both such Banks" the words "such place or places and in such Bank or Banks as the Management Committee may with the consent of His Majesty's Treasury direct".

- (c) Clause 18 shall be amended :

(a) by substituting in paragraph (a) thereof for the word "standing" the words "remaining after application under the provisions of an Agreement dated the . day of and made between the National Government of the Republic of China of the first part, the Central Bank of China of the second part and the Commissioners of His Majesty's Treasury of the third part"

(b) by adding in paragraph (b) thereof after the word "assets" the words "remaining as aforesaid" and

(c) by substituting in paragraph (b) thereof for the word "standing" the words "remaining as aforesaid".

5. THIS agreement shall come into force on such date--, not earlier than the date on which the Board is established, as the Treasury may determine by notice in writing given to the British Banks and the Chinese Banks.

ADDRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON, D. C.



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
EA 811.24 Raw
Materials/1541

March 10, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of telegram no. 34 dated March 10, 1941 from the American Consul at Hanoi, French Indochina, reporting that the steamship Ensley sailed March 8 with balance of rubber purchased under the contract of December 2, 1940 but without the 350 tons of trade rubber covered by the Department's telegram no. 8 of March 7.

Enclosure:

No. 34 from Hanoi,
March 10.

PAW

GRAY

HANOI VIA N.R.

Dated March 10, 1941

Rec'd 5:20 a.m.

Secretary of State

Washington

34, March 10, 8 a.m.

Department's telegram No. 8, March 7, 4 p.m.

Saigon informs me ENSLEY sailed March 8th and prior to receipt of Department's telegram with balance of contract rubber.

REED

KLP

(CONFIDENTIAL)

PARAPHRASE

A confidential telegram dated March 10, 1941 from Consul Reed at Hanoi reads substantially as follows:

Indochina and the Netherlands East Indies are concluding an arrangement according to which the exports of rubber to Japan will be limited to Japan's established needs for domestic consumption. In 1941 Indochina will export to Japan approximately 25,000 tons of rubber and the Netherlands Indies and Malaya will so reduce their rubber exports to Japan that Japan's established needs of rubber will not be exceeded.

eh:copy

THIRTY THREE LIBERTY STREET
NEW YORK

March 10, 1941.

Dear Secretary Morgenthau:

Last Friday I was a guest at the luncheon of the Eastern Regional Conference of the American Bankers Association. There were about one thousand people present. W. Randolph Burgess was the speaker, but I was asked to respond to my introduction to the group. I spoke only for a few minutes, but as the meat of what I said referred to Treasury financing, and as it has been commented upon a little in the press, I thought you might like to know just what your "fiscal agent" was talking about. This is the way it went, I think:

"There are one or two things I would like to say to you however. You are having as part of your conference program a discussion of the banks and the financing of national defense. I assume that the financing of plant facilities and of defense contracts has been a subject of your consideration. There is another aspect of the financing of national defense in which the banks have an important part to play. I am speaking of the financing of the government itself. You have also discussed this subject, but generally there has not been much time given to the place of the banks in this area of the defense effort.

"Perhaps it is because the financing of the government is so clearly secondary to the primary job of increasing our military establishment. The expansion has to be financed and that is that. If we do not do it one way, we will do it another.

"The ways of doing it, except in their details, are few. The tremendous sums which the government is spending and is

going to spend can be financed by taxation, by borrowing the savings of the country, and by the use of bank credit - that is leaving out the printing press. Now, rightly I think, the emphasis has been on increasing the government's revenue through taxation and on borrowing the accumulated and current savings of the country. But, of course, there will still be financing to be done through the credit system. The credit system will have to be used because of its convenience and flexibility as a source of short-term funds, and it may have to be used to obtain some part of the funds of longer term.

"Here it seems to me is an opportunity for the banks to look beyond their own immediate interests and to determine what is their proper part in the national financial program. The floating of successive issues of government securities in this emergency cannot be a continuous game of poker between the Treasury and the banks or other purchasers. It has got to be a part of the defense program in which government and business work together, just as they are now doing in the field of production. That requires fair dealing on both sides and bankers must be clear as to their part and their role. I commend this subject to you for your consideration. You would not want, you cannot afford, even to seem to try to extract an unwarranted profit out of the pressing needs of your government in the greatest crisis our world has ever known."

I thought that would be a useful note to strike with the bankers at this time.

Yours faithfully,

(Signed) Allan Sproul.

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

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

STRICTLY CONFIDENTIAL

DATE March 10, 1941

TO Secretary Morgenthau
FROM Mr. Wiley

FBI reports that for the period between January 2 and 31, 1941, the Banco di Napoli Trust Company withdrew from the Corn Exchange Bank \$3,305,000, mainly in denominations of \$20, \$50, and \$100, insisting upon old bills. Furthermore, for the two weeks ending January 29 and February 5, 1941, the Banco di Napoli sold \$3,151,000 of domestic bonds for foreign account and delivered \$2,500,000, apparently of the proceeds, mostly in bills of small denomination to Luigi Podesta, Director of the Italian Exchange Institute in the United States. Mr. McKeon of Federal Reserve says that the cash withdrawals by the Banco di Napoli were very much more than would be required by the usual operations of the Bank and says this may be a violation of the Emergency Banking Regulation No. 23 and the anti-hoarding statute.

FW

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 10, 1941

Miss Chy

TO Secretary Morgenthau
FROM Mr. Cochran

STRICTLY CONFIDENTIAL

The Federal Reserve Bank of New York reported the following transaction in the account of the Central Corporation of Banking Companies, Budapest, maintained with the First National Bank of Boston, Boston, Massachusetts.

<u>Date</u>	<u>Amount Debited</u>	<u>Paid To</u>
March 10	\$500,000	Riggs National Bank, Washington, D. C., for account of the Hungarian Legation, Washington, D. C.

WML

for Miss Chauncey

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 10, 1941.

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

The Federal Reserve Bank of New York reported the following transaction in the account of the Bank for International Settlements, Basle, by order of the National Bank of Hungary, Budapest.

<u>Date</u>	<u>Amount Debited</u>	<u>Paid To</u>
March 10	\$600,000	Riggs National Bank, Washington, D. C., for account of the Royal Hungarian Legation, Washington, D. C., by order of the National Bank of Hungary, Budapest.

B. M. S.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 10, 1941.

STRICTLY CONFIDENTIAL

TO Secretary Morgenthau
FROM Mr. Cochran
The Federal Reserve Bank of New York reported the following transaction in the account of the Central Corporation of Banking Companies, Budapest, maintained with the Guaranty Trust Company of New York.

<u>Date</u>	<u>Amount Debited</u>	<u>Paid To</u>
March 10	\$100,000	Riggs National Bank, Washington, D. C., for account of the Hungarian Legation, Washington, D. C.

H. M. P.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 10, 1961

CONFIDENTIAL

Miss Chauncy
Secretary Morgenthau

FROM Mr. Cochran

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns.....	£73,000
Purchased from commercial concerns.....	£ 8,000

Open market sterling was again quoted at 4.05-1/2. The only reported transaction consisted of a sale of £1,000 to a commercial concern.

The Argentine free peso rate in New York remained at .2300. It was reported that the first auction of foreign exchange for "non-essentials" imports into Argentina took place last Friday in Buenos Aires, and that the Argentine branch of an American bank made substantial purchases of dollars for account of its clients at an average rate of 4.44 pesos to the dollar (equivalent to \$.2252). The dollar exchange used in the auction, it will be recalled, represents the proceeds of certain Argentine exports, which had to be surrendered under the new regulations to the Argentine Control at 4.2182 pesos to the dollar (\$.2370).

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

Canadian dollar	15% discount
Swiss franc (commercial)	.2323
Swedish krona	.2384-1/2
Belchamar	.4005
Lira	.0505
Brazilian milreis (free)	.0505
Mexican peso	.2066
Cuban peso	6-5/8% discount

In Shanghai, the yuan in terms of our currency was unchanged at 5-1/2¢, and sterling moved off to \$.89, a decline of 2¢.

