

Aluminum material requirements on order with the Aluminum Company of America for which satisfactory delivery dates have not been established.

| Line Item | Part Order & Item | Alum Order & Item | Order Date | Order Held | Description of Material | Part Number of Clause | Material Delivery Method | Leadline Delivery Requirements | Alum Delivery Estimated | Open Order Form Leadline Date |
|-----------|-------------------|--------------------------|------------|------------|--------------------------------|-----------------------|--------------------------|--------------------------------|-----------------------------|-------------------------------|
| 1 | D-9029 (2) | DP-4764 (7) | 6/11 | 9/6 | 173T Forgings | 150 | 11/5 | 12/4 | 12/13 | 9 |
| 2 | D9031 (2) | DP-4764 (17) | 6/11 | 9/6 | " " | 150 | 12/20 | 12/9 | 12/26 | 17 |
| 3 | D-9035 (1,2,3) | DP-4766 (1,2,3) | 6/12 | 9/6 | Ring & Body Comp. Strut Chords | 150 | 33% 10/21, 12/5, 1/6 | 33% 12/2, 1/18, 2/15 | 33% 12/28, 1/18, 2/15 | 26 <i>Partial Shipment</i> |
| 4 | D-9036 (4,5) | DP-4767 (4,5) | 6/12 | 9/6 | SPRINT Rest. Tube | 150 | 33% 11/5, bal. 11/20 | 25% 12/4, bal. 12/16 | 25% 12/28, 1/28, 2/28, 3/29 | 24 # |
| 5 | D-9037 (4,5) | DP-4767 (9,10) | 6/12 | 9/6 | " " " | 150 | Ditto | Ditto | Ditto | 24 # |
| 6 | D-9038 (1,2,3) | DP-4767 (12,13,15) | 6/12 | 9/6 | " " " | 150 | Ditto | Ditto | Ditto | 24 # |
| 7 | D-9039 (2,3,4,9) | DP-4767 (17-20, 1 and 1) | 6/12 | 9/6 | " " " | 150 | Ditto | Ditto | Ditto | 24 # |
| 8 | D-9040 (4,5) (9) | DP-4767 (12 and 13, 29) | 6/12 | 9/6 | " " " | 150 | Ditto | Ditto | Ditto | 24 # |
| 9 | D-9041 (1,2,4) | DP-4767 (16, 28, 29) | 6/12 | 9/6 | " " " | 150 | Ditto | Ditto | Ditto | 24 # |
| 10 | D-9042 (2,3,4,5) | DP-4767 (32,33,34,35) | 6/12 | 9/6 | " " " | 150 | Ditto | Ditto | Ditto | 24 # |

| Dist Item | Doc A-Item | Alarm A-Item | Index date | Index date | Description of Material | Qty number of items | Harvest Schedule ind. Acrop impregnated | Condition ind. Acrop impregnated | Alarm ind. Acrop impregnated | Alarm ind. Acrop impregnated | Alarm ind. Acrop impregnated |
|---------------|-------------------------------|---------------------------------|-----------------|-----------------|----------------------------|---------------------------|--|--|-------------------------------------|------------------------------------|------------------------------------|
| 11 | 0-0003 (1-0-5) | 000767 (26-00, 1001) | 6/10 | 9/6 | SHIRT Wash. Tube | 150 | 55% 11/9 100% 11/20 | 55% 10/9 100% 10/16 | 55% 10/08, 1/08, 2/08, 5/09 | | 01 # |
| 12 | 0-0004 (0-3-4, 9) | 000767 (00-05, 00-05) | 6/10 | 9/6 | " " " | 150 | 0100 | 0100 | 0100 | | 01 # |
| 13 | 0-0005 (1-0-3, 0-0) | 000767 (00-01, 00-01, 00-01) | 6/10 | 9/6 | " " " | 150 | 0100 | 0100 | 0100 | | 01 # |
| 14 | 0-0006 (1-0) | 000767 (00-00) | 6/10 | 9/6 | " " " | 150 | 0100 | 0100 | 0100 | | 01 # |
| 15 | 0-0100 (1) | 000900 (1) | 9/10 | 9/10 | SHIRT extracted | 077 | 60% 11/20 100% 11/6 | 60% 10/9 | 60% 10/08 100% 10/01 | | 0 |
| 16 | 0-0007 (1) | 000806 (1) | 7/8 | 9/6 | SHIRT extracted | 150 | 11/9 | 10/4 | 10/08 | | 01 |
| 17 | 0-0009 (1-0-5) | 000800 (1-0-5) | 7/8 | 9/6 | SHIRT extracted | 150 | 11/6 | 10/4 | 10/08 | | 01 |
| 18 | 0-0010 (1-01) | 000802 (0-05) | 7/8 | 9/6 | SHIRT extracted | 150 | 11/9 | 10/4 | 10/08 | | 01 |
| 19 | 0-0011 (1-05) | 000800 (0-05) | 7/8 | 9/6 | SHIRT extracted | 150 | 10/10 | 10/05 | 10/08 | | 0 |
| 20 | 0-0012 (1-05) | 000800 (0-11) | 7/8 | 9/6 | SHIRT extracted | 150 | 11/6 | 10/4 | 10/08 | | 01 |
| 01 | 0-0015 (1-0-2) | 000800 (10-15, 10) | 7/8 | 9/6 | " " " | 150 | 10/1 | 10/10 | 10/08 | | 10 |
| 00 | 0-0016 (1-01) | 000907 (1-01) | 7/8 | 9/6 | " " " | 150 | 10/0 | 10/10 | 50% 1/1 100% 0/0 | | 01 # |

| Item Item | Qty & Item | Also on Order & Item | Order Date | Order Date | Description of Material | Qty number of Items | Delivery Date/Period | Delivery Date/Period | Remarks Excluded | Quantity Items |
|--------------|--------------------|----------------------------|---------------|---------------|----------------------------|---------------------------|-------------------------|-------------------------|---------------------|-------------------|
| 23 | D5015 (1,2) | D5097 (3,9) | 7/8 | 9/6 | spun extruded | 150 | 10/5 | 12/11 | 50% 1/3 Del. 2/8 | 20 # |
| 24 | D5016 (1,2) | D5097 (6,7) | 7/8 | 9/6 | spun extruded | 150 | 11/6 | 12/4 | Ditto | 27 # |
| 25 | D5017 (2,3) | D5097 (10,11) | 7/8 | 9/6 | " " | 150 | 11/6 | 12/4 | Ditto | 27 # |
| 26 | D5018 (2) | D5097 (13) | 7/8 | 9/6 | " " | 150 | 12/5 | 12/11 | Ditto | 20 # |
| 27 | D5019 (1,2) | D5097 (15,16) | 7/8 | 9/6 | " " | 150 | 10/28 | 12/5 | Ditto | 28 # |
| 28 | D5020 (1,3) | D5097 (18,20) | 7/8 | 9/6 | " " | 150 | 12/10 | 12/16 | Ditto | 15 # |
| 29 | D5022 (2,3) | D5097 (22,23) | 7/8 | 9/6 | " " | 150 | 12/1 | 12/10 | Ditto | 21 # |
| 30 | D5024 (1,2,3) | D5097 (30,31,32) | 7/8 | 9/6 | spun extruded | 150 | 11/2 | 12/4 | Ditto | 27 # |
| 31 | D5027 (1,3,4) | D5097 (37,39,40) | 7/8 | 9/6 | spun extruded | 150 | 11/6 | 12/4 | Ditto | 27 # |
| 32 | D5029 (1,2) | D5097 (44,45) | 7/8 | 9/6 | " " | 150 | 10/31 | 12/5 | Ditto | 28 # |
| 33 | D5030 (1,2,3,4) | D5097 (46,47,48,49) | 7/8 | 9/6 | " " | 150 | 11/8 | 12/5 | Ditto | 26 # |
| 34 | D5031 (1,3) | D5097 (50,52) | 7/8 | 9/6 | " " | 150 | 12/5 | 12/11 | Ditto | 20 # |
| 35 | D5032 (2,3) | D5097 (54,55) | 7/8 | 9/6 | " " | 150 | 11/22 | 12/9 | Ditto | 22 # |

| Item | HAU Order # Item | Also Order & Item | Order Date | Order Date | Description of Material | For Number of lanes | Approximate Delivery Date | Deadline Delivery Requirement | Approximate Delivery Estimated | Days Delay From Deadline Date |
|---------------|-------------------------|----------------------------|----------------|----------------|-------------------------|---------------------|---------------------------|-------------------------------|--------------------------------|-------------------------------|
| 36 | D-5233 (1,2) | 3174957 (56,57) | 7/8 | 9/6 | 2410 Extruded | 150 | 11/22 | 12/9 | 50% 1-1 bal. 2-8 | 24 # |
| 37 | D-5234 (1,2,3) | 3174957 (58,59,60) | 7/8 | 9/6 | " " | 150 | 12/10 | 12/16 | Ditto | 15 # |
| 38 | D-5235 (1,2) | 3174957- (61,62) | 7/8 | 9/6 | " " | 150 | 10/25 | 12/2 | Ditto | 29 # |
| 39 | D-5236 (1,3) | 3174957 (64,66) | 7/8 | 9/6 | " " | 150 | 12/18 | 12/18 | Ditto | 13 # |
| 40 | D-5237 (1,3) | 3174957 (67,69) | 7/8 | 9/6 | " " | 150 | Item 3 rush Bal. 12/8 | 12/11 | Ditto | 20 # |
| 41 | D-5238 (1,2,3,4) | 3174843 (1,2,3,4) | 7/8 | 9/6 | 245T " | 150 | 10/28 | 12/2 | Ditto | 29 # |
| 42 | D-5239 (1,2,4) | 3174957 (26,28,29) | 7/8 | 9/6 | " " | 150 | 11/2 | 12/4 | Ditto | 27 # |
| 43 | D-5239 (1,2) | 3174843 (5,6) | 7/8 | 9/6 | " " | 150 | 11/13 | 12/6 | 12/28 | 25 # |
| 44 | D-5240 (1,2) | 3174843 (7,8) | 7/8 | 9/6 | " " | 150 | 10/30 | 12/3 | 30% 1/1 Bal. 2/8 | 28 # |
| 45 | D-5242 (2,3) | 3174843 (10,11) | 7/8 | 9/6 | " " | 150 | 10/30 | 12/3 | Ditto | 28 # |
| 46 | D-5242 (1,2,3,4) | 3174843 (12,13,14,16) | 7/8 | 9/6 | " " | 150 | 10/30 | 12/3 | Items 3 & 4 12/7, bal. 12/28 | 25 # |
| 47 | D-5243 (1,2) | 3174843 (18,19) | 7/8 | 9/6 | " " | 150 | 11/2 | 12/4 | 12/28 | 24 # |

-4-

- delay indicated is for partial shipment

Regraded Unclassified

24

| Inst Item | Order & Item | Alcoa Order Item | Order Pl'd | Order Del'd | Description of Material | For Number of Pinned | Normal Schedule Delivery Requirements | Deadline Delivery Requirements | Alcoa Delivery Estimated | Days Delay from Deadline Date |
|---------------|-----------------------------|-----------------------------|----------------|----------------|----------------------------|----------------------------|--|--------------------------------------|----------------------------------|--|
| 48 | D-5244 (1,2,3) | 001043 (20,21,22) | 7/8 | 9/6 | 24ST Extruded | 150 | 11/2 | 12/4 | 12/28 | 24 |
| 49 | D-5245 (1,3,4) | 001043 (23,25,26) | 7/8 | 9/6 | " " | 150 | 11/2 | 12/4 | Item 4-12/7 Bal. 12/28 | 24 |
| 50 | D-5247 (3,4) | 001043 (24,33) | 7/8 | 9/6 | " " | 150 | 11/2 | 12/4 | 12/28 | 24 |
| 51 | D-5248 (1,3,4) | 001043 (34,36,37) | 7/8 | 9/6 | " " | 150 | 11/30 | 12/10 | 12/28 | 16 |
| 52 | D-5250 (1) | 001043 (41) | 7/8 | 9/6 | " " | 150 | 11/12 | 12/6 | 12/28 | 29 |
| 53 | D-5251 (1,2) | 001043 (43,44) | 7/8 | 9/6 | " " | 150 | 11/4 | 12/10 | 12/28 | 18 |
| 54 | D-5252 (1,2) | 001043 (45,46) | 7/8 | 9/6 | " " | 150 | 11/18 | 12/7 | 12/28 | 21 |
| 55 | D-5253 (1,2,3) | 001043 (47,48,49) | 7/8 | 9/6 | " " | 150 | 11/20 | 12/9 | Item 2 & 3 12/7-Bal. 12/28 | 19 |
| 56 | D-5254 (1,2,3) | 001043 (50,51,52) | 7/8 | 9/6 | " " | 150 | 11/5 | 12/4 | Item 1-12/7 Bal. 12/28 | 24 |
| 57 | D-5255 | 001044 | 7/8 | 9/6 | " " | 212 | 25% 11/5 | 25% 12/4 | Part 11/16* Bal. 2/28 | 11 (estimated) |
| 58 | D-5257 (1,2) | 001044 (2,3) | 7/8 | 9/6 | " " | 150 | 11/6 | 12/4 | 33% 1/1, 4/1, 5/1 | 27 |
| 59 | D-5258 (1,2) | 001044 (11,12) | 7/8 | 9/6 | " " | 150 | 11/2 | 33% 12/4, 33% 12/12, 47 | 33% 1/1, 2/1, 3/1 | 27 |

* - delay indicated is for partial shipment.
 - shipment not made as estimated.

Regraded Unclassified

| List Item | Part Order # Item | Item Order # Item | Order Int'd | Order Del'd | Description of Material | Part Number of Vision | Quantity Delivered (Actual) | Original Delivery Requirement | Actual Delivery Estimated | Entry Error Estimated |
|---------------|--------------------------------|--------------------------------|----------------|----------------|-------------------------|-----------------------|-----------------------------|-------------------------------|---------------------------------|---------------------------|
| 60 | D-9061 (2) | 081004 (14) | 7/8 | 9/6 | SPOT Extruded | 150 | 12/5 | 12/11 | 53% 1/1, 2/1, 3/1 | 80 |
| 61 | D-9062 (6, 2, 4) | 081004 (17, 18, 19) | 7/8 | 9/6 | " " | 150 | 11/8 | 12/4 | Diffn | 87 |
| 62 | D-9064 (14, 15, 11) | 081004 (20, 21, 22) | 7/8 | 9/6 | " " | 150 | 11/6 | 12/4 | Diffn | 87 |
| 63 | D-9064 (14, 15, 11) | 081004 (20, 21, 22) | 7/8 | 9/6 | " " | 150 | 11/6 | 12/4 | Diffn | 87 |
| 64 | D-9067 (2, 4) | 081004 (23, 24) | 7/8 | 9/6 | " " | 150 | 11/8 | 12/4 | Diffn | 87 |
| 65 | D-9075 (1, 2, 3) | 081004 (27, 28, 29) | 7/8 | 9/6 | " " | 150 | 11/8 | 12/4 | Item 2-12/7 del. 1/5 | 89 |
| 66 | D-9075 (1) | 081004 (3) | 7/8 | 9/6 | " " | 150 | 11/4 | 12/4 | Item 1-11/25 | 85 (estimated) |
| 67 | D-9076 (1, 1, 0) | 081005 (30, 31, 32) | 7/8 | 9/6 | " " | 150 | 1/6 | 1/10 | Item 4-10/14, Del. 0/8 | 87 |
| 68 | D-9078 (1, 2, 3, 4) | 081005 (33, 34, 35, 36) | 7/8 | 9/6 | " " | 150 | 11/6 | 12/4 | Item 2 & 4 12/14, bal. 1/5 | 88 |
| 69 | D-9080 (1, 2, 2) | 081005 (37, 38, 39) | 7/8 | 9/6 | " " | 150 | 11/8 | 12/4 | 0/8 | 89 |
| 70 | D-9085 (5) | 081005 (40) | 7/8 | 9/6 | " " | 150 | 11/13 | 12/6 | 0/8 | 85 |
| 71 | D-9085 (2, 3, 4) | 081005 (41, 42, 43) | 7/8 | 9/6 | " " | 150 | 11/6 | 12/4 | 0/8 | 85 |
| 72 | D-9085 (1, 2, 2, 2) | 081005 (44, 45, 46, 47) | 7/8 | 9/6 | " " | 150 | 11/8 | 12/4 | 0/8 | 89 |

* shipment not made as estimated.