There were no gold transactions consummated by us today.
No new gold engagements were reported.

The prices fixed in London for spot and forward silver were again unchanged at 23-3/6d and 23-5/16d respectively. The U.S. equivalents were 42.44¢ and 42.53¢.

Handy and Harman's settlement price for foreign silver was unchanged at 54-3/4¢.

The Treasury's purchase price for foreign silver was also unchanged at 35¢.
We made one purchase of silver amounting to 75,000 ounces under the Silver Purchase Act. This consisted of new production from foreign countries, for forward delivery.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE March 10, 1941

TO Secretary Morgenthau
FROM Mr. Haas *HA*

The attached tables and chart indicate that a decline of 16,000 from the preceding week brought Work Projects Administration employment to 1,869,000 persons during the week ended February 26, 1941. This represents a decrease of 26,000 from the number employed at the end of January.

Attachments

WORK PROJECTS ADMINISTRATION
Number of Workers Employed - Monthly
United States

	Number of Workers (In thousands)
1938	
July	3,053
August	3,171
September	3,228
October	3,346
November	3,287
December	3,094
1939	
January	2,986
February	3,043
March	2,980
April	2,751
May	2,600
June	2,551
July	2,200
August	1,842
September	1,790
October	1,902
November	2,024
December	2,152
1940	
January	2,266
February	2,324
March	2,288
April	2,092
May	1,926
June	1,665
July	1,701
August	1,691
September	1,704
October	1,779
November	1,820
December	1,878
1941	
January	1,895
February	1,869

Source: Work Projects Administration

Monthly figures are weekly figures for the latest week of the month.

They include certified and noncertified workers.

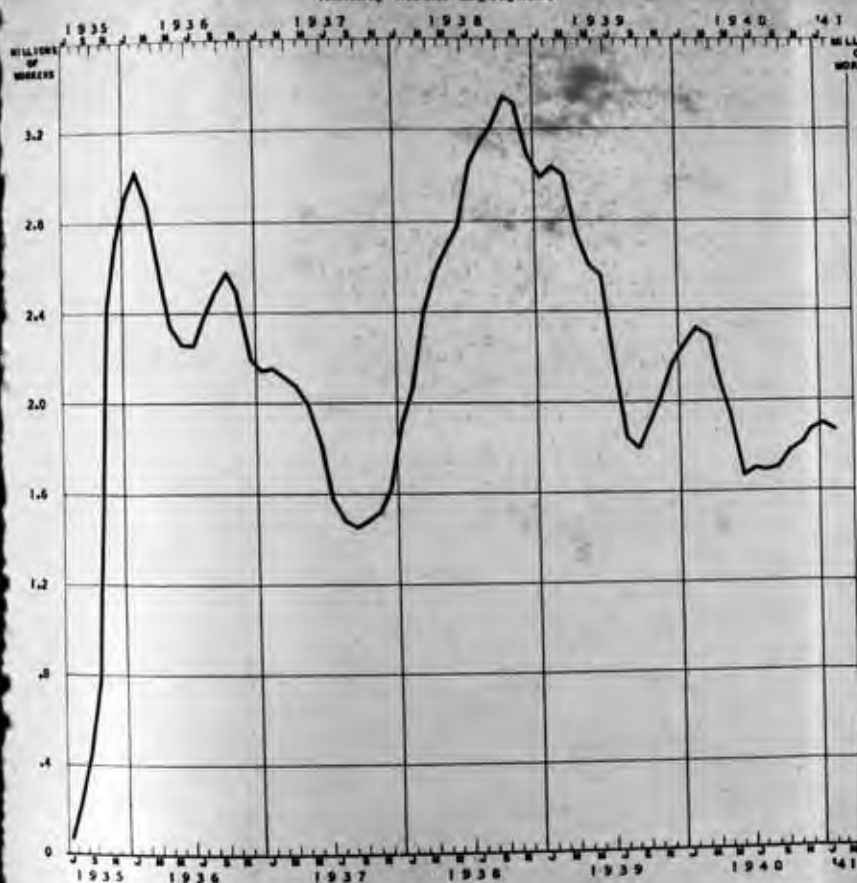
WORK PROJECTS ADMINISTRATION
Number of Workers Employed - Weekly
United States

Week ending	Number of Workers (In thousands)
1940-41	
July 3	1,608
July 10	1,620
July 17	1,659
July 24	1,690
July 31	1,701
August 7	1,709
August 14	1,708
August 21	1,698
August 28	1,691
September 4	1,690
September 11	1,687
September 18	1,689
September 25	1,704
October 2	1,747
October 9	1,762
October 16	1,768
October 23	1,776
October 30	1,779
November 6	1,783
November 13	1,785
November 20	1,806
November 27	1,820
December 4	1,832
December 11	1,855
December 18	1,872
December 25	1,878
January 1	1,880
January 8	1,887
January 15	1,893
January 22	1,896
January 29	1,895
February 5	1,892
February 12	1,893
February 19	1,885
February 26	1,869

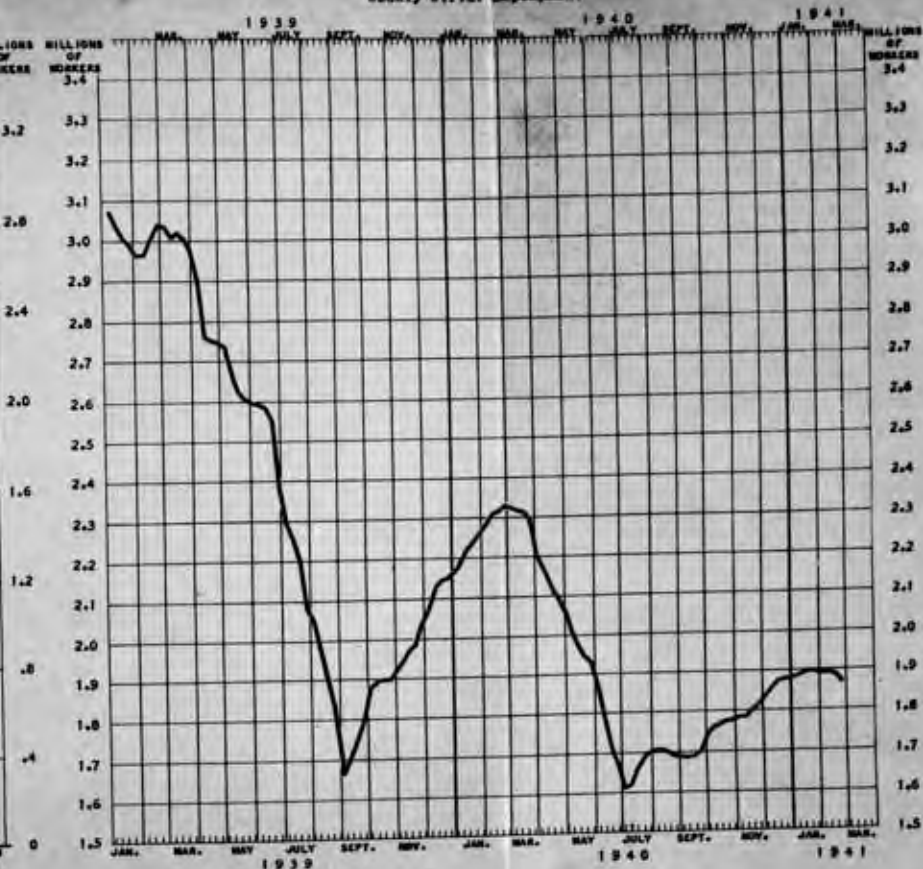
Source: Work Projects Administration

WORK PROJECTS ADMINISTRATION
Number of Workers Employed
United States

Monthly W.P.A. Employment



Weekly W.P.A. Employment



SOURCE: WORK PROJECTS ADMINISTRATION

STRICTLY CONFIDENTIAL

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ALLISON SHIPMENTS

	British			Army				Grand total
	C	E	Total	C	E	F	Total	
Dec. 29 - Jan. 4	8	-	8	1	3	-	4	12
Jan. 5 - 11	83	-	83	-	2	-	2	85
Jan. 12 - 18	41	-	41	-	2	-	2	43
Jan. 19 - 25	33	-	33	-	-	-	-	33
Jan. 26 - Feb. 1	31	-	31	-	1	-	1	32
Feb. 2 - 8	60	-	60	25	1	-	26	86
Feb. 9 - 15	30	1	31	32	2	1	35	66
Feb. 16 - 22	-	-	-	77	2	1	80	80
Feb. 23 - Mar. 1	-	-	-	88	3	-	91	91
Mar. 2 - 8	6	-	6	69	2	-	71	77
TOTAL Dec. 29 - Mar. 8	292	1	293	292	18	2	312	605

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

March 10, 1941.

STRICTLY CONFIDENTIAL

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ALLISON ENGINEERING COMPANY

Shipments of Airplane Engines

	: Actual : : shipments :	: Estimated shipments : on existing orders :
1940		
January.....	10	
May 24 - June 22.....	28	
June 23 - July 20.....	43	
July 21 - Aug. 17.....	47	
Aug. 18 - Sept. 14.....	140	
Sept. 15 - Oct. 12.....	263	
Oct. 13 - Nov. 9.....	233	
Nov. 10 - Dec. 7.....	154	
Dec. 8 - Jan. 4.....	228	
1941		
January 5 - 11.....	85	
January 12 - 18.....	43	
January 19 - 25.....	33	
January 26 - February 1....	32	
February 2 - 8.....	86	
February 9 - 15.....	66	
February 16 - 22.....	80	
February 23 - March 1.....	91	
March 2 - 8.....	77	
March 9 - 31.....		332
April.....		408
May.....		456
June.....		500
July.....		475
August.....		550
September.....		625
October.....		750
November.....		800
December.....		800
1942		
January.....		529
February.....		304
March.....		225
April.....		225
May.....		225
June.....		124

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

March 10, 1941.

**EXPORTS OF PETROLEUM PRODUCTS, SCRAP IRON AND SCRAP STEEL
FROM THE UNITED STATES TO JAPAN, RUSSIA, SPAIN, AND GREAT BRITAIN
AS SHOWN BY DEPARTURE PERMITS GRANTED**

Week ended March 8, 1941

	: JAPAN :	: RUSSIA :	: SPAIN :	: GREAT BRITAIN :
PETROLEUM PRODUCTS				
Fuel and Gas Oil (including Diesel Oil)	100,594 Bbls.	--	--	--
Crude -				
Blended or California High Octane Crude*	72,250 Bbls.	--	--	--
All Other Crude	23,000 Bbls.	--	--	--
Gasoline -				
Gasoline A**	--	--	--	15 Gals.
Gasoline B*	12,759 Bbls.	--	--	113,100 Bbls.
All Other Gasoline	--	--	--	--
Lubricating Oil -				
Aviation Lubricating Oil***	784 Bbls.	--	--	7,500 Bbls.
All Other Lubricating Oil	26,181 Bbls.	--	--	30,054 Bbls.
Tetraethyl Lead***	--	--	--	--
"Boosters", such as Iso-Octane, Iso-Hexane, or Iso-Pentane	--	--	--	--
SCRAP IRON AND SCRAP STEEL				
Number 1 Heavy Melting Scrap	--	--	--	8,150 Tons
All Other Scrap	--	--	--	1,750 Tons

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

March 10, 1941.

Source: Office of Merchant Ship Control, Treasury Department.

* Any material from which by commercial distillation there can be separated more than 3 percent of aviation motor fuel, hydrocarbon or hydrocarbon mixture - President's regulations of July 26, 1940.

** Aviation Gasoline.

*** As defined in the President's regulations of July 26, 1940.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

CONFIDENTIAL

DATE March 10, 1941

TO Secretary Morgenthau
FROM Mr. Haas
Subject: The Business Situation,
Week ending March 8, 1941

Summary

(1) Adjusted indexes of business activity rose sharply in the last week of February and moved slightly above previous record high levels.

(2) Prices of imported commodities continued to increase steeply last week carrying the BLS price index of 11 imported materials up about 10 per cent since early February. Ocean freight shortage was a primary influence. Prices of domestic commodities were also somewhat higher.

(3) Steel orders increased in volume during February and delivery dates have been extended further into the future. The steel scrap situation is assuming increasing importance in view of the growing tightness in market supplies of pig iron. Difficulties are being encountered in obtaining adequate supplies of scrap at the price levels set by the Defense Commission.

(4) Industry and trade have shown an expansion in inventories, but due to the heavy volume of business, the ratio of stocks to shipments and sales has actually declined. However, at the end of January, according to the Conference Board compilations, manufacturers' inventories on a seasonally adjusted basis were in excess of 1937 peak levels.

(5) Exports of United States merchandise in January rose slightly above the previous month, due largely to a rise in aircraft exports to a new record figure. Agricultural exports dropped slightly under the previous low of last September.

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The general situation

After showing a tendency to level out in the middle of February, weekly business indexes took a spurt at the end of the month and moved into new high ground by a narrow margin. During the past week, scheduled steel production reached a new record high, and automobile output was maintained at very high levels despite slight impediments to production caused by minor parts shortages. In addition to the high rate of operations prevailing in heavy industry as a result of the defense program, textile mills are reported to be unusually busy and such basic indicators of business activity as electric power production and freight carloadings are making a strong showing.

Following the priorities recently imposed on aluminum and machine tools, industry-wide priorities were imposed during the past week on magnesium, nickel and neoprene (a synthetic rubber), while it was indicated that maximum prices soon would be set for steel scrap somewhat below present market prices and lower than the prices requested some time ago by the Defense Commission.

The stock market has continued to move in a narrow range on a small volume of trading, but commodity price indexes have moved higher, largely under the influence of further strength in imported commodities arising in large part from the tight situation in ocean shipping.

Inventories rise but ratio to business volume declines

With sales volume rising, and concern being felt over priorities and other factors affecting availability of materials, a tendency toward inventory accumulation is to be expected. Thus the seasonally-adjusted index of manufacturers' inventories compiled by the National Industrial Conference Board showed a further rise of 2.2 per cent in January to a level slightly above the 1937 peak, and 13.8 per cent above the January 1940 figure. However, due to the unusually high rate of manufacturers' shipments (33 per cent above January 1940), the ratio of inventories to shipments is stated to have been the lowest since 1929.

A decline in the ratio of stocks to sales despite an increase in inventories also is shown in data relating to wholesale trade compiled by the Department of Commerce. Figures covering the operations of 2,732 wholesalers showed that although inventories in January were 6 per cent higher than a year earlier, sales were up no less than 18 per cent. As a result, the stocks-to-sales ratio dropped to 165 from 184 in January 1940.

Department store stocks have risen at a slower rate than either manufacturers' or wholesalers' inventories. Thus the seasonally-adjusted index of department store stocks by January of this year had risen to only 71 per cent of the 1923-25 average from 68 per cent a year earlier, while sales on the same basis had risen to 101 from 92. During the depression years, department stores substantially cut down on stocks, and thus far have shown little inclination to build stocks up to pre-depression levels despite the rising volume of sales.

New orders remain high

Our new orders index declined somewhat for the week ended March 1 although it remained at a high level. All components were somewhat lower. (See Chart 1.)

Sales of cotton textiles increased markedly last week, according to market reports, print cloth sales being estimated at 70,000,000 yards, more than three times the current weekly output of mills.

The steel situation

Recent developments in the steel situation provide no evidence to support an optimistic picture of steel capacity. The volume of orders for steel increased further in February, according to trade reports, the Iron Age reporting an increase of 10 to 25 per cent over the January volume. Monthly sales figures of the U. S. Steel Corporation have not yet been received. The average rate of steel operations, however, increased only fractionally further to 96.3 per cent of rated capacity in February from 96.1 per cent in the previous month.