Regreded Unclassified

100

| UNIT | UNIT | UNIT | UNIT | UNIT | UNIT | UNIT | UNIT | UNIT | UNIT | UNIT |
|---------------|------------------------------------|--|----------------|----------------|-------------------------|----------------|-----------------|-----------------|---------------------------|---------------|
| 1100 | 1100 | 1100 | 1100 | 1100 | 1100 | 1100 | 1100 | 1100 | 1100 | 1100 |
| 74 | 1100006 (1, 5, 6, 7) | 1100016 (4, 5, 6, 7, 8, 9) | 1/8 | 9/6 | not regraded | 190 | 11/6 | 12/4 | 1/8 | 89 |
| 74 | 1100007 (1, 2, 3, 4) | 1100016 (1, 2, 3, 4) | 1/8 | 9/6 | " " | 190 | 11/6 | 12/4 | 1/25 | 91 |
| 75 | 1100008 (1, 2, 3) | 1100016 (5, 6, 7) | 1/8 | 9/6 | " " | 190 | 11/6 | 12/4 | Item 3-12/81 Del. 1/25 | 91 |
| 76 | 1100009 (1, 2, 3, 4) | 1100016 (8, 9, 10, 11) | 1/8 | 9/6 | " " | 190 | 11/6 | 12/4 | 1/25 | 91 |
| 77 | 1100010 (1, 2) | 1100016 (12, 13) | 1/8 | 9/6 | " " | 190 | 11/13 | 12/6 | 1/25 | 91 |
| 78 | 1100011 (1, 2, 3, 4) | 1100016 (15, 16, 17, 18) | 1/8 | 9/6 | " " | 190 | 11/6 | 12/4 | 1/25 | 91 |
| 79 | 1100012 (1, 2) | 1100016 (19, 20) | 1/8 | 9/6 | " " | 190 | 11/6 | 12/4 | 1/25 | 91 |
| 80 | 1100013 (1, 2, 3, 4) | 1100016 (21, 22, 23, 24) | 1/8 | 9/6 | " " | 190 | 11/6 | 12/4 | 1/25 | 91 |
| 81 | 1100014 (1, 2, 3, 4) | 1100016 (25, 26, 27) | 1/8 | 9/6 | " " | 190 | 11/6 | 12/4 | 1/25 | 91 |
| 82 | 1100015 (2) | 1100016 (28) | 1/8 | 9/6 | " " | 190 | 11/6 | 12/4 | 1/25 | 91 |
| 83 | 1100016 (1, 2, 3, 4) | 1100016 (33, 34, 35) | 1/8 | 9/6 | " " | 190 | 11/13 | 12/6 | 1/25 | 91 |
| 84 | 1100017 (1, 2) | 1100016 (37, 38) | 1/8 | 9/6 | " " | 190 | 11/25 | 12/2 | 1/25 | 96 |

| Task Item | Task Order # Item | Activity Order # Item | Order Date | Order Date | Description of Material | Number of Plans | Delivery Requirement | Delivery Requirement | Delivery Estimated | Delivery Estimate Date |
|---------------|---------------------------------|-------------------------------------|----------------|----------------|-------------------------|-----------------|----------------------|----------------------|----------------------------|------------------------|
| 85 | D-5508 (1,2) | 034016 (0,1,4,8) | 7/8 | 9/6 | 034016 material | 150 | 11/13 | 10/6 | 1/25 | 44 |
| 86 | D-5509 (1,2,3,4) | 034016 (0,5,16,47,48) | 7/8 | 9/6 | " " | 150 | 11/13 | 10/6 | 1/25 | 44 |
| 87 | D-5500 (1,2,3) | 034017 (1,8,3) | 7/8 | 9/6 | " " | 150 | 10/5 | 10/11 | 1/25 (1-12/1) Del. 1/25 | 44 |
| 88 | D-5501 (1,2,3,4,5) | 034017 (0,5,6,7,8) | 7/8 | 9/6 | " " | 150 | 11/8 | 12/3 | 1/25 | 50 |
| 89 | D-5502 (1,2) | 034017 (2,11) | 7/8 | 9/6 | " " | 150 | 11/13 | 12/6 | 1/25 | 49 |
| 90 | D-5505 (1,2,3) | 034017 (14,15,16) | 7/8 | 9/6 | " " | 150 | 11/6 | 12/4 | 1/25 | 51 |
| 91 | D-5504 (1,2,3,4,5) | 034017 (12,20,21,22) | 7/8 | 9/6 | " " | 150 | 12/3 | 12/5 | 1/25 | 50 |
| 92 | D-5505 (1,2) | 034017 (23,25) | 7/8 | 9/6 | " " | 150 | 12/10 | 12/16 | 1/25 | 39 |
| 93 | D-5506 (3,5) | 034017 (29,31) | 7/8 | 9/6 | " " | 150 | 12/10 | 12/16 | 1/25 | 39 |
| 94 | D-5507 (1,2,3,4) | 034017 (32,33,34,35) | 7/8 | 9/6 | " " | 150 | 11/6 | 12/4 | 1/25 | 51 |
| 95 | D-5508 (1) | 034017 (36) | 7/8 | 9/6 | " " | 150 | 11/15 | 12/6 | 1/25 | 49 |
| 96 | D-5503 (1,2,3,5) | 034017 (39,40,41,43) | 7/8 | 9/6 | " " | 150 | 12/10 | 12/16 | 1/25 | 39 |
| 97 | D-5510 (4) | 034017 (37) | 7/8 | 9/6 | " " | 150 | 12/10 | 12/16 | 1/25 | 37 |
| 98 | D-5511 (1,2,3,4) | 034020 (1,2,3,4) | 7/8 | 9/6 | " " | 150 | 11/6 | 12/2 | 1/25 | 30 |

| List Item | BAC Order & Item | Alcoa Order & Item | Order Init'd | Order Init'd | Description of Material | For Number of Planes | Schedule Delivery Requirement | Deadline Delivery Requirement | Alcoa Delivery Estimated | Delay from Deadline Date |
|----------------|-------------------------------|-------------------------------|----------------|----------------|---------------------------|----------------------|-------------------------------|-------------------------------|-----------------------------|--------------------------|
| 99 | D-5324 (1,2,3) | 314850 (5,6,7) | 7/8 | 9/6 | Sheet Extruded | 150 | 11/6 | 12/4 | 1/4 | 30 |
| 100 | D-5325 (3) | 314850 (10) | 7/8 | 9/6 | " " | 150 | 11/6 | 12/4 | 1/4 | 30 |
| 101 | D-5326 (1,2) | 314850 (13,14) | 7/8 | 9/6 | " " | 150 | 11/29 | 12/7 | 1/4 | 27 |
| 102 | D-5327 (2) | 314850 (17) | 7/8 | 9/6 | " " | 150 | 12/10 | 12/16 | 1/4 | 28 |
| 103 | D-5363 (2,3) | 314980 (2,3) | 8/22 | 9/6 | 2450 Tubing | 150 | 12/16 | 12/16 | 25% 1/11, 2/11.3/11.4/11 | 25 # |
| 104 | D-5364 (1,2) | 314980 (1,5) | 8/22 | 9/6 | " " | 150 | 11/29 | 12/30 | 25% 1/11, 2/6,3/8,4/12 | 31 # |
| 105 | D-5366 (1,3) | 314980 (7,9) | 8/22 | 9/6 | Sheet " | 150 | 11/27 | 12/9 | Ditto | 32 # |
| 106 | D-5367 (1,2,3) | 314980- (10,11,12) | 8/22 | 9/6 | " " | 150 | 12/18 | 12/23 | Ditto | 18 # |
| 107 | D-5368 (1,2,3) | 314980 (13,14,15) | 8/22 | 9/6 | " " | 150 | 12/16 | 12/23 | Ditto | 18 # |
| 108 | D-5369 (1,2,3) | 314980 (16,17,18) | 8/22 | 9/6 | " " | 150 | 11/4 | 12/4 | Ditto | 37 # |
| 109 | D-5370 (1,2) | 314980 (19,20) | 8/22 | 9/6 | " " | 150 | 12/26 | 1/2 | Ditto | 9 # |
| 110 | D-5371 (1) | 314980 (21) | 8/22 | 9/6 | " " | 150 | 11/4 | 12/4 | Ditto | 37 # |
| 111 | D-5372 (1,2,3) | 314980 (21,25,26) | 8/22 | 9/6 | " " | 150 | 11/4 | 12/4 | Ditto | 37 # |

- delay indicated is for partial shipment.

| Lot Item | MO Order & Item | Alarm Order & Item | Order Date | Order Date | Description of Material | Est Number of Pieces | Estimated Delivery Requirement | Estimated Delivery Requirement | Alarm Delivery Estimated | Delivery Date |
|-------------|-----------------------|--------------------------|---------------|---------------|----------------------------|----------------------------|--------------------------------------|--------------------------------------|--------------------------------|------------------|
| 112 | D-5373 (1,5) | 009,980 (27,29) | 8/22 | 9/6 | WPT TUBING | 150 | 11/4 | 12/4 | 25# 1/11, 2/8,3/8,3/12 | 27 # |
| 113 | D-5379 (3) | 009,980 (32) | 8/22 | 9/6 | " " | 150 | 12/11 | 12/16 | Ditto | 25 # |
| 114 | D-5375 (1,2,3) | 009,980 (33,34,35) | 8/22 | 9/6 | " " | 150 | 12/9 | 12/13 | Ditto | 28 # |
| 115 | D-5376 (1,2,3) | 009,980 (37,38,39) | 8/22 | 9/6 | " " | 150 | 12/11 | 12/16 | Ditto | 25 # |
| 116 | D-5377 (1,2,3) | 009,980 (40,41,42) | 8/22 | 9/6 | " " | 150 | 12/13 | 12/18 | Ditto | 23 # |
| 117 | D-5378 (1) | 009,980 (43) | 8/22 | 9/6 | " " | 150 | 12/7 | 12/12 | Ditto | 29 # |
| 118 | D-5379 (1) | 009,980 (47) | 8/22 | 9/6 | " " | 150 | 12/26 | 1/2 | Ditto | 9 # |
| 119 | D-5380 (1,2) | 009,980 (50,51) | 8/22 | 9/6 | " " | 150 | 12/17 | 12/23 | Ditto | 18 # |
| 120 | D-5381 (1) | 009,980 (52) | 8/22 | 9/6 | " " | 150 | 11/4 | 12/4 | Ditto | 27 # |
| 121 | D-5380 (1,2) | 009,980 (59,59) | 8/22 | 9/6 | " " | 150 | 11/9 | 12/9 | Ditto | 36 # |
| 122 | D-5380 (1) | 009,980 (64) | 8/22 | 9/6 | " " | 150 | 11/9 | 12/9 | Ditto | 36 # |
| 123 | D-5387 (1,2,3) | 009,980 (65,66,67) | 8/22 | 9/6 | " " | 150 | 11/6 | 12/4 | Ditto | 37 # |
| 124 | D-5388 (1,2,3) | 009,980 (68,69,70) | 8/22 | 9/6 | " " | 150 | 11/9 | 12/9 | Ditto | 36 # |

| List Item | DAC Order # Item | SIOM Order # Item | Order Date | SIOM Date | Description of Material | FOR Number of Planned | Current Schedule in effect requirement | Leadline Delivery requirement | Amount Available Estimated | Days Delay from Leadline Date |
|----------------|-------------------------------|--------------------------------|-----------------|----------------|--------------------------|-----------------------|--|-------------------------------|------------------------------------|-------------------------------|
| 125 | D-9389 (1,2,3) | 00400 (71,72,73) | 8/20 | 9/6 | WIRE TUBING | 150 | 11/9 | 10/5 | 25% 1/11, 2/6,3/6,4/10 | 36 # |
| 126 | D-9391 (1,2) | 00400 (78,79) | 8/22 | 9/6 | " " | 150 | 12/2 | 10/10 | Direct | 31 # |
| 127 | D-9392 (1) | 00400 (1) | 8/6 | 9/6 | WIRE Extended | 150 | 11/6 | 10/4 | 10/28 | 12 |
| 128 | D-9395 (1) | 00400 (2) | 8/7 | 9/6 | " " | 150 | 12/11 | 10/17 | 10/28 | 11 |
| 129 | D-9396 (1) | 00400 (1) | 8/9 | 9/6 | WIRE TUBING | 150 | 11/9 | 10/4 | 1/25 | 51 |
| 130 | D-9397 (1) | 00400 (1) | 8/20 | 9/6 | WIRE Extended | 150 | 12/11 | 12/17 | 50% 10/28 Bal. 1/11 | 11 # |
| 131 | D-9400 (2,3,4) | 00400 (2,3) 00499 (1) | 8/22 | 9/6 | WIRE Extended | 150 | 53% 11/11, 12/10,12/9 | 11/5 | 1/4 | 29 # |
| 132 | D-9401 (1,2,3,4) | 00499 (1,2,3,4) | 8/22 | 9/6 | " " | 150 | 50% 11/9 Bal. 12/10 | 50% 12/2 Bal. 12/16 | Next 12/28 Comp. 1/11 | 23 # |
| 133 | D-9402 (1) | 00499 (1) | 8/25 | 9/6 | " " | 150 | 12/11 | 12/16 | 12/28 | 12 |
| 134 | D-9403 (1,2,3) | 00400 (1,2,3) | 8/29 | 9/6 | WIRE TUBING | 150 | 11/6 | 10/4 | 10/21 | 17 |
| 135 | D-9404 (1,2) | 00499 (1,2) | 8/30 | 9/6 | WIRE Extended | 150 | 12/20 | 12/23 | 1/4 | 11 |

| Line Item | Order # Item | Alcoa Order # Item | Order Ent'd | Order Del'd | Description of Material | Part Number of Alcoa | Alcoa Delivery Requirement | Customer Delivery Requirement | Alcoa Delivery Estimated | Customer Delivery Estimated |
|----------------|-----------------------|-----------------------|-----------------|-----------------|--------------------------|----------------------|----------------------------|-------------------------------|--------------------------------|-----------------------------|
| 136 | D-2409 (1,2) | 224951 (3,4) | 9/5 | 9/6 | 2409 Extruded | 277 | 60% 12/11 | 60% 12/16 | 1/4 | 18 |
| 137 | D-2422 (2,3) | 224979 (2,3) | 9/6 | 9/6 | 2210 Tubing | 150 | 50% 11/20 Del. 12/25 | 50% 12/9 Del. 12/23 | 25% 1/11 5/8 2/12 | 30 # |
| 138 | D-2423 (1,2,4) | 224979 (1,5,7) | 9/6 | 9/6 | " " | 150 | Ditto | Ditto | Ditto | 32 # |
| 139 | D-2429 (1) | 224942 (1) | 9/6 | 9/6 | Forging | 150 | 12/5 | 12/11 | 2/20 | 70 |
| 140 | D-2434 (1 & 2) | 225041 (1 & 2) | 9/26 | 9/26 | 173T Forging | 512 | 25% 11/30 | 25% 12/10 | 2/20 | 71 |
| 141 | D-2439 (1) | 224959 (1) | 9/9 | 9/9 | 173T Forging | 150 | 11/13 | 12/6 | 2/19 | 70 |
| 142 | D-2461 (1) | 224960 (1) | 9/11 | 9/11 | 2409 Extruded | 277 | 60% 12/5 | 60% 12/11 | 33% 1/12/1, 3/1 | 20 |
| 143 | D-2463 (1) | 224998 (1) | 9/13 | 9/13 | " " | 277 | 60% 11/25 | 60% 12/9 | Ditto | 22 |
| 144 | D-2464 (1) | 225012 (1) | 9/12 | 9/12 | " " | 277 | Ditto | Ditto | 1/11 | 32 |
| 145 | D-2465 (1) | 224992 (1) | 9/10 | 9/12 | " " | 277 | 60% 12/11 | 60% 12/16 | 1/2 | 15 |
| 146 | D-2468 (1,2) | 225010 (1,2) | 9/19 | 9/19 | 2410 Extruded | 512 | 30% 11/25 | 30% 12/9 | 33% 1/1, 2/1, 3/1 | 32 |
| 147 | D-2471 (1) | 225000 (1) | 9/19 | 9/19 | 2409 Extruded | 512 | 30% 11/25 | 30% 12/9 | Ditto | 32 |

-12-

Delay indicated is for partial shipment

| List Item | BAU Order & Item | Alcon Order # Item | Order Plcd | Order Held | Description of Material | For Number of Planes | Contract Delivery Requirement | Deadline Delivery Requirement | Alcon Delivery Estimate | Delay From Deadline Date |
|----------------|---------------------------|---------------------------|------------------|------------------|-------------------------|----------------------|-------------------------------|-------------------------------|------------------------------|--------------------------|
| 148 | D-5489 (1) | SP5023 (1) | 9/12 | 9/13 | SPST Extruded | 277 | 60% 11/30 | 60% 12/10 | 33% 1/1, 2/1,3/1 | 21 d |
| 149 | D-5504 (1) | SP5064 (1) | 10/7 | 10/7 | " " | 512 | 30% 11/14 | 30% 12/6 | 33% 1/1, 2/1, 3/1 | 22 |
| 150 | D-5575 (1) | SP5075 (1) | 10/9 | 10/9 | " " | 512 | 30% 11/2 | 30% 12/4 | 30% 12/23, bal. 2/1 | 24 |
| 151 | D-5542 (1) | SP5070 (1) | 10/8 | 10/8 | Forging | 512 | 30% 11/30 | 30% 12/10 | 2/28 | 80 |
| 152 | D-5574 (1,2,3) | SP5100 (1,2,3) | 10/10 | 10/10 | SPST Extruded | 512 | 30% 11/5 | 30% 12/11 | 33% 1/1, 2/1,3/2 | 20 |
| 153 | D-5581 (1,2,3,4) | SP5103 (1,2,3,4) | 10/11 | 10/11 | " " | 512 | 30% 12/5 | 30% 12/11 | Ditto | 20 |
| 154 | D-5565 (1) | SP5089 (1) | 10/10 | 10/10 | Forging | 512 | 30% 12/9 | 30% 12/18 | 2/28 | 72 |
| 155 | D-5586 (1,2) | SP5087 (1,2) | 10/10 | 10/10 | Forgings | 512 | 30% 11/29 | 30% 12/16 | 2/14 | 60 |
| 156 | D-5604 (1,2,3) | SP5108 (1,2,3) | 10/14 | 10/14 | SPS Extruded | 512 | 30% 12/11 | 30% 12/16 | 33% 1/1, 2/1, 3/1 | 15 |
| 157 | D-5642 (1) | SP5123 (1) | 10/16 | 10/16 | SPST Extruded | 512 | 30% 12/5 | 30% 12/17 | Ditto | 14 |
| 158 | D-5676 (1) | SP5127 (1) | 10/19 | 10/19 | Forging | 512 | 30% 12/10 | 30% 12/16 | 2/28 | 74 |
| 159 | D-5678 (1,2,3) | SP5131 (1,2,3) | 10/18 | 10/18 | SPST Extruded | 512 | 30% 11/30 | 50% 12/16 | 33% 12/28, 2/1,3/1 | 12 |

-15-

" - delay indicated is for partial shipment.