The result has been a further congestion of unfilled orders, which the Iron Age characterizes as bordering on indigestibility. Delivery dates have been extended further into the future, and an increasing number of mills are booked into the fourth quarter. In plates and sheets, in which order backlogs are heaviest in relation to capacity, new business now is quite commonly listed for October and November delivery.

Nickel alloy steels, which are specified in much of the Army and Navy orders, are most severely restricted for civilian consumers, and in these steels a modified form of priority is in effect, without official announcement. It is felt in the trade that some change in specifications may have to be made soon in defense orders for steels of this

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type to alleviate the current situation. In some quarters it is feared that automobile production this spring may be seriously hampered by a shortage of certain types of steels.

Market supplies of pig iron, upon which steel mills not fully integrated must depend for part of their material, are getting tighter but are not yet critical. Blast furnaces are apparently operating near the practical limit of capacity, and repair shutdowns are taking a greater toll. Thus only 202 furnaces were in operation on March 1, as compared with 205 on February 1, and the daily average output was reduced to 149,924 tons in February from 150,441 tons in the previous month. During the two-day strike at the Lackawanna plant of Bethlehem Steel, all 5 blast furnaces were banked, and only 6 of the 30 open-hearth steel furnaces were in operation.

In view of the growing tightness in pig iron supplies, the supply of steel scrap, which may be substituted for pig iron in making steel, is assuming a position of increasing importance. A critical conflict has arisen between the necessity of increasing the collection of steel scrap and the desire of the Administration to forestall price inflation. The action of the Defense Commission some time ago to reduce scrap prices by suggesting lower quotations has been effective in holding prices down, but it apparently has slowed up the collection of scrap. In view of this situation, the announcement of the Defense Commission last week that maximum prices on steel scrap would soon be set at prices below current quotations, although it may encourage some selling of scrap currently held by dealers, may further slow up the movement of scrap to market.

Railroad traffic and earnings improving

The high rate of operations at steel mills and in other heavy industries has contributed greatly to a continuing improvement in railroad freight traffic and earnings. Thus, freight carloadings in the week ended March 1 rose more than seasonally to the highest level since the beginning of last November, while net railway operating income figures reported for January showed the best results for that month since 1929. (See Chart 2.) Due to seasonal factors, railroad earnings normally show a decline in January from the previous month. However, in comparison with the same month of the previous year, January net railway operating income showed a gain of 36 per cent.

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Recently the Transportation Commissioner of the National Defense Commission estimated that freight carloadings for the year 1941 would show an increase of 9.4 per cent over 1940. Thus far in 1941, freight carloadings have run 11.2 per cent above 1940. This gain over year-earlier levels appears likely to widen in the near future, as freight traffic made a relatively poor showing last March and April. Later on in the year, wide gains over year-earlier levels will be more difficult to maintain because of the improvement that occurred in freight traffic after April 1940. On the other hand, a further tightening of the ocean shipping situation could possibly divert considerable additional freight to the railroads.

In keeping with the improvement in traffic and earnings, railroad equipment purchases have been stepped up in recent months. However, the spurt in freight car orders in January was followed by a decline in February, although orders were still more than twice as large as in February 1940. New freight cars on order at the beginning of February totaled 41,600 or about 7,000 more than on February 1, 1940, and the largest number for that date for any time in the past 15 years. Locomotive orders rose to 127 in February from 78 in the previous month. This volume of locomotive orders has been exceeded in only three months since January 1930.

Record aircraft shipments feature January exports

Due chiefly to a rise in aircraft exports to the highest monthly figure on record, total exports of United States merchandise in January ran counter to the usual seasonal trend and exceeded the previous month by 1 per cent. As a result, exports in January totaled \$318,000,000 as compared with \$315,000,000 in the previous month and \$361,000,000 in January 1940 -- the peak month since the outbreak of the war.

Although moderate declines occurred in exports of such important items as machinery and iron and steel, war materials industries continued to play the leading role in our export trade, while movement of agricultural products to foreign markets fell to a new low. (See Chart 3.)

The gain in aircraft exports carried the January figure for this item to \$41,000,000, or 9 per cent above the previous record high reached last August. (Refer to Chart 3.) On the other hand, machinery exports declined moderately due to a drop of \$4,000,000 in metal working machinery, while iron and steel exports receded to the lowest level since last

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July. Exports of steel scrap continued the decline which began with institution of embargo measures last October and amounted to less than \$1,000,000 for the first time since January 1937.

Chiefly as a result of a further decline in cotton exports, agricultural products shipped to foreign markets in January declined 14 per cent below December's figure and dipped a trifle under the previous low touched last September. The war has cut into our export trade in agricultural products to such an extent that they comprised only 7 per cent of total exports in January, as compared with an average of 22 per cent in the 12 months prior to the outbreak of hostilities in September 1939.

Further increase in freight awaiting export in New York Harbor

Lighterage freight in storage and on hand for unloading in New York Harbor climbed to a new high of 11,511 carloads last week (see Chart 4), in spite of the fact that carloads of freight exported from New York rose very sharply to the highest in our records. (See Chart 5.) Although 5,569 carloads were exported, receipts of freight for export at New York (see Chart 5) were even higher, 5,703 cars for the week, another new high. Receipts of freight for export at 9 other North Atlantic ports increased moderately.

Nonagricultural employment a new January record

Nonagricultural employment in January was at the highest level on record for that month, being 3 per cent over January 1929 and 5 per cent over January 1940. The following individual industries employed more workers in January 1941 than in any month on record (back to 1923):

	<u>January 1940</u>	<u>January 1941</u>	<u>Percent Increase</u>
Steel	473,300	533,600	13
Foundries	386,400	465,500	20
Aircraft	63,700	138,500	117
Shipbuilding	74,800	129,600	73
Brass, bronze and copper	88,300	112,000	27
Machine tools	55,700	80,700	45
Engines	40,000	71,100	78

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Prices of imported commodities 10 per cent over early February

Prices of imported commodities continued the steep climb which has been apparent since early February, the daily price index for this group showing a gain of 10 per cent in that period. In the week ended March 7 the following individual price changes were reported (see Chart 6, lower section):

Cocoa: Spot prices increased 12 per cent. Futures higher. New York importers believe the shipping situation is serious and likely to become more so. Further ocean freight rate increases expected. Proposed quota arrangement still an influence. Russia said to have bought 2,000 tons, and to have purchased not only most spot and afloat cocoa but also a considerable quantity out of warehouse.

Burlap: Sharp price increase. London announced that a ship bound for North Atlantic ports was unlikely to arrive. The ship carried 1,500 bales of burlap and 7,200 bales of jute.

Shellac: No change in spot price. Included in export license list last week. Still quoted at nominal levels with few offerings.

Prices of domestic commodities somewhat higher

Prices of domestic commodities were also higher for the week ended March 7. (See Chart 6, lower section.) The following individual price changes were reported:

Print cloth: Spot prices increased 6 per cent. Sales in one day last week 30,000,000 yards. Sales in January the largest since September 1939. Unfilled orders will require the current rate of production through June. Buying of print cloth mainly reflects civilian demand.

Cottonseed oil: Spot price increased. Futures higher. Expectation of reduced imports of vegetable oils from Far East, especially palm and coconut oil, the main influence. According to Presidential proclamation last week, coconut, palm kernel oil, copra and palm kernels were placed under export licensing control.

Lard: Spot price increased. Futures higher. The trade believes that Britain will make large purchases in the United States of foodstuffs including lard after the passage of the lend-lease bill.

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Lead: Price raised \$2.00 per ton last week, following recent \$3.00 increase, initiated by American Smelting. Lead has been placed on export licensing list. Imports of foreign lead averaged 17,068 tons per month in the last 6 months of 1940 compared with 4,326 tons per month in the first 6 months.

Zinc: No change in spot price, which is nominal. Futures prices sharply higher. Trading in zinc futures is now banned except for liquidation of open positions. Galvanized sheet production for the week ended March 1 dropped to 71 per cent of capacity, a new low for 1941, as compared with 77 per cent in the preceding week, due to shortage of zinc.

Weekly business indexes

All but two components of the New York Times index of business activity showed gains after allowance for seasonal factors in the week ended March 1. As a result the index rose 1.0 to 122.6, thereby very slightly exceeding the previous record high for the index.

The principal factors in the rise were contra-seasonal gains in paperboard and electric power production. The only components to decline were the adjusted indexes of automobile and lumber production. The former declined only slightly, while the latter dropped 5 points due to a contra-seasonal decline in actual lumber production.

Barron's index of business activity confirmed the rise in the Times index and advanced to a new high at 131.0 from 130.0 in the previous week.

Preliminary data for the week ended March 8 reveal a decline in the adjusted index of automobile production due to a slight decrease in output to 126,000 units, attributed to some shortage of parts and materials, and a rise of approximately seasonal proportions in steel ingot production. During the current week steel operations are scheduled at a new high of 98.8 per cent of capacity, as compared with 97.5 per cent in the previous week.

INDEXES OF NEW ORDERS Combined Index of New Orders and Selected Components

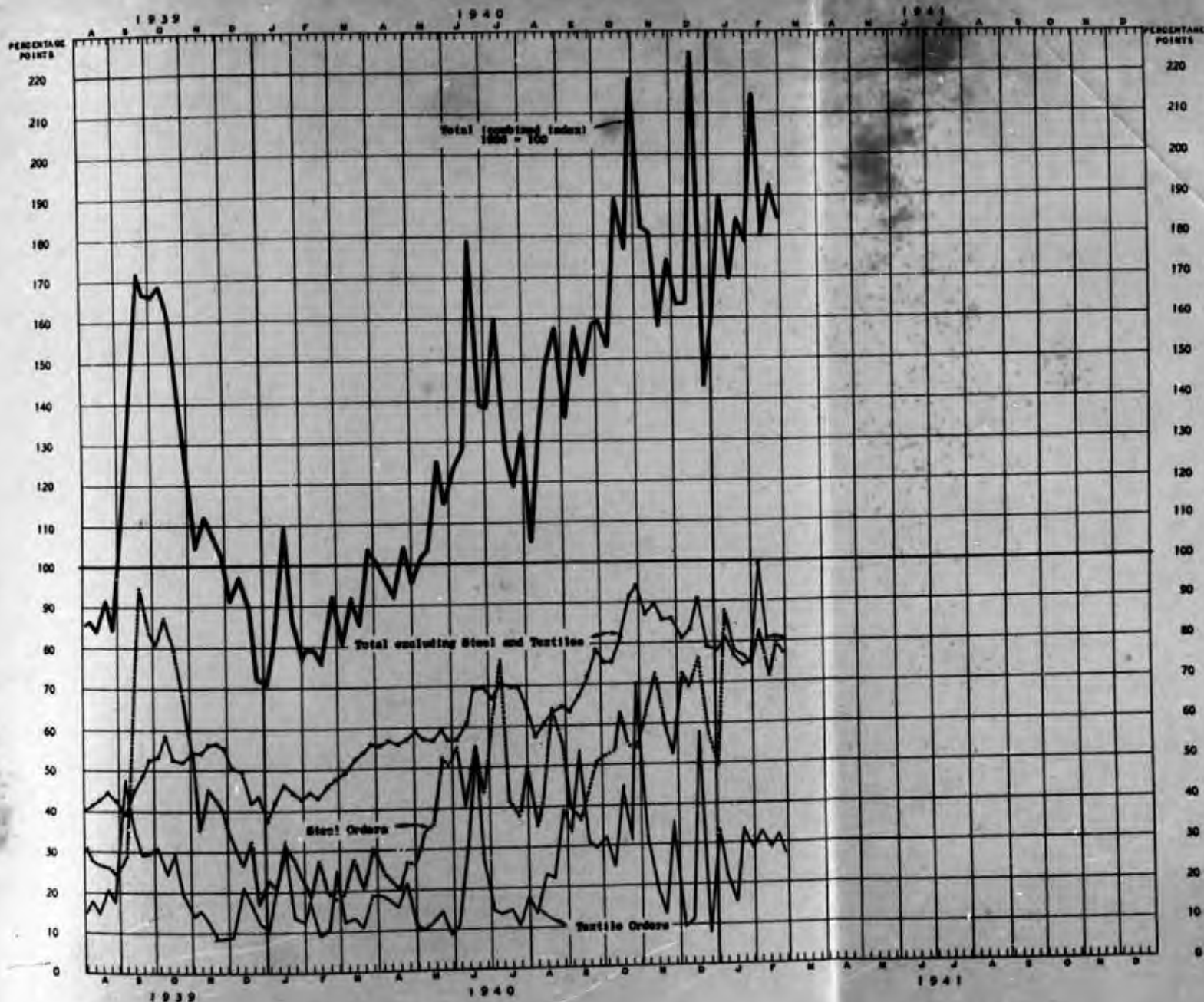
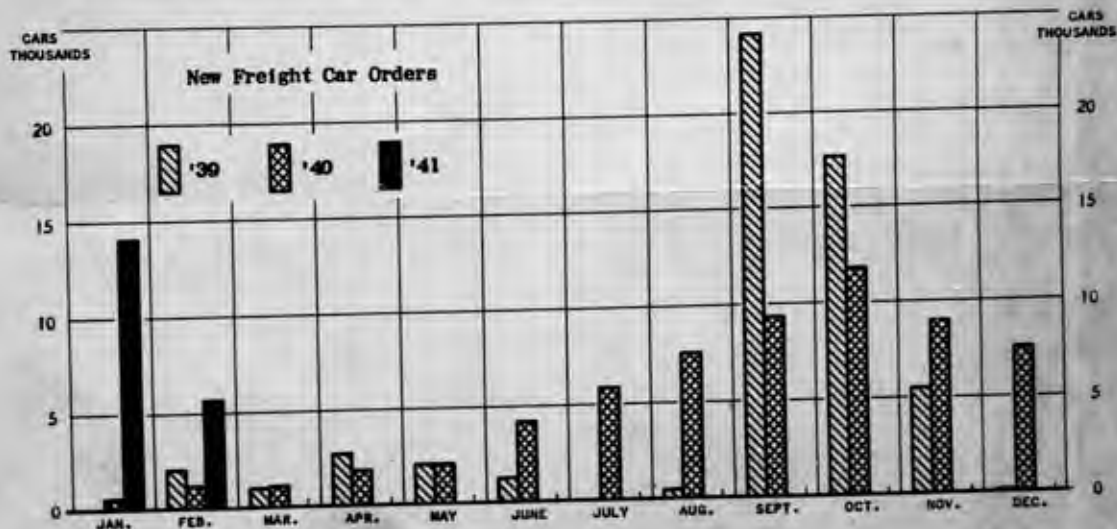
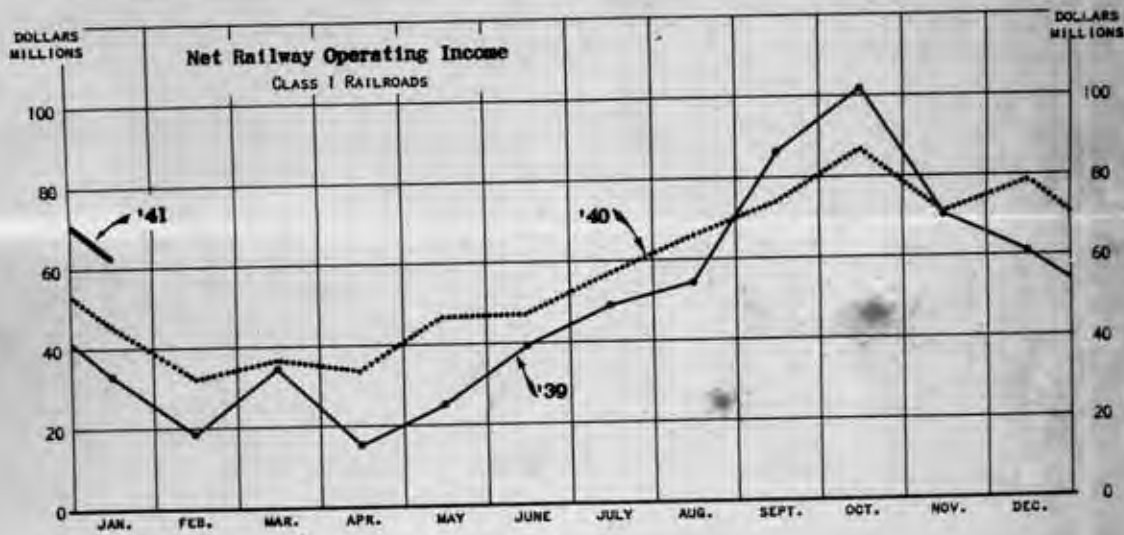
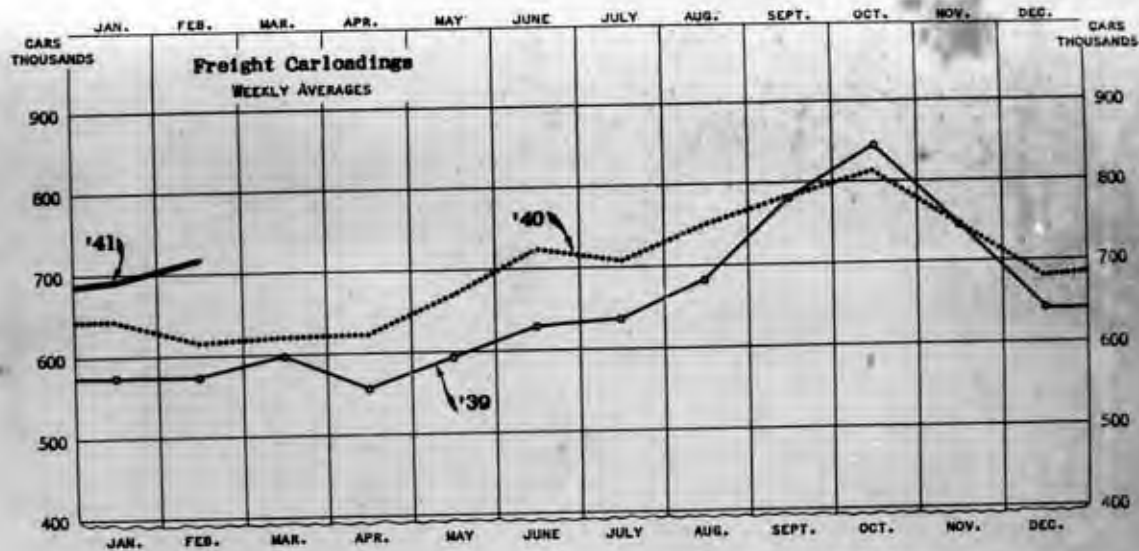
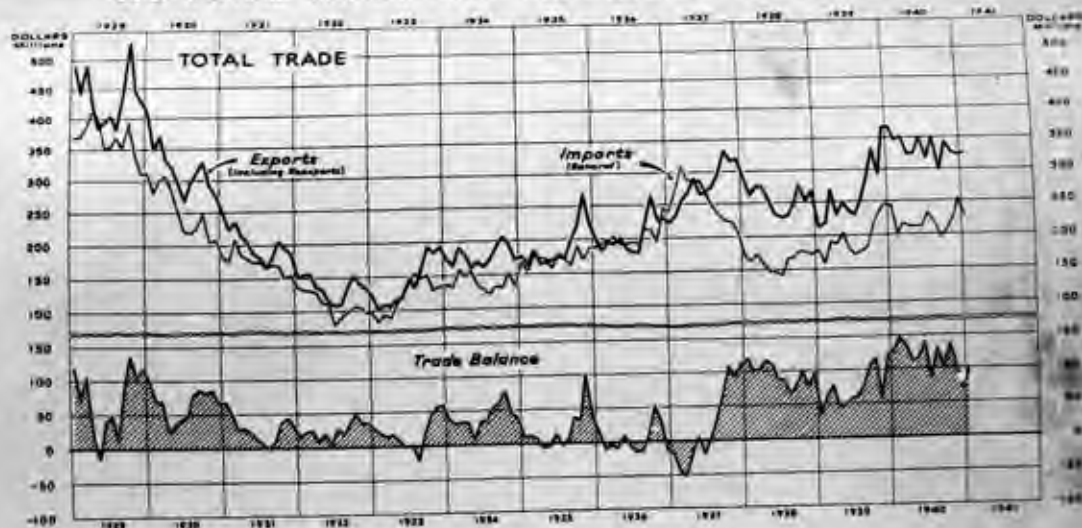