Note: Requirements listed on this page could not be prepared for purchase in advance of contract because of design changes required for B-17E specifications.

| <u>List Item</u> | <u>BoG Order # Item</u> | <u>Alcoa Order # Item</u> | <u>Order date</u> | <u>Order date</u> | <u>Description of material</u> | <u>PO# number of pieces</u> | <u>Normal schedule Delivery requirement</u> | <u>Deadline Delivery requirement</u> | <u>Alcoa Delivery Estimated</u> | <u>Days Delay From Deadline Date</u> |
|------------------|-------------------------|---------------------------|-------------------|-------------------|--------------------------------|-----------------------------|---|--------------------------------------|---------------------------------|--------------------------------------|
| 160 | D-5674 (1) | BF5145 (1) | 10/22 | 10/22 | For ging | 512 | 30% 12/9 | 30% 12/17 | 2/28 | 73 |
| 161 | D-5679 (1,2,3) | BF5131 (1,2,3) | 10/18 | 10/18 | 443 Extruded | 512 | 30% 11/30 | 30% 12/16 | 3/8 | 81 |
| 162 | D-5681 (1) | BF5148 (2) | 10/21 | 10/21 | 2400 Extruded | 512 | 30% 11/30 | 30% 12/16 | 30% 12/28, bal. 3/8 | 12 |
| 163 | D-5626 (1,2) | BF5152 (1,2) | 10/22 | 10/22 | 245T Extruded | 512 | 30% 11/30 | 30% 12/16 | 33% 1/1, 2/1, 3/1 | 15 |
| 164 | D-5687 (1) | BF5156 (1) | 10/22 | 10/22 | 245T Extruded | 512 | 30% 11/30 | 30% 12/16 | 30% 12/28, bal. 3/8 | 12 |
| 165 | D-5682 (1) | BF-5196 (1) | 10/29 | 10/29 | For ging | 512 | 30% 12/10 | 30% 12/18 | 3/10 | 81 |

-11-

Note: 160-165 items listed on this page could not be prepared for purchase in absence of contract because of design changes required for B-177 specifications.

Regraded Unclassified

January 9, 1941

To: The Secretary
From: Mr. Young

British Boeing B-17 Bombers

The British Purchasing Commission tells me that delivery on the Boeing B-17 bombers which were promised them cannot now be promised before March 17th because of an inability to obtain leak-proof gasoline tanks. They say further that if the United States Army would release tanks of this type over which it has control, the bombers could be delivered by February 10th. However, I understand that General Arnold has not considered it advisable to release these tanks.

T.Y.

January 9, 1941

My dear Mr. President:

Attached herewith is the file which you transmitted to me a few days ago concerning the findings of the Administrator of Export Control with respect to the value of certain Republic planes requisitioned at the request of the United States Army Air Corps.

It is my understanding that practically all of these planes have been delivered to the Air Corps and that the recommendation of the Administrator of Export Control needs your approval before the manufacturer can receive payment.

Faithfully yours,

The President,

The White House.

FT:bj

FT

January 9, 1941

My dear Mr. President:

Attached herewith is the file which you transmitted to me a few days ago concerning the findings of the Administrator of Export Control with respect to the value of certain Republic planes requisitioned at the request of the United States Army Air Corps.

It is my understanding that practically all of these planes have been delivered to the Air Corps and that the recommendation of the Administrator of Export Control needs your approval before the manufacturer can receive payment.

Faithfully yours,

The President,

The White House.

FR:bj
FR

January 9, 1941

My dear Mr. President:

Attached herewith is the file which you transmitted to me a few days ago concerning the findings of the Administrator of Export Control with respect to the value of certain Republic planes requisitioned at the request of the United States Army Air Corps.

It is my understanding that practically all of these planes have been delivered to the Air Corps and that the recommendation of the Administrator of Export Control needs your approval before the manufacturer can receive payment.

Faithfully yours,

The President,

The White House.

FT:bj

THE WHITE HOUSE
WASHINGTON

December 31, 1940

MEMORANDUM FOR SECRETARY MORGENTHAU:

What do we do next on this?

F.D.R.

The President.

The White House.

Dear Mr. President:

Pursuant to Section Two of the regulations prescribed by the President October 15, 1940, entitled "Regulations Governing the Requisitioning and Taking over for the Use or Operation by the United States or in its Interest of Certain Articles and Materials Issued Pursuant to the Provisions of the Act of Congress Approved October 10, 1940", hearings have been held in connection with the requisition under the act of October 10, 1940, Public No. 829, 76th Congress, 3d Session, of the following-described property:

Requisitioned from the Republic Aviation Corporation, Farmingdale, Long Island, New York:

- 13 Type 2PA Two Seater Bombers complete with engines, accessories and equipment
- 15 Type EP1 Single Seater Pursuit Planes complete with engines, accessories and equipment.

Submitted herewith are reports of those hearings and of my findings and recommendations thereon. In these reports it is recommended that the following determination of fair and just value be made:

28 Airplanes as described above \$1,071,457.00

This recommendation is concurred in by the Secretary of War.

E. L. Maxwell

R. L. MAXWELL,
Administrator of Export Control

Recommendation approved and fair and just value determined accordingly.

F. D. R.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Stockholm, Sweden

DATE: January 9, 1941, 4 p.m.

NO.: 18

It is my understanding that on the third and fourth of this month there was large scale selling of dollars through banks in Stockholm by Swedish nominees for dollar accounts of Germans in the United States as well as by Germans who reside in Sweden. Germans who held dollars converted them into marks, and they transferred these marks to Germany.

The reason for carrying out these transactions, it is believed, was the fear that the United States might freeze German funds held there, the recent strong public utterances of the President accelerating this fear.

STERLING.

EA:LWW

January 9, 1941

MEMORANDUM

TO: The Secretary

FROM: Mr. Young

Re: Further Developments on Proposal to Eliminate
Export Licenses on Goods Going to Canada

You will remember that the proposed proclamation to eliminate exports to Canada from the export control system was tabled at Colonel Maxwell's Advisory Committee meeting on January 6 for further investigation. At Colonel Maxwell's request, Mr. Buckley has since been designated a member of the sub-committee which prepares these proclamations. He attended a meeting of this sub-committee on January 8 at which the Canadian situation was considered. The following points are of interest:

1. At the request of the Chairman, Mr. Buckley pointed out that if the proclamation were issued in its present form there were the following dangers:
 - a. The situation with respect to critical materials is steadily growing worse, and as a matter of principal this is ipso facto a bad time to release any of our controls.
 - b. In the absence of information as to exports prior to shipment, substantial quantities of critical materials might go to Canada and into the hands of speculators there without the knowledge of either this Government or the Canadian Government.
 - c. Exports to Canada might well be re-exported to other British dominions, since Canada apparently has a less rigid control on exports to other British dominions than we have.
 - d. In the absence of a thorough study by the Defense Commission of our exports to Canada, it seems unwise to have a blanket elimination of control over exports since there are obviously items such as machine tools, aluminum, plans and specifications, etc., over which control must be continued regardless of this proclamation.

- e. From the standpoint of national policy it would seem desirable that approval of the heads of the interested United States departments be secured for such a drastic step before the proclamation be presented to the President.
2. Concurrence with the points brought up by Mr. Buckley was expressed by Mr. Alex Henderson, of the Defense Commission, Mr. Henry Chalmers, Chief of the Division of Foreign Tariffs of the Department of Commerce, and Commander Shaffer, of the Army and Navy Munitions Board, representing the Army and Navy.
3. Mr. Yost, of the State Department, was quite insistent that something had to be done immediately, although no particular case was made for urgent action. Apparently this entire proposal has been worked up between the State Department and Colonel Maxwell's office without previous reference to this working sub-committee. Mr. Yost did state that the proposal had been discussed with and was approved by Secretary Hull.
4. In the course of a rather extended discussion it was brought out that the real need in the export picture at the present time was authority for the Administrator to issue general licenses. Apparently his present powers do not extend this far. If they did, then the Canadian situation could probably be taken care of quite simply without a complete elimination of export control as is proposed.
5. As a result of this, the Committee opinion was divided between a group who felt the answer was to have a proclamation issued giving the Export Administrator power to issue general licenses and abandon the Canadian proclamation and those who felt that the Canadian proclamation should be issued. All the latter group apparently felt that a general licensing power was a desirable thing but appeared to feel that it would take longer to accomplish, and they were apparently influenced by the State Department's arguments for urgent treatment.

P.Y.
continued on
next page.

6. It was finally agreed that they would make substantially the following recommendation to the main committee:
 - a. That the main committee abandon the Canadian proclamation and forward to the President instead a proclamation giving the Administrator of Export Control power to issue general licenses.
 - b. That if the main committee found this proposal unacceptable they recommended the issuance of the Canadian proposal with modifications which would require that exporters furnish information in advance of shipment on critical items to be exported to Canada, even though an actual license be not required.

7. The main committee will consider this report on Friday, January 10, at 3:00 P.M.

P.Y.

January 9, 1941

Supplemental Memorandum on Planes for Greece

Since the memorandum dated January 6th was compiled, it has developed that the President advised Secretary Morgenthau that the Greek Minister had been promised sixty planes.

At a conference between Secretary Morgenthau and Mr. Sumner Welles on January 8th, Mr. Welles stated that he was not aware that the number of planes promised had been increased from thirty to sixty. Mr. Welles also stated with respect to the offer made by Mr. Butler of the British Embassy on December 31st concerning the delivery of American planes on an American steamer to Greece that the State Department was not in favor of an American ship undertaking to make that delivery.

Mr. Murray of the State Department advised Mr. Phillip Young this morning that Secretary Hull feels that the original promise of thirty planes to the Greeks should be fulfilled before any American planes are diverted to any other foreign purchaser.

P.Y.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 9, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Official sales of British-owned dollar securities under the vesting order effective February 19, 1940:

| | No. of Shares Sold | \$ Proceeds of Shares Sold | Nominal Value of Bonds Sold | \$ Proceeds of Bonds Sold |
|--|--------------------|----------------------------|-----------------------------|---------------------------|
| December 30 | 63,460 | 2,094,344 | \$11 | \$11 |
| 31 | 147,090 | 2,300,141 | 38,000 | 33,045 |
| January 1 | | | | |
| 2 | 128,458 | 4,730,505 | 45,500 | 28,048 |
| 3 | 50,890 | 2,691,439 | \$11 | \$11 |
| 4 | 850 | 37,042 | \$11 | \$11 |
| | <u>390,748</u> | <u>11,913,471</u> | <u>83,500</u> | <u>61,093</u> |
| Sales from February 22 to December 28 | <u>3,107,752</u> | <u>100,488,201</u> | <u>5,902,500</u> | <u>4,518,098</u> |
| TOTAL FEBRUARY 22, 1940 TO JANUARY 4, 1941 | 3,498,540 | 112,401,672 | 5,986,000 | 4,579,191 |

Mr. Pinset reported sales of non-vested securities for the week ended December 28 totaled \$475,000.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE January 9, 1941

TO Secretary Morgenthau

FROM Mr. Haas

Subject: Price trends of securities acquired by British on December 15, 1940, in comparison with general market.

American securities taken over by the British Government under its vesting order of December 15 (see list attached) included 42 common stocks, 17 preferred stocks, and 6 bonds. The attached chart shows the price trends for these three groups since the first week of October, in comparison with price trends for representative groups in the general market. The prices are Friday quotations, shown as indexes with October 4 taken as 100.

Two general conclusions may be drawn from this chart:

(1) As to the securities selected by the British Government for this vesting order, it is apparent in all three groups that securities were selected which had recently shown greater strength than the general market. This is particularly true of the selected common stocks (upper section of chart), the average prices of which were about the same at the time of the vesting order as they had been early in October, whereas the Dow-Jones composite stock index had appreciably declined during that period.

(2) As to the reaction of prices of the vested stocks to the announcement of the vesting order, it will be noted (a) that the vested common stocks declined in the week following announcement of the order by practically the same percentage as the decline in the Dow-Jones composite index, and later gained somewhat more than the Dow-Jones index; (b) that the vested preferred stocks sagged slightly in the two weeks following the order while a selected group of closely similar preferreds held about unchanged, but that the vested stocks later regained practically all of the previous loss; and (c) that the 6 vested bonds, in the week following the announcement, were somewhat weaker than the Dow-Jones composite index of 40 bonds, but fully regained their previous position during the next two weeks.

(In these calculations, 2 of the 42 common stocks and 1 of the 17 preferred stocks included in the vesting order are omitted, owing to a lack of adequate quotations. Also, two bonds of one issue which differ only in negotiability are here treated as one bond.)

American Securities Taken Over by the
British Government Under its Vesting
Order of December 15, 1940

Common stocks

American Gas & Electric
American Home Products
American Rolling Mill
Atlantic Refining
Atlas Corporation
Bankers Trust
Beneficial Industrial Loan Corporation
Blaw Knox
Boston Edison
Chase National Bank
Continental Can
Crown Cork and Seal
Detroit Edison
Dresser Manufacturing
Eastman Kodak
General Motors Corporation
Inland Steel
Kalamazoo Stove and Furnace
Lehigh Portland Cement
Liggett & Myers Tobacco
Liggett & Myers Tobacco Class B
Lime Locomotive Works
Macy & Company
Marshall Field
Mueller Brass
National Dairy Products
New Jersey Zinc
Niles-Cement-Pond
Owens-Illinois Glass
Pacific Lighting
Pennsylvania Railroad
Proctor and Gamble
Sears, Roebuck
Sherwin-Williams
Socony Vacuum Oil
Southern California Edison
Timken Detroit Axle
Union Oil California
Walgreen
Wayne Pump
Woodward Iron
Woolworth (New York)

- 2 -

Preferred stocks

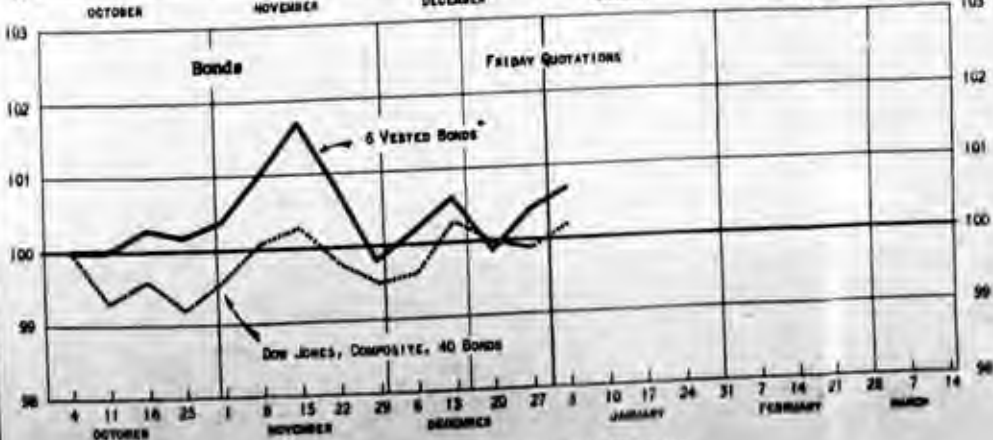
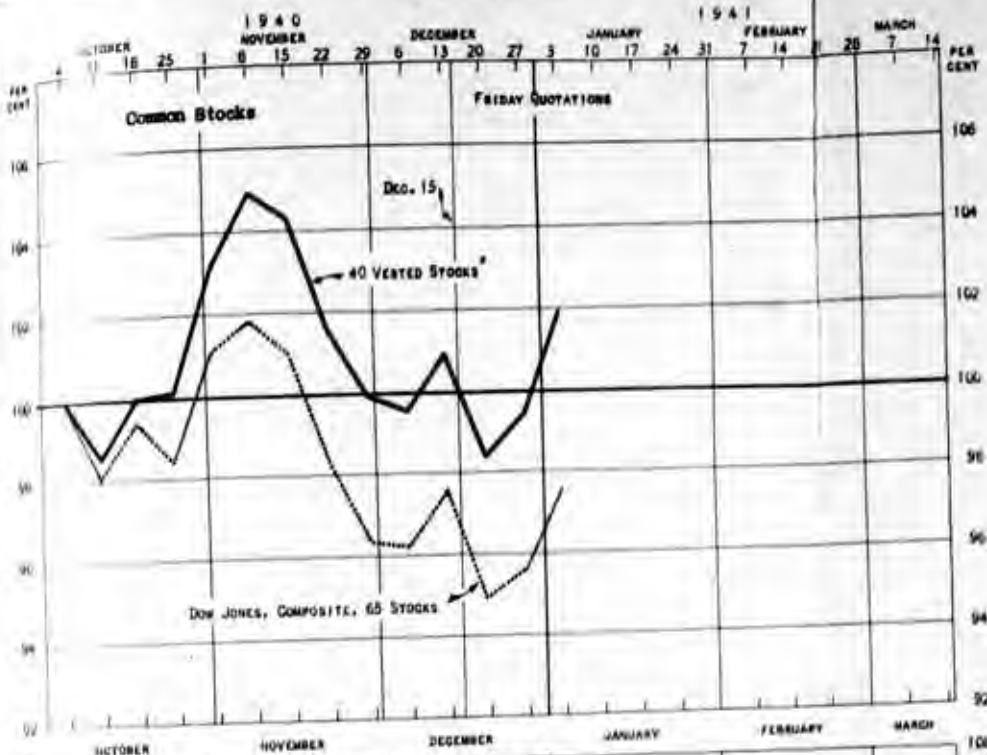
American Locomotive 7% cum. pref.
 American Smelting & Refining 7% cum. pref.
 Atch. Topeka & S. Fe 5% non-cum. pref.
 Atlas Corporation 6% cum. pref.
 Blue Ridge Corp. opt. \$3 cum. conv. preference, series 1929
 Crown Zellerbach \$5 cum. conv. pref.
 Electric Bond & Share \$6 cum. pref.
 Goodyear T. & R. \$5 cum. conv. pref.
 International Harvester 7% cum. pref.
 Loew's, Inc., \$6.50 cum. pref.
 National Power & Light \$6 cum. pref.
 Niagara Hudson Power 5% cum. 1st pref.
 Ohio Oil 6% cum. preferred
 Pacific Gas & Electric 6% cum. 1st pref.
 United Gas \$7 cum. 1st pref.
 United States Steel 7% cum. pref.
 Cleveland & Pitts. R.R. 7% regular

Bonds

American Power & Light 6% gold debs.,
 American series
 Ches. & Ohio R. R. 4 $\frac{1}{2}$ % gen. mtge. gold
 reg. and bearer bonds of 1992
 Pennsylvania R. R. 4 $\frac{1}{2}$ % gold debs., 1970
 Southeastern Power & Light 6% gold
 debentures, series A of 2025
 Southern R. R. dev. & Gen. mtge. 6% gold
 bonds, series A of 1956
 Standard Gas & Electric Co. 6% gold debs.,
 series B of 1966

PRICES OF STOCKS AND BONDS VEESTED BY THE BRITISH GOVERNMENT UNDER ORDER OF DECEMBER 15, 1940 COMPARED WITH SELECTED AVERAGES

October 4, 1940 = 100



*AVERAGE OF PRICES BASED ON OCT. 4, 1940 = 100

WILLARD HOTEL, WASHINGTON, D. C.

TELEPHONE REPUBLIC 7860



BRITISH PURCHASING COMMISSION

See this AM
1/3/41
Handwritten signatures and notes

January 9, 1941.

Dear Mr. Secretary:

I inclose a summary statement of cash payments required against contracts:

- (a) during next week
- (b) during the balance of January
- (c) during the month of February

on the assumption that this would probably cover the period of the Congressional debates.

None but vital contracts are covered in the statement. Priorities are expressed by the periods in which financial payments are necessary.

Yours sincerely,

Arthur B. Brown

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

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

RECEIVED
January 9 1941
OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON, D. C.

List of Contracts on which Prompt Action with Contractors
is Necessary if Actual Prejudice to the War Effort is to be Avoided.
In millions - US Dollars

| | <u>JAN. 9-16, 1941</u> | | <u>JAN. 17-31, 1941</u> | | <u>FOR THE YEAR, 1941</u> | | <u>TOTAL</u> | |
|---|----------------------------------|--------------------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
| | <u>Value of</u> <u>Orders</u> | <u>Cash</u> <u>Payments</u> | <u>Value of</u> <u>Orders</u> | <u>Cash</u> <u>Payments</u> | <u>Value of</u> <u>Orders</u> | <u>Cash</u> <u>Payments</u> | <u>Value of</u> <u>Orders</u> | <u>Cash</u> <u>Payments</u> |
| <u>Orders Required to be Placed.</u> | | | | | | | | |
| Aircraft Products | 184 | 51 | 125 | 51 | 244 | 54 | 453 | 116 |
| Tanks & Ordnance | 100 | 30 | 221 | 55 | 297 | 55 | 526 | 140 |
| Merchant Ships | 11 | 2 | 96 | 25 | - | 5 | 107 | 27 |
| Miscellaneous | -5 | -2 | 80 | -8 | 85 | 25 | 50 | 27 |
| TOTAL | 280 | 65 | 460 | 117 | 606 | 125 | 1146 | 307 |
| Cash required to meet obligations on existing contracts. | | 50 | | 68 | | 145 | | 213 |
| TOTAL PAYMENTS | | 115 | | 185 | | 298 | | 526 |

Miscellaneous represents running requirements of numerous items relatively small individually, but of an urgent character coming in daily such as chemicals, machine tools, fire hose, electric cables, etc.

Detail lists supporting this statement are being prepared.

The payments on orders to be placed are partly actual and partly estimated from past experience.

Capital assistance is included both in the total value and down payment figures.

British Supply Council in North America, Washington.
January 9, 1941.

THE SECRETARY OF THE NAVY

WASHINGTON

January 9, 1941.

CONFIDENTIAL

My dear Henry:

I have your note addressed to Stimson and myself, concerning the allocation to the Greeks of 60 fighting planes.

I should be very happy to cooperate with you in carrying out the President's desires in the matter.

Yours sincerely,

A handwritten signature in cursive script, reading "Frank Knox". The signature is written in dark ink and is centered on the page.

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

WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
WASHINGTON

January 9, 1941.

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

Dear Mr. Morgenthau:

Thank you very much for the following reports, which you sent me this date:

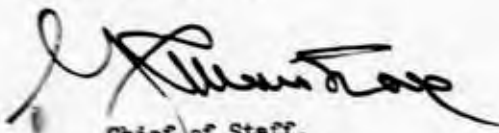
Part I - Airplanes

Deliveries of and New Orders for Airplanes,
June 9, 1940 - January 4, 1941; Unfilled Orders
and Estimated Deliveries on January 4, 1941.

Part II - Airplane Engines

Deliveries of and New Orders for Airplane
Engines, June 9, 1940 - January 4, 1941;
Unfilled Orders and Estimated Deliveries on
January 4, 1941.

Faithfully yours,



Chief of Staff.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, (Paris) Vichy

DATE: January 9, 1941, 3 p.m.

NO.: 30

FOR THE TREASURY DEPARTMENT FROM MATTHEWS.

Reference is made to telegram of December 16, 5 p.m., No. 1144 from the Embassy, and telegram of January 8, No. 38 from Paris.

A circular has just been issued by the Union Syndicale des Banquiers to its members. In it they are informed that the date on which the German authorities will begin opening safe deposit boxes by force has been postponed until the thirty-first of this month.

In addition the circular states that since people desiring to return to the occupied territory in order to be present when their boxes are opened and examined are unable to get permits from the Germans to return, those banks which have branches in the unoccupied territory should ask their customers to give the branch bank the keys and combinations of their boxes and powers of attorney for opening the boxes. In case there are no branches in the unoccupied territory, the customer is asked to forward to the Vichy office of the Union Syndicale des Banquiers the keys, combinations, and powers of attorney "in blank".

LEAHY.

EA:LWY

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE January 9, 1941

TO Secretary Morgenthau

FROM Mr. Egan

SUBJECT: Trend of bank stock prices in response to January 2 Federal Reserve statement.

The attached chart, prepared in response to your request, shows the trend of prices for 6 individual bank stocks before and after publication of the monetary-control statement by the Federal Reserve Board on New Year's Day, in comparison with the market trend of the Dow-Jones industrial stock index. The three largest banks in New York and the largest bank in Chicago have been selected for this comparison. All prices are expressed as indexes, with December 2, 1940 taken as 100.

You will note that all 6 of the bank stocks showed greater strength than the general market on the day following the Federal Reserve Board announcement. This strength, however, was not confined to the period following the release of the statement. During the week preceding that date, the stocks of certain banks advanced sharply. In the 5 market days preceding New Year's Day, for example, while the Dow-Jones average was advancing 1.7 per cent, stock of the National City Bank rose 2.7 per cent, stock of the Continental Illinois Bank 2.3 per cent, and stock of the Chase National Bank 2.3 per cent. In over-all price trends, the Guaranty Trust and Bankers Trust stocks have been noticeably weaker than those of the other four banks.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE January 9, 1941

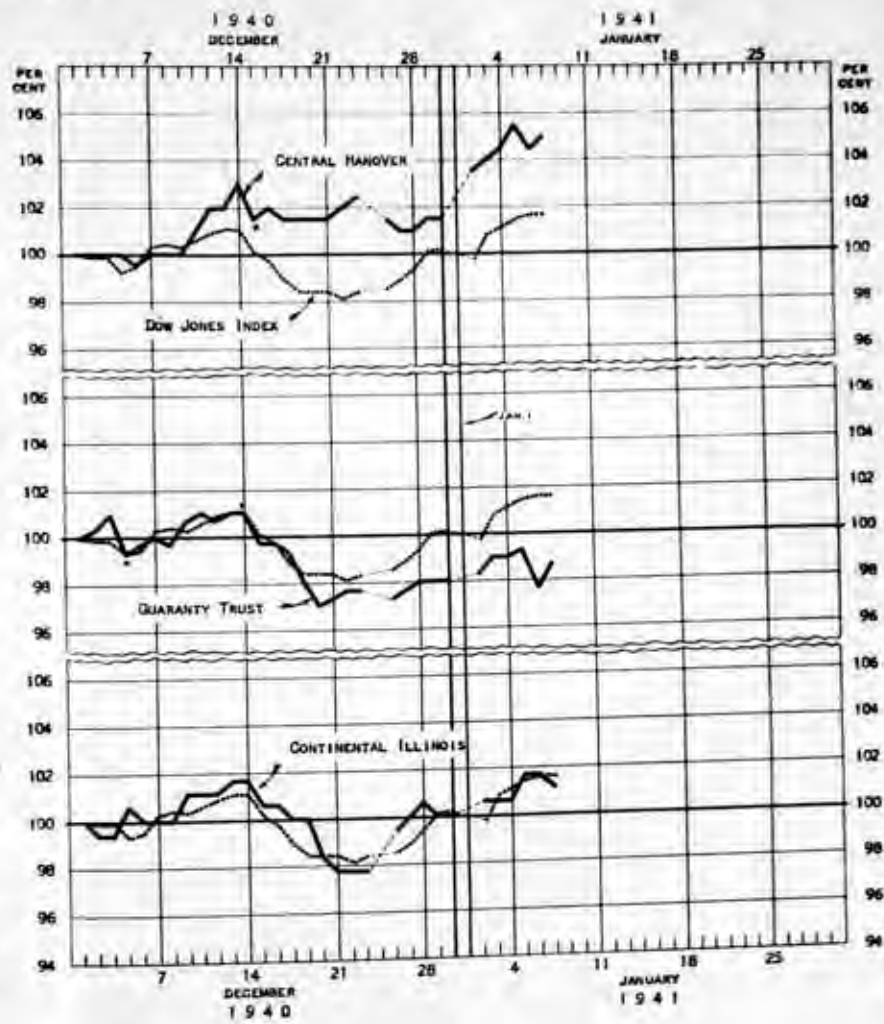
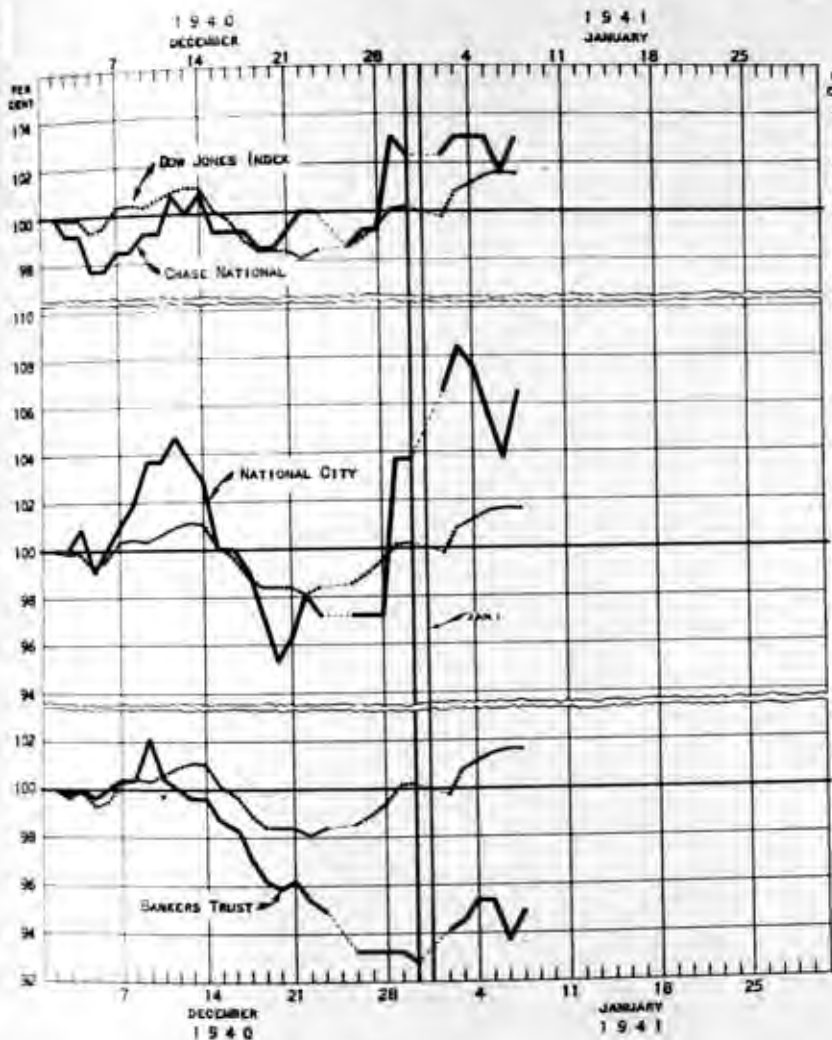
TO Secretary Morgenthau
FROM Mr. Haas
Subject: Trend of bank stock prices in response to January 1
Federal Reserve statement.

The attached chart, prepared in response to your request, shows the trend of prices for 6 individual bank stocks before and after publication of the monetary-control statement by the Federal Reserve Board on New Year's Day, in comparison with the market trend of the Dow-Jones industrial stock index. The five largest banks in New York and the largest bank in Chicago have been selected for this comparison. All prices are expressed as indexes, with December 2, 1940 taken as 100.

You will note that all 6 of the bank stocks showed greater strength than the general market on the day following the Federal Reserve Board announcement. This strength, however, was not confined to the period following the release of the statement. During the week preceding that date, the stocks of certain banks advanced sharply. In the 5 market days preceding New Year's Day, for example, while the Dow-Jones average was advancing 1.7 per cent, stock of the National City Bank rose 6.7 per cent, stock of the Continental Illinois Bank 2.3 per cent, and stock of the Chase National Bank 2.3 per cent. In over-all price trends, the Guaranty Trust and Bankers Trust stocks have been noticeably weaker than those of the other four banks.

PRICES OF SELECTED BANK STOCKS COMPARED WITH DOW JONES INDUSTRIAL STOCK INDEX

DECEMBER 2, 1940 = 100



PER DIVIDEND

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

~~CONFIDENTIAL~~

DATE January 9, 1941

TO Secretary Morgenthau

FROM Mr. Klaus

RE reports:

January 4. Further on Rueckwanderer Marks. Agent's report contains a complete list of the names and addresses, dates, and amounts of Rueckwanderer Mark transactions covering approximately 2,800 individuals; records found at the Chase Bank covered the period between September 1, 1936, and November 30, 1940, and show that approximately \$5,581,997.07 in American dollars was made available in New York for the use of the German government, being deposited in the German Gold Account Bank account at the Chase. Applicants show addresses not only throughout the United States but also in Canada, Germany, Guatemala, Mexico, Panama, and Uruguay. The report suggests that all the individuals made what is "tantamount to an act of allegiance to Germany" in stating intention to take up permanent residence in Germany after approval of the application. The report further states with reference to the 3% German Reichsmark Funding Bonds sold in the United States and issued in payment of dividends due subsidiaries of American corporations that Article 5 of the Neutrality Act is thereby violated. Investigation is continuing.

January 4. Officials of the German Consulate in Chicago are trying to arrange for shipments of metals (tungsten, nickel, sodium, tin, columbium, tantalum, niobium, zirconium, zirconium, zinc, copper, and magnesium) through South American and Central routes for transshipment to Germany, probably via Japan; they are attempting to interest Americans in the organization of an export corporation for this purpose.

January 6. It appears that FBI has known about Veritas Press (the organization which imports, prints, and distributes Nazi propaganda material and to whom \$1,000 bills have been traced) at least since January 1939 but has begun intensive investigation since hearing from us; we will be informed of developments.

January 7. "A source close to the German Embassy" has stated that the Embassy accurately advised the German Foreign Office a year ago that the United States would not be prepared for war at this time; that the reports concerning German troops in Rumania are silly since there are not available barracks to house the soldiers (400,000 to 500,000); that Germany would not go to war with the United States even if the United States took over 35 Danish merchant ships now in the United States. He further said that in a recent conversation with Henry Luce he had learned that Luce is convinced now that a Nazi invasion of the United States via South America is a great illusion and Luce "appears to be leaning more and more toward isolationist tendencies."

S.L.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

STRICTLY CONFIDENTIAL

DATE January 9, 1941

TO Secretary Morgenthau
FROM Mr. Klaus

FBI reports:

January 9. On December 21, 1940, the Royal Norwegian Legation presented to the Depot Circle Branch of the Riggs National Bank a check in the amount of \$105,470.83 of the Government of the Commonwealth of Australia drawn on the Chase National Bank, Rockefeller Center Branch, New York; they received \$105,000 in \$5,000 bills and the balance in miscellaneous currency; FBI has the serial numbers of these bills.