Chart 1
CONFIDENTIAL

RAILROAD SITUATION



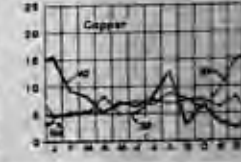
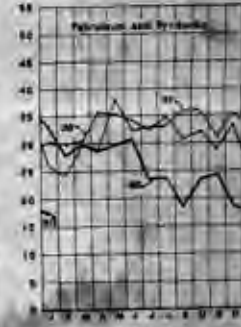
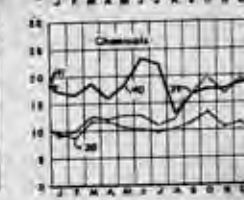
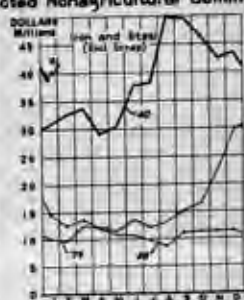
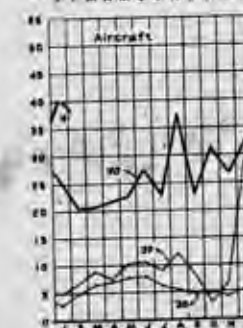
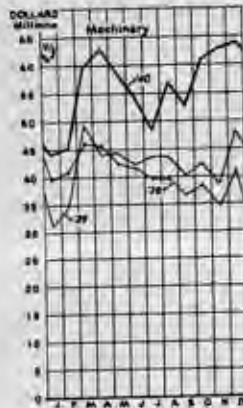
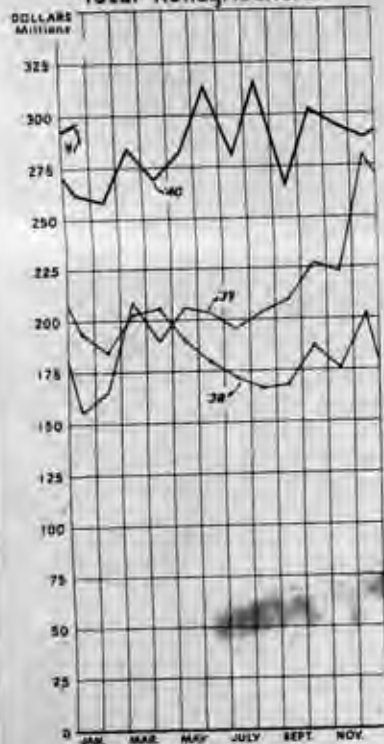
U.S. TOTAL TRADE AND EXPORTS, BY COMMODITIES