January 9. Newspaper reports to the contrary ~~and~~ notwithstanding, Princess Stefania is still in California and not in Mexico City.

NY.

JR

PLAIN

Nanking via N. R.

Dated January 9, 1941

Rec'd 1:40 p.m.

Secretary of State,
Washington.

7, January 9, 3 p.m.

"Central Reserve Bank".

The local Chinese press this morning carried an item to the effect that the highest authorities of a certain American bank in Shanghai had stated their willingness to accept the new notes if they are supported by the Chinese people; that a certain large department store the same city had agreed to accept them and that, since the French Concession authorities are on good terms with the Nanking "Government", their readiness to accept the new issue is beyond doubt.

Sent to the Department. Repeated to Chungking,
Peiping and Shanghai. By mail to Tokyo.

PAXTON

TFV

eh:copy

TO THE SECRETARY
TECHNICIAN VP 221001
RECEIVED

JAN 11 1941

RECEIVED

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 9, 1941

TO Secretary Morgenthau
FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

| | |
|------------------------------------|---------|
| Sold to commercial concerns | £65,000 |
| Purchased from commercial concerns | £ 3,000 |

Open market sterling was steady at 4.03-3/4. Transactions of the reporting banks were as follows:

| | |
|------------------------------------|--------|
| Sold to commercial concerns | £3,000 |
| Purchased from commercial concerns | £5,000 |

Only minor changes took place in the other currencies, and closing quotations were:

| | |
|--------------------------|-------------------|
| Canadian dollar | 14% discount |
| Swiss franc | .2321 |
| Swedish krona | .2385 |
| Reichsmark | .4005 |
| Lira | .0505 |
| Argentine peso (free) | .2355 |
| Brazilian milreis (free) | .0505 |
| Mexican peso | .2066 |
| Cuban peso | 7-11/16% discount |
| Chinese yuan | .05-5/8 |

There were no gold transactions consummated by us today.

No new gold engagements were reported.

No gold or silver prices were received from Bombay today. The New York banks, however, received quotations late yesterday afternoon, wherein gold was priced at \$33.96, off 3¢ from Tuesday's level. Silver was unchanged at the equivalent of 43.97¢.

The prices fixed in London for spot and forward silver were both 1/16d higher, at 23-3/8d and 23-5/16d respectively. The dollar equivalents were 42.44¢ and 42.33¢.

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

We made three purchases of silver totaling 350,000 ounces under the Silver Purchase Act. Of this amount, 150,000 ounces represented a sale from inventory, and the other 200,000 ounces consisted of new production from foreign countries, for forward delivery.

J.M.R.

CONFIDENTIAL

BRITISH EMBASSY,
WASHINGTON, D. C.

January 9th, 1941

Personal and
Secret

Dear Mr. Secretary,

I enclose herein for your
personal and secret information a copy
of the latest report received from
London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Henrik Baker

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.

TELEGRAM FROM LONDON DATED JANUARY 7, 1941.

Naval.

Two destroyers were in collision when leaving Pa (some words undecypherable) yesterday morning. Considerable damage occurred to both ships.

2. During the Libyan operations besides covering the passage and unloading of supply ships running from Alexandria to Sollum naval units have supplied 250 tons of water to the army. 13,130 Italian prisoners have been evacuated from Barga Matruh.

3. A convoy of 12 ships has arrived in home waters from Sierra Leone without loss.

4. Royal Air Force. January 6th a Blenheim sent on a task to North West Germany was obliged to abandon it but instead attacked a 5,000 ton tanker off the Dutch coast and obtained a direct hit with a 250 lb. bomb.

5. Night of 6th/7th. All operations were cancelled owing to weather.

6. Libya. On 4th and 5th January our Hurricanes shot down 7 enemy bombers and 7 fighters. One Hurricane failed to return. During the same period heavy and medium bombers dropped 17 tons of bombs on military objectives and shipping at Tobruk and at Tripoli where they also dropped 9,000 copies of the Prime Minister's speech.

7. Home Security. All railway services in the London area are now practically normal again and at Cardiff normal traffic has been resumed.

8. Italy. There still is not sufficient

- 2 -

evidence to say whether there are any German combatant troops in Italy. There seems no doubt however that a large military mission consisting of specialists and technicians is in Italy and that the Gestapo is extending its influence.

G-2/2650-220

RESTRICTEDM.I.D., W.D.
January 9, 1941.
12:00 M.

No. 288

SITUATION REPORT

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

I. Western Theater of War.

1. Air Force Operations.

The German Air Force made numerous small scattered raids during daylight of the 8th. It was inactive last night, probably because of local weather conditions in its base areas.

Last night the R.A.F. operated normally against the northwest coastal area of Germany. Wilhelmshaven, Emden and Borkum Island were attacked.

II. Greek Theater of War.

1. Local ground actions reported. Success in these actions claimed by both the Italians and Greeks.

2. Italian air offensive activity increased, both along the front and in the back areas. Salonika was bombed. This may be the forerunner of an Italian attempt to revert to the offensive on the ground.

III. Mediterranean and African Theaters of War.

1. The British report the concentration of their forces in the Tobruk area is continuing.

Active patrolling is reported on the Sudan and Kenya frontiers.

2. The Italians claim to be attacking actively the British ground forces in Libya.

R.A.F. pressure on Tobruk evidently continues. Tripoli and Bengazi, in Libya, and Naples and Palermo, in Italy, were also bombed.

RESTRICTED

CONFIDENTIAL

Paragraphs of Code Intelligence
Received at the War Department
at 1402, January 5, 1941

283

Athens, filed 16:00, January 6, 1941.

Major Cross of the Air Corps has made the following reports:
I went out with three Wellingtons - individual planes -
making night raids over Brindisi on the night of December 20.
These planes were stick-bombing over the city. In view of weather
conditions, they flew at only 2000 feet. I also flew with nine
Heinkel formations without escort, on day raids over the city and
airframe of Sorati in clear weather on the same date.

The pilots, who averaged a thousand hours, were excellent
in all respects. They faced heavy and accurate night anti-aircraft
and day fighter opposition from fifteen planes. They conformed to
American tactical school doctrines exactly, except that they had to
waste needless time over their targets to get even bombing results.
This was due to their obsolete bomb sights. No planes were lost.
They were using nothing but 250 pound bombs and light incendiaries.

The methods of operation used by the British-Greek air forces
have not changed materially since I reported last. Neither has their
strength.

The British will send 20 Greek pilots to operational train-
ing units in Iraq on January 15. This confirms the idea that they
intend to give the Greek air force assistance.

The Italians have a certain degree (not calculated) of air
superiority. They are operating from advanced bases in Albania. Their
operations are both continuous and effective and are directed against
attack objectives of a typical sort in the rear areas. They operate

CONFIDENTIAL

particularly against areas in rear of the central and southern sectors.

There have been no attacks on Athens or on the two airbases there, though they are only weakly defended. These airbases have contained all three of the British bomber squadrons since the war began.

Recently, day operations against Salonica have been resumed. By using a route through Yugoslavia, the Italians have escaped interception by the six obsolete Greek airplanes, all that can be spared to operate from the airbase there. The British air commander, an able officer, is equally worried about the unsolved problem how to employ his present small force properly from airbases with limited facilities against the present enemy air superiority, the handicap of under aircraft range, and with a weather handicap added. Reported strengthening of Italian air forces by the Germans threatens him with an increase of these hostile efforts.

At sea, the night action of the British fleet off Salona on December 17 is the only effort to seize superiority in the Adriatic and Ionian seas, of which I have information. Italian warships are still carrying on independent day operations against roads and villages along the coast, so that the results of the British effort cannot be considered decisive.

The Italian fleet, cooperating with their artillery and air, has conducted heavy combined operations against the undefended village of Elmas and adjoining towns during the afternoon of December 20. This was an effort to halt the Greek advance which had started at dawn that day at a distance of two miles. The Italian attempt was a failure because the Greeks had no reserves and the villages shelled were pres-

-3-

CONFIDENTIAL

tically empty.

From December 28 to January 2, I visited the front in the Elzara and Daphnisi areas. They were occupied by one corps of three divisions-- one fourth of the Greek fighting force. I was able personally to observe all the air, land, and sea operations mentioned above.

It was learned that deep snow has compelled curtailment of operations in the north. In the hope of forcing evacuation of Albania, the Greeks are making desperate efforts to roll up the Italian right and seize Valona. The Italians are being slowly forced back by the Greeks, though they are resisting stubbornly from prepared positions with preponderance of all arms. The Greeks are underfed, badly equipped, and badly clothed and their communications as well as their fronts are stretched to the breaking point. The commander of the British independent mission, General Eghmond, said today that the purpose of his mission is merely to advise the Greek army and to supply it. He is seriously concerned over the Greek capacity to continue unless they can be kept in motion. The Greeks have made tremendous requests for arms, which he is trying to supply. No supplies have been received as yet, since the shipping problem is very difficult. Immediate critical needs are 2,000 light trucks, pack animals by the thousands, and ammunition for the 75 and 105 mm. guns. Less priority to other needs, which are, nevertheless, real.

Edgar

Distributions:

Secretary of War
State Department
Secretary of Treasury
Asst. Secretary of War

Chief of Staff - 3
War Plans Division

-4-

CONFIDENTIAL

Paraphrase of Code Cables Received at the
War Department at 12:24, January 9, 1941

London, filed 15:00, January 9, 1941.

1. On January 8, thirteen British convoys were escorted by planes of the Coastal Command which engaged in one photo-reconnaissance mission and three special and five routine patrols. On that day raids by bomber planes on targets in Holland had to be cancelled. During the preceding and following nights adverse weather conditions caused the cancellation of all flights.

2. There were no German planes over Britain on the nights of January 7-8 and 8-9 because of unfavorable weather.

3. Details will be cabled later on the movement of two additional British divisions from England to the Middle East which is now being carried out. During the night of January 8-9 British planes based in Malta were sent on bombing missions to Naples. The results of this mission are unknown. During the night of January 6-7 one large merchant vessel was hit in the British bombing attack on Tripoli.

4. Ice has caused the closing of ports on fiords in Denmark and in the northern part of the Gulf of Bothnia.

LEE.

Distribution:

Secretary of War
State Department
Secretary of Treasury
Asst. Secretary of War
Chief of Staff
WPD
CHI

AC
S-3
CONFIDENTIAL

CONFIDENTIAL

Paraphrase of Code Radiogram
Received at the War Department
22:29, January 9, 1941.

Belgrade, filed January 9, 1941.

The Yugoslav Intelligence Chief says that probably eight (and at least six) German divisions have already entered Rumania. Numerous panzer detachments are on the Danube between Corchia and Oltenita, according to reports. German troop movements into Rumania have been almost uninterrupted since December 30, coming mostly from German strength in Rumania is now estimated at 120,000. The Yugoslav Intelligence Chief is now inclined to take the theory that the Germans would move troops into Bulgaria, more seriously than hitherto. On the other hand, he thinks that so far as major operations are concerned, invasion of Britain remains as the most likely idea.

FOURIER

Distribution:

Secretary of War
State Department
Secretary of Treasury ✓
Asst. Secretary of War
Chief of Staff
War Plans Division
Office of Naval Intelligence

CONFIDENTIAL

Progress of Code Intelligence
Received at the War Department
at 15:00 on January 9, 1941.

Stockholm, H.Med 17:30, January 9, 1941.

In reply to your No. 83 and No. 84, the figures below have been furnished by an authoritative source which it is believed is absolutely reliable and sympathetic. On May 10, 1940, Germany had 11,000 first line and 20,000 reserve combat planes. Since that time 18,000 planes have been produced. Information as to losses is not available. Both the Naval and Military Attaches are continuing this investigation with the cooperation of the Minister. The Naval Attaché has no information other than that given above. It is estimated that the national monthly manufacturing capacity is 3,000 planes.

WASHDC.

Distribution:

Secretary of War
State Department
Secretary of Treasury
Asst. Secretary of War
Chief of Staff
War Plans Division
Office of Naval Intelligence
AS
AM

CONFIDENTIAL

January 10, 1941
9:30 a.m.

GROUP MEETING

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

H.M.Jr: Glad to get reacquainted with everybody.
Mr. Foley and I have been busy. I didn't
see you (Foley) come in. Harry has a
message for you.

White: It is about your bacon and coffee.

H.M.Jr: Herbert?

Gaston: I haven't anything.

H.M.Jr: Foley?

Foley: Here is a memorandum for your diary about the
meeting yesterday.

- 2 -

H.M.Jr: What do you mean?

Foley: At the White House.

H.M.Jr: For Irey?

Foley: Diary. There is a press release.

H.M.Jr: What a man.

Foley: Ferdie Kuhn and I got that up last night.

H.M.Jr: Wonderful. I will read it with much interest. Did you make Ferdie work last night?

Foley: Sure, he was here until after twelve. He says he likes it. (Laughter)

Kuhn: It is habit.

H.M.Jr: Good.

Foley: It was funny. When I got back to the office, Rayburn called and said that he wanted to hold a press conference too, and I said, "Well, McCormick said that Barkley was going to do the whole thing." He says, "I know, but I don't want the House press gallery to have to go way over to the Senate side. That would be inconvenient."

H.M.Jr: You gave him the same thing?

Foley: Said he wanted the same thing at a quarter past eleven. He is going to hold one at twelve and so is Barkley.

H.M.Jr: It will be like when the President talks you hear these three or four radio announcers all in the same room, each one talking into the mike before he talks, so it sounds like bedlam.

- 3 -

That looks good. Did Kuhn know what it was about?

Foley: Sure.

H.M.Jr: He will learn to have an answer. He will have to take a few lessons from Harry White.

Kuhn: On having answers?

H.M.Jr: I got off something at your expense, and I got no answer back. I said you would have to take a few lessons from Harry White.

John, I am accepting an invitation to go down to Mobile, Alabama, from Mayor LaGuardia, on the 21st of February. Kuhn is writing a speech and I wrote him that in case something happened that I couldn't go, you would be delighted to.

Sullivan: Are you going?

H.M.Jr: Yes, I am going to try to. (Laughter)

Foley: If he can't go, I will go.

H.M.Jr: Try to keep Sullivan away. I just wanted you to know, I am completely relaxed until ten o'clock when the British come. Then I have got to go to work, so go ahead.

Sullivan: Do you want us to keep you relaxed, or do you want to go to work?

H.M.Jr: Relaxed.

Sullivan: The Bureau has recommended that we not have non-application reports in section 102 in cases of corporations with an income under \$25,000. It will save a great deal of non-productive work. I think it is quite all right, but I

- 4 -

wanted to mention it to you before announcing it. I think there was up to you once before a Treasury decision revising our treatment of insurance policies. There have been a number of different decisions by the courts and I think it came up to you before and you disapproved it. Do you recall whether or not insurance policies that were non-assignable were to be included as part of the gross estate for state tax purposes?

H.M.Jr: I refuse to commit myself.

Sullivan: Well, is it all right for us to go ahead with what they think is right on it?

H.M.Jr: If you think it is right, it is all right with me. I don't know what it is all about.

Sullivan: The only reason I brought it up is because I understood it had been up before you.

H.M.Jr: If you think it is all right, it is all right with me.

Sullivan: A company in Philadelphia is anxious to bring isopropyl alcohol into its industrial alcohol and convert. The Alcohol Tax Unit doesn't think that should be allowed. We have had trouble with them before. They have gotten away with things up there. Mr. Graves disapproves it and we disapprove it. The only reason I mention it is that they wanted to do that for the Navy Department, and I was afraid that Secretary Knox might speak to you about it and it is just one of those things we can't permit to be done.

H.M.Jr: If he talks to me, I will refer him to you.

- 5 -

Sullivan: Right. That is all I have, sir.

E.V.Jr: Yesterday in Cabinet, Bob Jackson went into a long talk. He had a list of various American companies where the patent situation was more or less controlled by the Germans, and through that they controlled production. He got approval of the President to go ahead and draft a bill that not only which would have patents, but which would list investments in this country; and he called me up later on last night and asked who should go on what seemed to be a legal matter, and I said Foley.

Foley: We got a draft of that. Leon left one over here, too. There are two drafts around, ours and Leon's.

E.V.Jr: All right. Anyway, I am telling you about it. You are on a new committee. And while I am on that, Dan, I wish that you personally would talk to Preston Delano and I expect him to have about ten times as much material as I could use on the bank holding situation, and I am looking to him, you see. I want good cases. I expect him to feed the stuff to me.

Bell: In what form? Do you mean for a hearing?

E.V.Jr: Yes, when I go up --

Bell: To read before a hearing?

E.V.Jr: Yes, in testimony. They can just pump the stuff into me but I expect - and I think he ought to be thinking about - he ought to follow all the newspapers, any comments, and the possibility of answering the thing. I mean, the battle is on and I am looking to Preston Delano to watch it. He hasn't got much to do, and he might just

- 6 -

as well watch this. He says he hasn't got much to do there. I see in the bill according to the Wall Street Journal that it is also going to control dividends, which I didn't know before. Give him the right to control the dividend policy of all insured banks.

Foley: That is right.

H.M.Jr: I didn't know that, but that is swell.

Foley: We put that in to take care of Bank of America between now and the time Trans-America has to get rid of the bank stock.

H.M.Jr: I thought it was swell. Tell Preston I am going to look to him. I expect him to watch all the newspapers and watch this whole situation, and it is up to him to run to see me if he needs any help.

Foley: He has already started it.

H.M.Jr: I would just like Bell to tell him that I am counting on him.

Bell: No indication as to when this thing might break on the Hill?

H.M.Jr: I think it will be introduced today.

Bell: I mean the hearings.

H.M.Jr: I don't know, but I want Delano to watch the papers and the various things. He should be proud to do something to get the bill through.

Foley: Glass was supposed to do it yesterday.

H.M.Jr: That column in the Wall Street Journal on Friday morning is pretty good. I was interested in it.

- 7 -

What they do is, they all get together on Thursday night and pool all their gossip, and they write it once a week, Friday morning.

Cochran: Alphanand and Lacour-Gayet have talked to Pehle and also to Atherton over in the State Department about using the gold which they have down in Martinique. They wanted to have a certain amount of that transported to Puerto Rico and that part came to me and I told them we would accept it in New York if they wanted to sell it or earmark it there. Then before a committee which Pehle might describe --

H.V.Jr: A little louder, please.

Cochran: The Committee of Control has the question as to how we should handle this. They would like to either earmark it and have the facility for selling it and getting free dollars, which they could use to finance shipments from this hemisphere, via Martinique, to northern Africa. They particularly want to send petroleum products. They say they need this for their harvesting and so on.

So the State Department seems to like the idea of their using part of that gold and -- but the State Department would like an answer from us as to whether we favor it. They don't anticipate moving the big bunch, but only ten million dollar lots; but they would like the proceeds to be free; or if they leave it earmarked, then an equivalent amount from their dollar account be free.

H.V.Jr: Well, I think it is - I would like to see the whole thing down on one piece of paper.

Cochran: I have a memorandum on it.

- 8 -

- H.M.Jr: And Mr. Hall is approving this?
- Cochran: Well, they want our idea on the technical side and it was our idea here to say we would buy the gold or hold it under earmark.
- H.M.Jr: If you give it to me and I feel better than I do now, I may read it.
- Cochran: I have had it two or three days.
- H.M.Jr: Well, a couple of days more won't make any difference.
- Boston: So far, on the advice of the State Department, we haven't been permitting any shipments at all to Casa Blanca, France, by way of Martinique or any other way.
- Cochran: This would be conditional upon the British giving them navicerts, of course.
- H.M.Jr: Put it on the pile. All right. Anything else?
- Cochran: No.
- H.M.Jr: I was very glad that you (Wiley) were able to help Mr. Ballitt. I didn't answer him.
- Wiley: I saw Mr. Schubert yesterday, Vice-President of the Bank of Manhattan, and he says in recent months cash withdrawals have been five times anything in the past, and that foreigners who have large holdings of cash keep them in hotel vaults instead of safety deposit boxes in the banks.
- H.M.Jr: I thought I had the thing licked. I thought Mr. Hall and Mr. Welles were satisfied, but they now aren't. I sent you (Kuhn) a memo.

- 9 -

- Fuhr: I got your message.
- H.W.Jr: That is wonderful service on that machine. I mean, the State Department - I don't think they reversed themselves. I just think it has come to the surface. They saw it was imminent and was going to be signed yesterday. So I don't know. Pehle?
- Pehle: If that freezing matter is coming to a head, we have been working on the thing, the committee, and the committee feels that before anything is done there are a number of very large policy questions that have to be settled, and we have to have your time on it.
- H.W.Jr: Well, you will have plenty of time, don't worry.
- Pehle: Mr. Pickett came in again about additional release of French funds, \$50,000 to buy milk in Switzerland.
- H.W.Jr: Tell him to get the 70 tons out of Switzerland he has already bought.
- Pehle: I think that is right. You notice that in the State Department's memorandum on the Hoover proposal, they thought that the Hoover proposal would involve a very unfortunate precedent. Of course, this is exactly the same type of thing and we didn't consult State about it before we did it.
- H.W.Jr: Well, I wouldn't move until they get the 70 tons of milk out. Somebody was to ask the Swiss Minister.
- Cochran: I asked about that and --
- Pehle: We got a report from Matthews and Matthews said

- 10 -

they haven't gotten it out and they agree they haven't gotten it out. They say they hope to get it out.

E.W.Jr: I am going to sit tight until they get it out.

Behle: And on the Hoover proposal, as far as I know he hasn't come back since State referred him to you and done anything about it.

E.W.Jr: Herbert Hoover was referred to me?

Behle: Yes, sir. You remember that is the letter that Cordell Hull sent over here after Hoover had written him, and the State Department attached a memorandum that apparently Feis' office had prepared which was against the proposal. I should think it would be one of the worst of the Hoover proposals.

E.W.Jr: Anything I should do about it?

Behle: No, sir.

E.W.Jr: I am going to skip to the people that I haven't seen and give them a chance.

Thompson: I have that Albany closing matter which Mr. Gaston has cleared with the politicians. The Albany Emergency Relief Accounting Office.

E.W.Jr: Wonderful. What a man, Herbert.

Thompson: We probably will get lots of kicks.

E.W.Jr: Wonderful.

Thompson: Mr. White would like you to appoint Professor Southard. He has a leave of absence from Cornell University. He was here with us in the summer of 1938.

- 11 -

Assistant Secretary Tracy of the Labor Department was asking if we could loan him a car for three or four days during the inauguration period. He is going to be very active in that parade and running up and down the Avenue and wants something with tags. I gave Frazier cards for your car yesterday.

H.M.Jr: Tracy, what is he?

Thompson: Assistant Secretary of Labor.

H.M.Jr: Isn't that an unusual request?

Thompson: It is a little unusual, but I don't see any difficulty about it.

H.M.Jr: Got anything we want from them in return?

Thompson: Nothing I can think of.

H.M.Jr: O.K. We can kind of rub the car in the palm of his hand.

Thompson: You wanted me to tell you about the retirement case of this Internal Revenue man. He is one of Irey's men who reached the age of 70. He is in the Washington District.

H.M.Jr: How did that get to the President without going over my desk.

Thompson: These cases don't go over your desk, and we have about 50 of them a month and 49 of them are retired and one retained. There is no letter to the President. It goes right to the Civil Service Commission.

H.M.Jr: What else?

Thompson: That is about all I have.

- 12 -

H.W.Jr: Dan?

Bell: Do you want an open market meeting for this financing?

H.W.Jr: Yes, and just --

Bell: You don't need it, I don't think.

H.W.Jr: Yes, I don't want them to say - there are two things. I will give you an answer in a minute. I want to do this first, and I want to tell you something very interesting. How about the 15th at eleven o'clock?

Bell: That is all right.

H.W.Jr: Will you take care of it?

Bell: Yes.

H.W.Jr: George Haas made a study for me of bank stocks before the first of January when that announcement came out, and there is no question about it, that they were counting on it, and I wish you would see the way National City and Chase Bank stock acted for two days before this announcement.

Haas: The two Morgan banks didn't do anything.

H.W.Jr: But the Chase and the National City?

Haas: The Bankers and the Guaranty didn't show up.

H.W.Jr: Do you remember how nervous Eccles was about getting that out? Not that I am implying anything, but it is interesting.

Now, what I want you to do, I want you to watch those and if these fellows are convinced there isn't going to be any legislation, let's see

- 13 -

what happens to those stocks, but there is no question in the world that the banking fraternity knew about these, that they were going to go through, and did they go in and buy those stocks! The old hunch was right. We will just watch them. And then you continue to watch the English for me. Have you any doubt at all that it must have been - that they went in and bought those just before the statement came out?

- Reas: I have got the chart of the general market and the chart of those stocks and it shows right before it that it went sharply up.
- H.W.Jr: You are just basing it as I did yesterday in my argument on a pure matter of statistics.
- White: Facts don't lie, do they? (Laughter)
- H.W.Jr: Harry took opposition to my statement to the press yesterday where I said Congress wasn't going to take the Eccles statement seriously. He thought I was too flippant.
- Bell: I thought you said if they did, you would have something to say.
- H.W.Jr: Harry liked it.
- Bell: What became of the chart?
- H.W.Jr: The chart was there.
- Bell: And they never saw it, did they?
- H.W.Jr: No, I had it over, but I listened, and sometimes a little grumpy, but I listened. Nobody asked me anything, nobody asked me whether I thought Jones was right or wrong, nobody asked me

- 14 -

whether I thought we were having inflation and nobody asked me about the President's budget except did I agree with him that there was no such thing as a debt limit. That was the only question that was asked.

Bell: It was a pretty good press.

H.M.Jr: Well, I had a pretty good - you have got, "The Secretary of the Treasury is just clay in the hands of his associates."

White: Baked clay. (Laughter)

H.M.Jr: As long as it isn't a crackpot. (Laughter)

White: In line with that you will be amused at the British press stating that the F.R.B's request for more extensive monetary powers to control inflation is an economic anachronism.

Haas: Go on. (Laughter)

White: All right. On the ground that it is more than monetary powers that is needed to prevent inflation.

Bell: Well, I awaited the press with eagerness, but it came out very dull. I wondered what happened.

H.M.Jr: That is just what happened. Harold?

Graves: Nothing.

H.M.Jr: I am still waiting for you and Norman to ask to see me about that personnel director.

Klotz: They know better.

Thompson: We have been on McKay's list, but we can't get to you.

- 15 -

White: Jerry Frank called up yesterday to say that they had had this meeting and he had something that he wanted to communicate --

H.M.Jr: I talked to him last night.

White: All right.

H.M.Jr: Ferdie?

Kuhn: Would you like to reconsider that American Institute of Banking invitation for the first of February?

H.M.Jr: I won't be here.

Kuhn: You won't be here?

H.M.Jr: No. Everybody will please note.

White: They have.

H.M.Jr: I plan to be gone from the 31st of January until February 10, the night of the 31st.

White: Do you think that is long enough for a good rest, Mr. Secretary?

H.M.Jr: No, I don't, but if I get away I will consider myself extremely lucky.

Kuhn: I have nothing else except that I hope to see the Herald Tribune's leading editorial this morning, apropos of the press yesterday.

H.M.Jr: About Jones and me?

Kuhn: Yes, also a piece in the Times about the behavior of the bonds following your statement and how the brokers are all blessing what you said,

- 16 -

because anyway it gave them increased turnover and that is what they wanted.

Fell: Increased business.

H.M.Jr: I don't want to embarrass you, but when you read some of that stuff, it is - well, I won't say it.

Kuhn: Come on, come on.

H.M.Jr: Well, I just don't - that is why - when I read that stuff, that is why I read PM every night. I like to get something that is really original.

White: He doesn't mind that. He has been writing for --

H.M.Jr: Oh, PM.

White: No.

H.M.Jr: If anybody doesn't, it is refreshing to read PM at night. The job they are doing on the public schools in New York is really amazing. They really go out and get fresh stuff. They have got this campaign on retail sales. They are doing a marvelous job on that, comparing New York retail prices with Vermont. I mean, they have got this campaign on Mexico, this fellow Boyer taking the thing, and we are imperial in our attitude, they think we are and he doesn't believe it, and they gave him a chance last night to write a full editorial answer to Ingersoll contradicting him. It is an interesting paper.

Gaston: I hope they can get some circulation.

H.M.Jr: Well, they have got enough money to keep going for awhile, but it is refreshing to read it.

- 17 -

Bell: It is Marshall Field's paper, isn't it?

H.M.Jr: Yes.

Gaston: By the way, George Field was in town this week. He has been in Mexico. He came in here to get some figures.

H.M.Jr: All right. Does he use - before I see him again, does he use Listerine?

Gaston: He had his teeth fixed.

H.M.Jr: He needed something. (Laughter)

Sullivan: There is an appointment in the wind.

Kuhn: Mr. Secretary, I just wanted to tell you that Odegarde was here and worked hard all yesterday. He is going to be back Tuesday.

H.M.Jr: Grand.

Kuhn: With some stuff written and some more work to do here in the building, seeing people and getting information.

H.M.Jr: He is a breath of fresh air. I like that man.

Kuhn: Very good.

H.M.Jr: I want you all to meet him after he gets started. Have you had a chance to meet him, Bell, Odegarde?

Bell: No, I haven't seen him.

H.M.Jr: He has been working with Kuhn. You will like him.

Thompson: He declined a salary.

- 18 -

H.M.Jr: That is up to him. I told him to talk to Viner and find out what other professors are doing. But he doesn't want any salary?

Thompson: No.

Sullivan: Have you had any talk with either Doughton or Harrison about getting together on the tax program?

H.M.Jr: No, because there was nothing left for me. You can't imagine what Foley and I have been through. Foley is a young man. He can take it. He can't run from here to the White House.

Sullivan: He puffs, doesn't he.

H.M.Jr: That is a polite word for it. (Laughter)

Well now, let me see; at this meeting with the English, I want Mr. Bell and Mr. White and Mr. Cochran and Mr. Foley.

January 10, 1941
10:00 a.m.

RE AID TO BRITAIN

Present: Mr. Fell
Mr. Cochran
Mr. Frank
Mr. Schenker
Mr. Purcell
Mr. Foley
Mr. Cochran
Mr. White
Sir Frederick Phillips
Mr. Gifford
Mr. Pinsent
Mr. Young

H.M.Jr: The reason I asked you gentlemen to come down is this. The SEC, Chairman Frank and his associates, have been talking with this group of investment people. Before you came in, they informed me that they hadn't given out any publicity; and the investment trust people hadn't. Where it came from, I don't know.

Schenker: I know where it came from. Mike Flynn called me and said he had gotten the story from Pat Harrison. First he had it wrong, and then Jimmie Byrnes set him straight. Where he got it from, I don't know.

H.M.Jr: You know where the best leaks come from in Washington?

Schenker: No. I have been here seven years and don't know.

- 2 -

H.V. Jr:

Well, some time I will tell you. So, if Mr. Frank would tell us - I haven't heard yet either - just what the situation is. We are talking now about this group, the idea of their being in a position to buy some of your direct investments if you want to sell.

Frank:

At the Secretary's request, we got in touch with Mr. Quinn, of Tri-Continental. Mr. Schenker went over to New York and conferred with a group of investment trust representatives, and with an exception which I will presently indicate, they will be delighted to negotiate on any direct investments that you care to sell. They have quite a fund of capital, and the virtue of their dealing - Mr. Gifford would know much better than the rest of us - would be that you would have real underwriting. That is, they would be able to put the money right on the table, whereas the investment bankers would have to do a selling job.

The securities they sold would have to be registered with the SEC. Their price would depend upon the market conditions at the time. They can't give you a very long commitment, whereas the investment trusts wouldn't have to bother about that.

Now, of course, they can't - if the job gets to any terrific magnitude, they couldn't handle it alone. Moreover, they are not suggesting and we certainly wouldn't that they - you should limit your negotiations to them because you might get a much better price by dealing with a variety of persons, and they are not suggesting it. They would just like the usual method of dealing, opportunity to investigate, and the like. Mr. Schenker can tell you more adequately than I the approximate

- 3 -

amount of funds that they would have at their disposal.

Schenker: Depending upon the group that we wanted to include in these negotiations, I think it would range from 15 million to a hundred million in that group. However, Mr. Quinn has already told me that certain insurance companies have called them and said, "We will be willing to participate in your group."

Gifford: May I just ask one question to clear my mind? My impression is that the investment trust companies themselves would not have resources of that magnitude in their own coffers, but they can get them by, as you say, bringing in the insurance companies, borrowing on the securities and so on.

Schenker: That is not strictly accurate, Mr. Gifford. They have available in that small group about 50 million dollars in cash.

Frank: That is without any disinvestment of what they have now. Of course, they could disinvest.

Now, to make clear what we mean about the small group, there is among the investment trusts three that are affiliated with investment bankers. They do not want to go along with this plan, and if they went along - if they did, it would be a still larger sum, but those three would prefer to - I think they will conclude - they spent some time with us yesterday - that they would rather go it alone. That is the Lehman Corporation, the Dillon Read affiliate, Lazard Feres, and Dominick & Dominick. They would prefer to do it as an investment banker's job and nobody would dream of suggesting that they shouldn't have the chance; but the

- 4 -

fact is that by grouping these investment trusts you don't reduce competition but you increase it, because they have not heretofore done that sort of work with the exception of a recent job done by Quinn of Tri-Continental in Newport News.

Gifford: That is right.

Frank: You know the situation has not been as it is in England. Investment trusts have not done real underwriting and I think you will get more competition out of it.

Schenker: And I think it is only fair to state, Mr. Gifford, the objection of these investment banker sponsored investment companies is that if any group gets together, it cuts down the competitive element and that therefore you may not be getting the best price. However, they do say that they have been harassing the British Government to get a look at these things, and they will say there are 20 or 30 or 40 groups --

(Mr. Young entered the conference.)

Frank: That is, the investment bankers said that they had - Lehman has been to you about some mining property and others.

Gifford: Mr. Cochran at least will have seen the effect on our work since I was here three or four weeks ago. There has been a marked change, hasn't there?

Cochran: Yes.

Frank: Well, that is about the story. I am sure the Secretary - he wouldn't dream of suggesting to you that you should limit your negotiations to any group, but this will add to your bargaining

- 5 -

tenacity rather than otherwise, and to the extent of the funds they would enable you to have a firm over whereas the investment bankers couldn't do that for you.

Hall: They have got a hundred million capital, you say, as a maximum. Can they borrow?

Trent: Oh, what is their capital? It is considerably greater than that.

Schenker: The group that we looked at, and we haven't included companies like United Corporation and others who would go along, see, of total assets of approximately 800 million dollars and there are about 10 to 15 per cent in cash.