EXPORTS OF U.S. MERCHANDISE

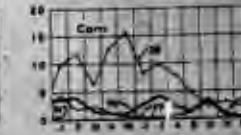
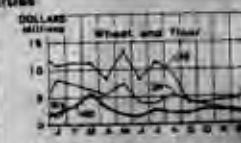
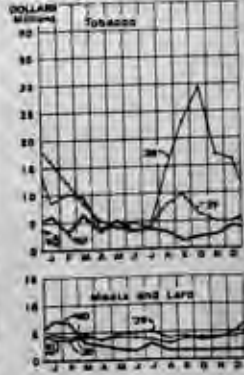
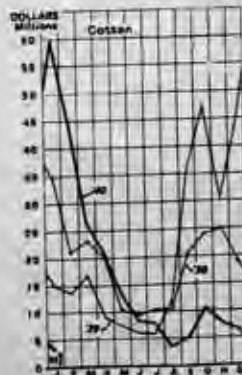
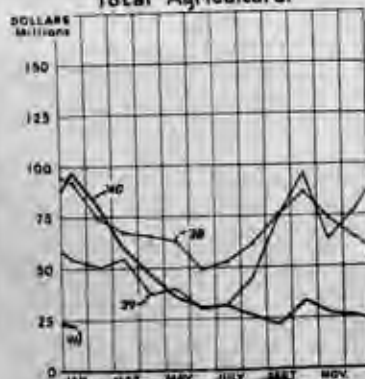
Selected Nonagricultural Commodities

Total Nonagricultural

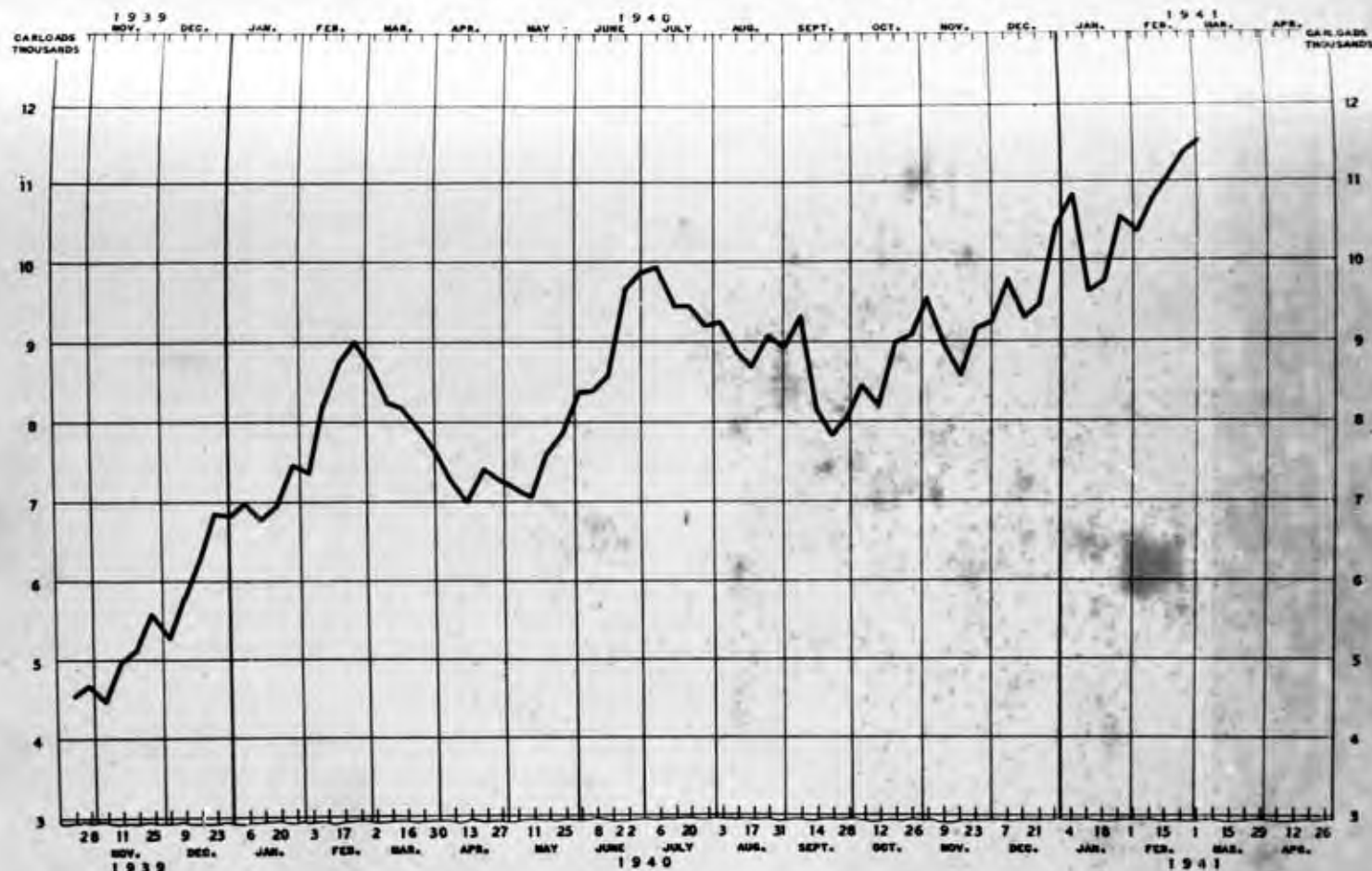


Selected Agricultural Commodities

Total Agricultural



LIGHTERAGE FREIGHT IN STORAGE
AND ON HAND FOR UNLOADING IN NEW YORK HARBOR*



*LARGELY EXPORT FREIGHT, BUT ABOUT 10% REPRESENTS FREIGHT FOR LOCAL AND COASTAL SHIPMENT. FIGURES EXCLUDE GRAIN.