Wifford: There is a big sum available.

Schenker: They are making provision for a reservoir of 10 per cent to take care of the little companies ranging from 1 to 2 million, who could get a participation in this too if they so desired to make it an equitable distribution.

Wifford: Then just to get the thing further cleared, who would be the person representing them, Tri-Continental?

Schenker: Mr. Quinn of Tri-Continental. He will also have on a committee of three, one of the Boston group, which are the so-called open end companies. Merrill Griswold, probably.

Wifford: Cabot, somebody like that.

Schenker: Cabot and probably one other. He wanted Mr. Bunker to come along; but since Mr. Bunker has fundamental difficulties with the plan, he will not go along.

- 6 -

- Gifford: But it is where Earl Bailey used to be. I knew Earl Bailey very intimately, and I knew the people.
- H.M.Jr: As I understand it, it isn't just Quinn, it is a whole group.
- Gifford: But he will be the person to speak to.
- Frank: He will speak for that group.
- H.M.Jr: He and two others.
- Schenker: He and one or possibly two others.
- H.M.Jr: Have you got a list of who is on that group?
- Schenker: Yes, I have got a list here. People who have indicated an intention to manifest an interest is State Street, with 35 million of assets, Incorporated Investors, that is the former Governor of Maine, Massachusetts Investors, Dividend Shares, that is Hugh Bullitt, Calvin Bullitt, Equity Corporation, that is Dave Milton, who is John D. Rockefeller's son-in-law, Tri-Continental Corporation, Chicago Corporation, that is Field, Gore & Dick, Blue Ridge Corporation, American International Corporation, Pacific Southern Investors. We want to get some people from the Coast. That is John Lovelace.
- Gifford: Who is that?
- Schenker: Lovelace. The Atlas Corporation is Floyd Odium and the Phoenix Securities Corporation. We have got Railway and Light, that is Jim Orr of Boston, and we have got the Amherst Express Company, and there will be a few others, but this is the people who --

- 7 -

- Frank: That is excluding United --
- Schenker: Excluding United, and a great many other corporations. I think --
- Gifford: But that is quite enough. Certainly the Tri-Continental have got a group behind them.
- H.M.Jr: And I say that they have the blessing of the Securities and Exchange Commission.
- Frank: There would be one minor problem which we will clear which would be a possible objection by the Anti-Trust Division of the Department of Justice. I am sure they wouldn't, because apart from restricting competition, this would really create more competition.
- H.M.Jr: But you can take care of that.
- Frank: Yes.
- Schenker: If I may make this observation to the Secretary, when you say it has got the Commission's blessing, we don't even want to remotely infer that the British Government should confine its negotiations to this group.
- Gifford: I quite realize that. You made that very plain.
- Frank: They are under our jurisdiction in certain respects under a certain statute, and I am sure these fellows will be very easy to deal with.
- H.M.Jr: Before I get on the next thing, I want to say to Sir Frederick, is there any question you want to ask about this setup.
- Phillips: Mr. Frank cleared the main point at once when he said there was no question of restricting

- 8 -

competition but of extending it. As you know very well yourself, in Democratic countries you have got to prove to your Parliament that there was competition. That is the most important thing, that we should have that.

- H.M.Jr: Well, you have got the group and you have got the group that doesn't want to come in represented by three or four houses, so you have got competition there and then you have got anybody else that wants to talk to you, but at least --
- Gifford: We have got one solid one ready to act.
- H.M.Jr: Solid one that wants to act and if the other people want to come in --
- Frank: Well, they have been --
- H.M.Jr: You have got at least two groups.
- Schenker: Two groups, and there was some intimation once, Mr. Secretary - we had knowledge of the fact that at least 10 to 20 banking houses had been contacting the British, manifesting an interest in those securities. I think the only thing we would like to say is that here is a group that may be an additional purchaser --
- Gifford: I quite understand. I understand absolutely.
- H.M.Jr: They have never been in this thing before.
- Schenker: That is right, never done that type of thing.
- H.M.Jr: What we have done is, we have really created an additional buying source. Is that right?
- Frank: And Mr. Gifford knows the character of them because it is like the ones he has at home.

- 4 -

- E.W.Jr: Well, I think the SRC has done a good job, and I want to thank them for getting this lined up for you. Now, what are you going to do about it?
- Phillips: Well, I have already suggested that sending any alteration of the character you know about, sir, that Mr. Hifford should be in power to get on with this list of these particular securities.
- E.W.Jr: Do you think that possibly by Monday that - by Monday would you could get word from the Treasury?
- Phillips: Surely.
- E.W.Jr: Because the last time I pointed this out, I don't know when it was, but I have been from Thursday to Thursday just running around this town like nobody's business getting this bill ready for the President. It is ready. Now, I have got to go up there and testify, and I am not in very good shape because the people in the administration in very high places and certainly people on the Hill who think that you have made securities - and one of the things I am going to have to talk to you about before I go up there is just how much I can divulge.
- Phillips: Yes, but was it you who suggested Monday, sir, you said I could be as late as that.
- E.W.Jr: You mean today? You mean - have I said Monday before this morning?
- Phillips: No, sir, but you said this morning, could I let you know before Monday. I can certainly do much better than that.
- E.W.Jr: Oh, good. Because as I said, I don't know

- 10 -

when I did say this last, that even if you would sell one thing - I don't know when that was.

Gifford: That was when I was here.

H.M.Jr: That was at least three weeks ago. And from the standpoint of getting this legislation through, if for no other reason, I mean that this thing could be started. It would help a great deal, aside from everything else the cash would provide.

Now, I would like to also, while these gentlemen are here, bring up another one, and that is the possibility - whether you could get the authority to talk on these 600 million dollars worth of American securities - I think you call them listed securities, don't you?

Gifford: Marketable securities, we call them.

H.M.Jr: We are working on another plan which has nothing to do with this, but we would like you to have the authority so that you can talk, that we take those over en bloc, at a price. Now, there are several ways that we can do that, we think. We are working on it. If you could get that authority so that you could talk to me about selling those en bloc to us --

Phillips: Yes. You are talking about a Government organization now.

H.M.Jr: Government or private group. I am going to ask the SEC to think about that. Now, that is No. 2.

No. 3, the suggestion also has been made - this, I think, came to me from Mr. Lovett, who is now with Mr. Stimson, formerly of Brown & Harriman

- 11 -

but he resigned. He severed all connections. The possibility of forming a private corporation or a Government corporation - maybe you know about this - to buy things like wool and tin for cash while they are in transit, or you can buy them in Australia, Malay Straits, wherever they are. Wasn't that the other suggestion?

- White: That was the one he made, and then pay in advance.
- H.M.Jr: Yes, pay in advance.
- White: For subsequent deliveries.
- H.M.Jr: I mean to buy the stuff, the wool in Australia or the tin in the Malay. I don't mean to buy what is underground --
- Gifford: That is in shipment.
- H.M.Jr: Well, to buy --
- White: For future delivery over a period undetermined.
- H.M.Jr: Now, weren't those the two principal things on that list?
- White: I think you have mentioned them.
- H.M.Jr: Now, we are working very hard on those, but you gentlemen haven't, I take it, got the authority to talk to us about it, but we will be ready in a couple of days.
- Phillips: Yes, I will undertake to be ready in a couple of days.
- H.M.Jr: With the possibility of buying commodities at

- 12 -

the source and paying you cash, the possibility of taking over your marketable securities en bloc, and then while I give you the whole thing, I want to say again that I sent word to you two days ago that Mr. Hull has - he is even more sure of this than ever, although his own people, like Mr. Feis - I wanted to find out where he was - don't agree with Mr. Hull that we are to ask you to put up two or three billion dollars worth of securities as collateral against the loan of this material.

Now, I am passing it along to you. I have told Mr. Hull - asked whether I could do it here. I have tried my best. I don't want to be critical, but I am just giving you the facts so that you will be prepared. He repeated it again yesterday, that he thought it would help very much on the Hill if you could put up that two or three billion. I am not recommending it, but I am passing it along as something that he seems to feel very keenly about; and as I am sitting here, the thing that occurs to me is that it might be worthwhile if Mr. Frederick could see Mr. Hull this week-end.

Phillips:

Yes, I will.

S.M.Jr:

Because he has also - I told Herbert Feis - Mr. Hull has the figure which he also gave the President and left me in a very embarrassing position, that you have got 18 billion dollars worth of securities and therefore what is two or three billion as collateral. I mean, we are talking very much here in this room, but I want to give them the chance - if he goes up on the Hill and says, "They have got 18 billion dollars worth of securities, there is no reason why they couldn't put up a couple of billion -" you see. So I really think, as I sit here, if you could ask to see Mr. Hull and get to him, the sooner the better for your sake.

- 13 -

Phillips: I will.

H.W.Jr: But I had Mr. Welles here, and Mr. Feis here when we had everything on the blackboard for them, and gave them all the figures you had given us, and I thought we had gotten across the information.

Phillips: Well, I will do that.

H.W.Jr: Evidently I have done a very bad job. Certainly Mr. Welles and Mr. Feis know what it is.

Phillips: Yes.

H.W.Jr: But Mr. Hull doesn't. Then the other thing, I want to congratulate you (Gifford) on the acceleration of your sales.

Gifford: I am afraid that you must still think that my words were unreliable.

Phillips: Was this yesterday?

Gifford: No, it was the figure I gave you rather casually in conversation, not knowing it was going to be used to give information to the Secretary, of three and a half million. At least I can claim that my deeds were better than my words, once I knew where I was.

H.W.Jr: It is a nice position to be in. We don't all find ourselves in that position. But what I have read in the press and I have heard since the way you did it - in fact, it encouraged the market, because nobody in the market had any idea that --

Gifford: The market was --

H.W.Jr: That they could absorb as much and it has cheered

- 14 -

everybody up, and I have been running a graph on the stocks that you sold, going back a month before and since in relation to the market, and, of course, it is very interesting to watch, but it has been very good for the market, plus the thing I kept saying would give underpinning to the market. I said that. It is nice to be right once in awhile.

- Schenker: May I ask a question, Mr. Gifford? When you talk about your marketable securities, do you include situations like Lever Brothers?
- Gifford: Oh no.
- Schenker: Those are in the categories of unmarketable.
- Gifford: Those are fixed.
- Phillips: What about Lever Brothers?
- Gifford: It doesn't belong to us at all.
- Phillips: My belief is that it is under Dutch control.
- Frank: It certainly is a misconception.
- Schenker: Is Brown & Williamson marketable or unmarketable?
- H.M.Jr: What they do, they divide the thing as those which are listed.
- Gifford: Those which we can sell are confined in the marketable securities to things that could be sold on the New York Stock Exchange or through the distribution houses without any more ado, just in the case of a couple of days.
- H.V.Jr: The investment trust thing, where some individual owns a factory --

- 15 -

- Gifford: We had a situation like that just yesterday, a transaction, with one of the investment trusts.
- Frank: Of listed securities?
- Gifford: Of listed securities.
- H.M.Jr: But the thing the investment trust does is where an individual or a partnership owns a factory or a business --
- Gifford: The best example is Viscose. That is the one you all know. We all know that and it does belong to a British company. Lever Brothers has led to a great misconception. It is absolutely not owned by Great Britain, but in Amsterdam.
- Pincent: The Shell Union has also been mentioned in the press. There it is again. Although we have a participation, it is the Dutch that have control, I think.
- Frank: Does that mean that the Germans today control it?
- Phillips: No, I think the Dutch Government controls it. It ought to be so anyhow.
- H.M.Jr: Jerome, can you think of anything?
- Frank: No, I don't think of anything.
- H.M.Jr: How about my gang? Have I covered the thing we were working on?
- White: Those were the major points.
- H.M.Jr: Dan?
- Bell: I think it is all right.

- 16 -

H.W. Jr: Anybody?

Couthern: You don't have authority to recommend an immediate vesting of the whole balance --

Efford: One thing I ought to say on that, gentlemen, with regard to vesting, we must not omit the physical difficulty. I had a letter from Mr. Bernard of the Bank of England, in July last, that has nothing to do with what is going on today, saying that he did not feel that they could tackle under the circumstances now existing more than individual vestings of roughly 85 securities involving a value of roughly 85 millions at one time, just because of the physical difficulty in getting it down, and that, of course, with the bombings in London and the difficulty of stock getting in and out, it must have been increased rather than decreased, and you see the physical labor in the vesting of a small holding is just about as great as if you have got one fellow holding five millions. It takes as much work to do 50,000 held in 3 or 4 hands and then another thing that we are noting very much this time, we had a vesting beginning in December, and the stuff has come forward very slowly, which I think is undoubtedly due to the fact that both the Clippers and the sea mail are taking so very much longer. The Clipper service has been awfully unsatisfactory this last month.

Phillips: We have got one man who left London on the 20th of December and got to Lisbon the same day. There he is now, urgently wanting to go to Washington.

Efford: These are physical difficulties.

Phillips: The mails aren't quite as bad as that, but they are pretty bad.

- 17 -

(Mr. Frank and Mr. Purcell left the conference.)

- White: Could the physical delivery of stocks be strung out over another month or two?
- Schenker: Yes. As I understand it, one of the advantages of an investment trust is that on a preliminary negotiation, they will conclude the price, make the contract at that price, and make it subject to an investigation.
- White: No, I am speaking of the marketable securities and there is a difficulty that has been --
- Schenker: Oh, if they dealt with the investment trusts.
- Hifford: No, you are making two things.
- White: No matter whom they dealt with, supposing a contract for purchases was made and the securities were not physically all available, owing to the difficulties of transport and the difficulties of vesting so that they might not be forthcoming for even several months in toto after the contract has been completed. Is that something which is feasible.
- Schenker: Yes. The fact of the matter is, you can do that under New York Stock Exchange's code of delayed delivery, and it is reflected in the price. It usually sells a little cheaper because the fellow hasn't got the physical possession of the securities to sell immediately.
- White: So the fact that there are difficulties in the vesting need not if they so desire delay any arrangement.
- Schenker: That is right. A delayed delivery sale is not unusual on the New York Stock Exchange.

- 18 -

- H.W.Jr: Look what we authorized the people to do in Holland. My God, tell them what we authorized the Central Bank - Bank of Holland, or whatever you call it, to do before the Germans came in, what we were willing to do.
- Cochran: To have them burn their securities?
- H.W.Jr: But tell them how we were willing to have them list them and the Consul simply take a whole list and simply sign.
- White: And have them therefore regard --
- Gifford: I think we are really mixing two things.
- H.W.Jr: But it is a question, if you took your securities, you couldn't get them over here physically - in the case of Holland, we told Tripp, the President of the Government Bank there, "You can take these securities and just take a whole batch of them and get some Consular office and whatever the local legal authority should be, the judge, and simply burn these things and sign and we will give you new securities on this side." If we did it for Holland, why wouldn't we do it for you?
- Gifford: I think there has been a little misunderstanding. I was really answering Mr. Cochran's question.
- H.W.Jr: They never did it though. The Germans got there first.
- Gifford: I was answering Mr. Cochran's question about vesting, you see. I wasn't really suggesting that an arrangement of that kind couldn't be made. Of course, it could be made, particularly getting the United States Government, as you were suggesting. I think that these gentlemen here were a little at cross purposes, because

- 19 -

you have been discussing for the investment trusts, the direct investments.

- Schenker: No, the marketable securities. There is no reason why they can't make a contract, pay for it, and you delay delivery for securities.
- Gifford: No, no. They divided it into three, there is the direct investment trusts, with the arrangement the Secretary was speaking of, possibly some government department taking over the whole on block, and then thirdly, the - keeping to the direct investments which the investment companies may be interested in, I can't imagine there would be any difficulty there, because a contract with Courtauld to sell its Viscose holding, you obviously wouldn't worry about the delivery of the title deeds as long as you had a proper and good contract.
- Bell: Do you know the names of these securities now?
- Gifford: I don't, personally.
- Bell: Are they available? That might be some difficulty.
- White: There is a list.
- Pinsent: We have a list, but I don't think it coincides with yours.
- Gifford: That doesn't come within my purview.
- H.V.Jr: Mr. Schenker asked how I felt if Lehman Brothers wanted to form their own group and I said fine.
- Schenker: I am authorized to tell these people like Punker, "If you don't want to go along with Cy Quinn's group, you can organize your own" and "Mr. Dillon, you can organize yours," and

- 20 -

you can have competitive bidding from these people or anybody.

Gifford: Well, don't just commit one too deeply as to what the method would be, but I am certainly seized of the point that you want to make that the investment trusts are available as competitors to buy the direct investments. That is the important thing.

H.W.Jr: And we don't want to keep any group out.

Gifford: No, clearly.

H.W.Jr: If there are four or five that have a little bit different setup and they want to group themselves together and bid on this thing, that is to your interest also.

Gifford: Of course.

H.W.Jr: Well then, I will wait until I hear from you. (Phillips) I am leaving town when the President leaves at three, and will be back Sunday night or Monday morning.

Phillips: Yes, sir. Could we go on a little with the point you have mentioned? I think we might - if you could give me the time.

H.W.Jr: Surely.

(Mr. Schenker left the conference.)

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

Phillips: When you mentioned that third point, it carried my mind back to July. There was a scheme of that kind then, something resembling it, whereby the United States would buy certain quantities of tin and rubber and give credits on it, which

- 21 -

only broke down, if my recollection is right, because it appeared to the legal powers that the responsible department was limited to spending that money on commodities.

H.M.Jr: You are talking about your people?