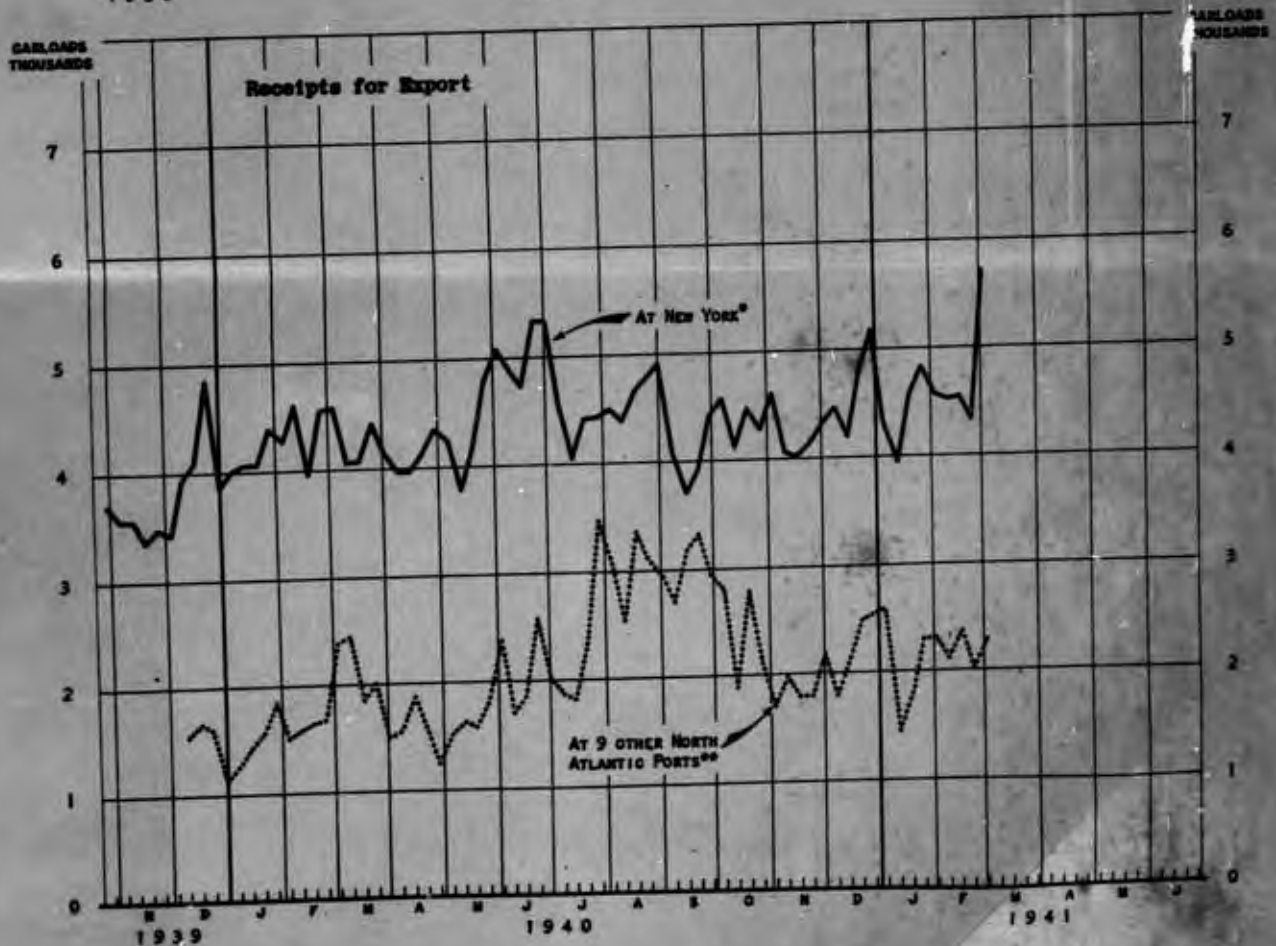
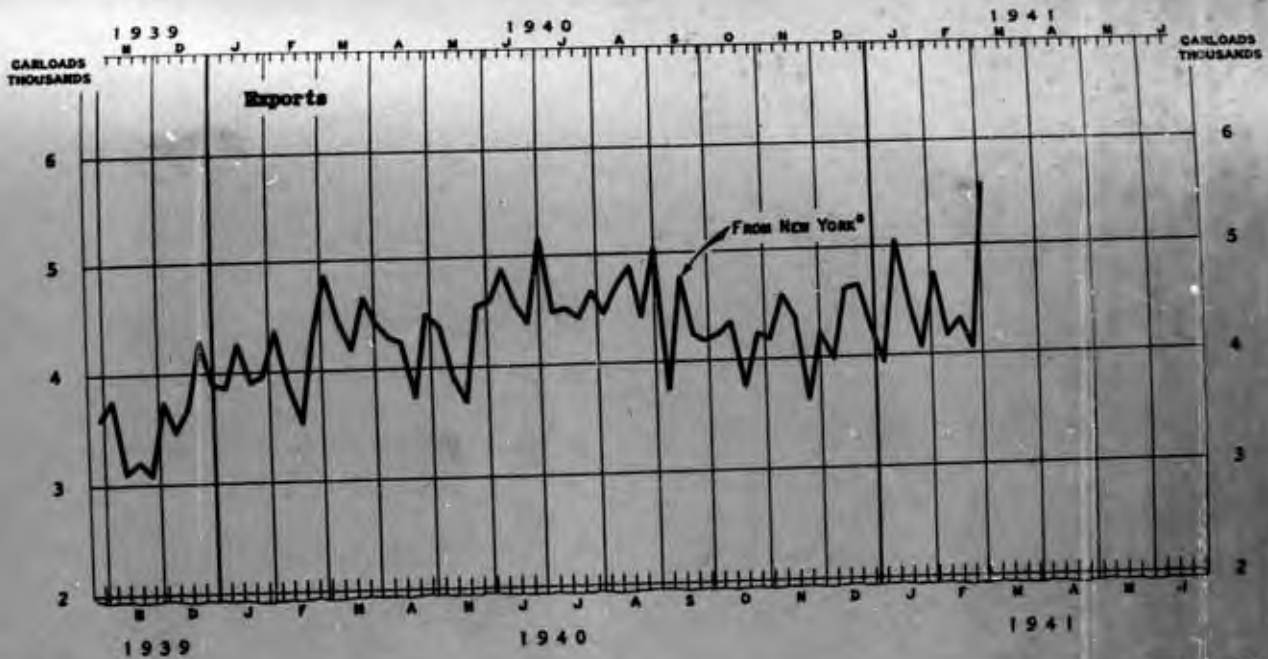
Office of the Secretary of the Treasury
Division of Economic and Statistics

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Chart 4
326

Regraded Unclassified

EXPORT FREIGHT MOVEMENT

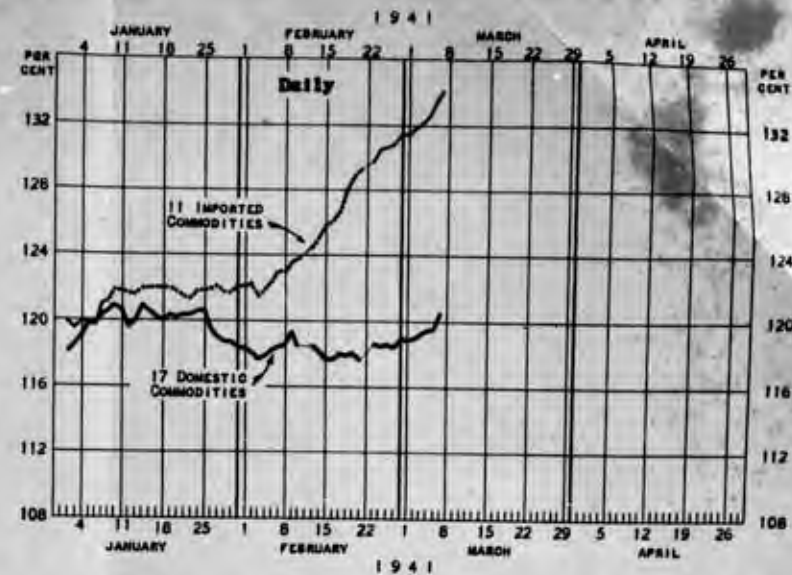
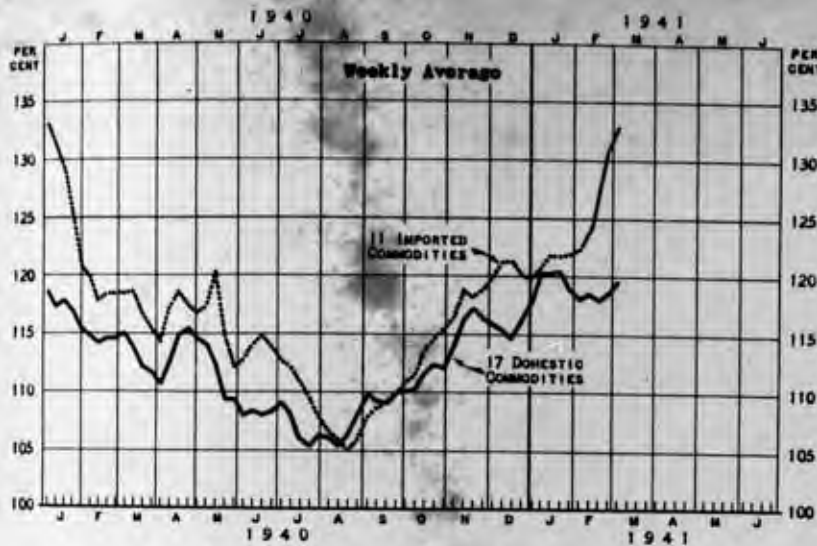


*AS ESTIMATED FROM DATA OF GENERAL MANAGERS' ASSOCIATION OF NEW YORK.
 **ASSOCIATION OF AMERICAN RAILROADS.

MOVEMENT OF BASIC COMMODITY PRICES Domestic and Imported AUGUST 1939 = 100

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Chart 6



Percentage Change for Individual Commodities, August 1940 Low to February 26, 1941, and to March 7, 1941