Phillips: No, your people.

White: That was the bill in its original form, and it may be at that point it was discussed with you. As the bill finally emerged, that was not an essential requirement, although it was one of the things they hoped to accomplish by the bill, and a compromise was reached between the various groups that were interested in the bill, so that I think as it stands now, that is not an essential condition.

Phillips: Well, I understand that might have gone through much earlier this year if we hadn't been held up by the stipulation about buying agricultural commodities.

White: I see. I didn't know that they had had those discussions, but that definitely was the intent of the bill when it was first presented.

Pinsent: I took some part in those discussions and we realized the bill did not require that particular proceeding. In fact, we found that your departments did require it.

White: Well, it must have been before the bill passed.

Pinsent: No, it was after.

H.M.Jr: What bill is this, Harry?

White: That is a bill, you remember, in which there was some discussion of the Department of

- 22 -

Agriculture, State, Commerce, and so on, Jesse Jones, in which it enabled the RFO or some special corporation to purchase materials, pay for them in advance --

E.M.Jr: Particularly for the English?

White: No, it wasn't specified, and I don't-I imagine the English were one of those they had in mind, but they also had China in mind and others, and the Department of Agriculture had hoped to make credit available to England and other countries with which to purchase agricultural commodities through that device, a credit which would not be available in any other way, and then, unless I am grossly mistaken, the way it was finally phrased it was so worded that they didn't necessarily have to buy agricultural products.

E.M.Jr: Well, you will have to start all over again, whatever it is.

White: The bill is there, and I think it permits --

E.M.Jr: Start all over again fresh.

Dissent: I think Dr. White is right, Mr. Secretary. The bill does not make that requirement. It is at the discretion of the United States Government departments concerned either to make that requirement or not to make it, but we found when we discussed that they did wish to make it.

White: That might be very true. That is a matter of policy.

Well: That was true. Gredy headed the committee, you may recall, and he tried to get them to purchase agricultural materials with the dollars made

.....
- 23 -

available.

H.M.Jr: Foley, get into this thing and dig it all up.

Foley: This whole thing about buying wheat futures and buying against future delivery of tin bothers me a little bit, because it runs across the Neutrality Act, and it is in the nature of an extension of credit, which we can't do. We can buy and pay in cash.

H.M.Jr: But that wasn't Lovett's suggestion. Lovett's suggestion was to do it through a private corporation.

Foley: Well, it is the same thing.

H.M.Jr: But they could do it.

Foley: If it is a normal commercial transaction and they are paying for something in cash so that it is a sale rather than an extension of credit, it is all right; but the line is a narrow line and we have to be terribly careful that we are not extending credit against something that will be delivered a year or two years from now, which is out of the realm of the ordinary commercial transaction.

H.M.Jr: Well, Ed, nothing is easy these days. That is why I am asking you to do it. Get into it, will you?

Foley: Yes.

H.M.Jr: If anything is easy we - it would have been done before this, but explore the thing. If Agriculture is interested, if State is interested, and so forth and so on. Harry has got some

- 24 -

ideas he will give you.

- Pinsent: We understood that that act of July overrode to that extent.
- H.W.Jr: I am not familiar with it. I don't know about it.
- Phillips: We will get right down to it.
- H.W.Jr: Well, the first thing to find out is what have you got, where is it and who owns it, and is it for sale, you see.
- Pinsent: There are running contracts in existence for tin and rubber.
- H.W.Jr: I see.
- White: Wool also might be a possibility.
- Pinsent: Yes. I am not so sure about that.
- Phillips: Tin and rubber. Have you got any other commodities?
- White: Wool was the one that might run into something, but there might be something there.
- Phillips: Jute.
- H.W.Jr: Jute, burlap. As I say, where is it, who owns it, and is it for sale.
- Now, what else do you want to ask?
- Phillips: Well, about the other proposition, sir, about the marketable securities, I wasn't following your thought quite clearly, I am afraid.

- 25 -

H.M.Jr: Well, the thought is simply this, that we are thinking in terms of ruling some of the uncertainty of your financial situation and relieving you of some of the worry, that through some device which we haven't yet been able to work out that we simply, as I say, buy these on block.

Now, on what terms and basis I haven't thought, but the boys are thinking about it and I have got both Forrestal and Lovett thinking about it and their previous connections - the fact that they are in the Army and Navy - there is more and more military matter, so I am asking you to think about it, what do you think about it; if you could find a device, would you be prepared and what would you think a fair way to do it, you see.

Phillips: How is this linked up so with the finances of the interim period.

H.M.Jr: Well, it is all part of the same thing.

Phillips: Well, there was certain expenditure, was there not, for existing commitments in this interim period, certain other expenditure for new orders which we strongly hoped we should be able to place. Was it your thought that any money obtained by selling these securities on block should be used up in paying during the interim period for those?

H.M.Jr: I haven't thought it through.

Phillips: That seems to be the vital point.

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

Foley: Well, it can or can't be. I mean, it seems to me if you have got orders and you need cash

- 26 -

to pay for the orders, this is a means of meeting those commitments. In so far as new commitments are concerned, it would be possible to meet your existing orders, pay for them, and then set this aside and hold it until such time as the legislation is obtained and the Army has material that you want to sell, or the Navy has material that you want to sell. You have got to have cash.

- Phillips: That is absolutely true if that is the only source of cash, but not necessarily if we have other sources of cash. This way the whole of our cash is used up in the interim period. That was the point.
- Foley: Well, I think he wants to know whether you want him to hold this money for purchase here or --
- H.M.Jr: I can't answer that. Here is the situation.
- Foley: For purchase here or for other purposes.
- H.M.Jr: I can't get anybody outside of the Treasury to believe that your financial situation is what it is. Certainly the Navy doesn't believe it, Forrestal doesn't believe it, Hull doesn't believe it, and now they have got the President on it, and I have got a very, very difficult situation.
- Now, I have just completely burned myself out to get this legislation ready in one week, and if we hadn't done it in the Treasury, God knows when it would have gone up on the Hill. We did absolutely the impossible. It has never been done before, the speed with which this thing was done. And I can't do but one thing at a time, and I hope to rest the brain - I am taking Harry White along on the train with me to keep me from sleeping, and I hope to come

- 27 -

back Monday a little bit refreshed, but here are certain devices of getting you some cash.

You asked me what the first thing was. In these many memoranda that come in from the British, somebody has written me several times that it would be a tragedy if you could not meet your daily bills. Now, I agree with you. Now certainly this would provide the cash for your daily bills. If you pressed me as to whether this cash was to be used for new orders, I would say, "Well, the first thing it will be used for is to pay your day to day bills."

Now, if there is enough to do something else with, I don't know. Now, my own position is - and I want you to know this, and I haven't changed one iota - there is nobody here in the Treasury that wants to strip the British Government, so that when this war is over and you people win it that you will be in a position to carry on.

Now, there is that thing and I am as strong an advocate to see that that position - that Britain will have that position when the war is over. In the meantime, there are some very difficult cross currents which I am trying to overcome, and that is why I think it is terribly important that you see Mr. Hull. He is going to be the first person. And somehow or other, he has got this entirely erroneous idea in his mind as to what your position is. So don't press me too much other than I want you for your own sake to have the necessary authority so that we can continue making the money available for you to pay your daily bills.

The President said to me yesterday, "Henry,

- 28 -

what about the first of March?" I gave him the figures you gave me, showing him you would be short 250 million dollars. I said, "Mr. President, I don't know. I just don't know." So I said, "The billion and a half that they have got of direct investments and listed securities is the figure that I have kept in mind," is the money to be used to pay for what you now have on order. Then to show you how the thing was, what I am up against, there were some people there that suggested that if you were going to place - the first suggestion was - you check me, because Foley was there - that if you placed two billion dollars worth of orders, that you could pay for half of them, under the new plan, under this new legislation, then we would go fifty-fifty. Got 18 billion dollars worth of securities. If you are going to place two billion dollars worth of orders here - if we placed two billion for you, there is no reason why you can't pay for half. They are just pulling the wool over my eyes. Isn't that the way it was first?

Foley: That is right.

H.M.Jr: Then after dragging me through that knothole, then the next thing was well, if you place an order for 5 billion, there is no reason why they can't put up two or three billion as security. Is that right?

Foley: That is right.

H.M.Jr: And then poor old Bill Knudsen, who sat here when the others did and knows the figures, he kept saying to me, "No, no, no," and I said, "Yes, you are right, but I can't get it over." So finally I got over to them that the billion and a half, the total of the 6 and the 9, 9 direct investments and 6 - I had that memorandum

- 29 -

before me, was the billion and a half which I had in mind for the orders that you already had placed.

Now, you might say well, you want to save that, but I just want to let you know the steps that I was dragged through yesterday, from fifty-fifty, a couple of billion dollar securities, and then as a final thing I said we will - but Knudsen said, "Well now," he kept - because I have told him this, "that you have enough money for the orders that you have on hand," so there is an awful lot of educating to do. I can't do it all alone, and you fellows have got to keep up my morale too.

Phillips: We will do our very best.

H.M.Jr: It hasn't weakened yet, but I don't know anything that you can do to help your own selves, your own Government better, other than to ask for an hour with Mr. Hull; and then I think after you have done that and got to him, I think you had better ask to see Secretary Knox. I mean, I think you had better see Secretary Stimson. I mean, I would go right down the line and tell each one of them the story. I have done it until I am hoarse.

Now, I don't know what is the matter, but I certainly would ask for appointments to see Hull, Stimson, and Knox in their order, and then just deliver this thing home and help me do what I am doing single-handed; but it isn't that they don't want to understand, it isn't that we haven't - somebody else keeps feeding this to them. Jesse Jones, another fellow - "Oh, they have got lots of money." Jesse Jones - "Oh, they have got lots of money."

Cochran: Don't you think he ought to include Mr. Jones in his talk?

- 30 -

Phillips: Very well.

H.M.Jr: Yes. "Yes, they have got lots of money." We had them all here and put it all on the blackboard. We explained it all. Yesterday, Jones, "Oh, Henry is just a softie, he is too friendly with the British."

Phillips: Well, I will get onto that immediately.

H.M.Jr: They just think you have taken me into camp instead of knowing how rough I am with you.

Phillips: Yes.

H.M.Jr: But there is the situation.

Gifford: May I make one remark, Mr. Secretary? It is a great pity you have got a Neutrality Act, that we can't borrow against that supposed credit. That would be the easiest solution.

January 10, 1941
11:37 a.m.

H.M.Jr: those English people in here.

Cordell
Hull:

Oh, yes, that's all right. I didn't have time to wait as it happened because I wanted the President to think over it too, but I was aiming to - I called you before breakfast and you had just left. I missed you there and then called you here. I said this to the President: this thing has been moving fast because everything is moving fast - this matter over at the Capitol today - and I said it might be worth considering whether you could without using dollars and cents indicate some fairly definite limitation of this British aid that would range somewhere between \$5 billion without saying so in dollars and then as we go along you wouldn't have any trouble to extend it, and that would be a real saving thing here in this present situation.

H.M.Jr: What did he say?

H: He said that he thought very well of it and would - I asked him to talk with you, that I had happened to miss you in talking and there was no time to wait. So he said he would indicate something to his press. Well I said if you could work out formula before they introduce the bill - I said, I don't know that it's possible, it's something that takes time and study, that would approximate it in some way, why you would shut off an awful lot of demagoguery and so on, and so on and would serve the same purpose anyhow by extending it in the future.

H.M.Jr: I see.

H: But anyhow, he said he thought well of it and would bring it out to the press in his statement to the press today. Now, I don't know, I just mentioned it as a matter of precaution.

H.M.Jr: O. K. Now while I have you on the wire, I suggested to Sir Frederick Phillips that

- 2 -

he ask for an appointment to see you, and I would appreciate it if you would see him, because I'd like him to tell you himself what their financial situation is.

H: Yes. Well, now, I tried to make it clear yesterday that - just as we had talked before - that the last thing I would have in mind would be to strip them to the bone, you know, and seriously impair their situation to rebuild as this thing eases up. The only thing is that if we are to give them that full measure of help that they are going to need I think and do it with great speed and without opposition and so on and so on. They could indicate that they haven't quit, that they are not going to ask us for more than we would feel that was our proper position in the matter and so on and so on. You see, there is going to be an increasing demand to know just how far we are going and how we're going and how far the British are going and what part they're going to play hereafter or whether it's all going to be dumped on us. Now I don't mean that literally - we understand that we won't let them dump it all on us; that is, disproportionately, but that's what the public will think if we're not careful.

H.M.Jr: Well, I had this meeting over at my office two or three weeks ago where I explained it to Knox, Stimson, and Welles and Feis were all here and I gave them the picture as the English gave it to us and our interpretation of their financial situation, and of course - I think yesterday you used the figure \$18 billions worth of securities. Well, of course, they don't have anything like that.

H: Well, what I mean is that they - Great Britain proper has somewhere between \$15 and \$18 billions of property interests of all kinds in the world outside of Great Britain and she has been getting all the way from \$700 million to, a few years ago, as high as \$1 billion annual income from it. That's dividends, interest, returns from one kind of property or another. Take their

- 3 -

rubber, their tin interests, their gold interests, their utility interests, their woolen interests, their interests in all kind of industrial establishments and property they own of one kind and another in foreign countries or in the British Empire, Crown Colonies or the Dominion. Now that's what I mean - all together. Like you say in this country it is \$900 millions of properties and \$600 of the other, so altogether they've got \$15 or \$18 billions invested abroad.

H.M.Jr:

Well

H:

That's what I meant.

H.M.Jr:

Yeah. Well, when the question comes, I mean, for them to put up some of their security owned outside in the world as collateral, I think it is something we ought to think over very carefully because, as I say, I'm convinced that these people have been giving me the facts as to what their salable securities are.

H:

I know, we're not asking for salable

H.M.Jr:

The other thing is just a question of how far we want to make them strip themselves.

H:

Well, I know. The only thing is you're going to see as this thing goes on - you're going to see more and more controversy about everything being dumped on us.

H.M.Jr:

Well, I'm afraid we're going to have to do it anyway and after we've taken all their gold and a billion and a half of their securities in this country, I don't know how much the rest of the stuff is worth.

H:

Now, by the way, I noticed a quotation from The London Economist to the effect that the British, after allowing for the gold they've got over here - two hundred odd million - that they've still got \$1 billion of gold that has accumulated in Africa.

- 4 -

- H.M.Jr: Well, that
- H: Did you see that?
- H.M.Jr: No, I didn't. So that's why I'd like you to see Phillips and then you can get it direct from him.
- H: Yes.
- H.M.Jr: He can give it to you direct.
- H: Well, then, what I'm driving at, Henry, if they can't do anything else then we ought to see how much they can do at home in production and then let the country know frankly that we've got to take on
- H.M.Jr: Well, I'm in favor of telling the country exactly what the situation is. It's going to be a hell of a shock.
- H: Yes, that's why I say it may shock us out of the Capitol over here, that's the reason I'm feeling around this way.
- H.M.Jr: Yeah, but where I differ a little bit from you, and you're most likely right, is that if we tell on the Hill what the actual facts are and realize that these people are worrying where they're going to get the money from to pay their bills two weeks hence, that the chances of getting the thing through is better than if we let them think that there is \$16 billions worth of securities around. Now that's an honest difference of opinion, but I say you're most likely right but I would like you to just think about my angle on it.
- H: Well, I'm just trying to - of course, I'm sorry I was in that conference yesterday because it's new stuff and I just butted in with those statements like I did with you the day before.
- H.M.Jr: Well, what we're trying to do is to be helpful and I think your being there was most important.

- 5 -

- H: Well, it's all right to raise these questions anyhow, I think.
- H.M.Jr: Well, I'm raising it now with you and I say you may be right
- H: Well, no.
- H.M.Jr: There are two definite ways to go up there: One way is to get England's permission to tell the true story of their Treasury and
- H: I think if you do that you're liable to cause a collapse in the whole British fighting situation.
- H.M.Jr: Well, I'm not going to do anything without talking it over with the President and you first.
- H: Yeah. That's my - they'd say, well, the bottom is out and Canada was right that we have stepped in just in time to take on our lap a lost war.
- H.M.Jr: Well, Cordell, before I go on
- H: I'm talking, you know, in terms of these fellows who'll be bringing out things critically.
- H.M.Jr: Well, before I go on the Hill, I'm going to ask you to let me have a dress rehearsal with you.
- H: Well, of course, I'm at your service.
- H.M.Jr: So I'm not going up there until I have a dress rehearsal with you and then I want your advice.
- H: All right, Henry.
- H.M.Jr: Thank you.

January 10, 1941
12:17 p.m.

H.M.Jr: Hello.

Operator: Postmaster General.

Frank Walker: Hello, Henry.

H.M.Jr: Yes.

W: This is Frank Walker.

H.M.Jr: Good morning.

W: How are you?

H.M.Jr: I'm all right.

W: Say, Republic Aviation fellows called me to say that they have tied up \$1,600,000 and that they're in hell's hole financially and need the money so I want to know if they can't get it right away.

H.M.Jr: Well, they can get it but that's one of the things that we had this thing fixed up in this Executive Order yesterday that Hull was complaining about - put it all in one place, but this fellow, Colonel Maxwell, who is under the President sent it to the President sent it over to me and now I've sent it back to the President and that's where it is.

W: Will that go out today, do you think?

H.M.Jr: I doubt it. It'll go out of here today.

W: Well, when do you think it'll get to them?

H.M.Jr: Oh, I don't know, Frank.

W: They say they're in hell's hole for money and that is a lot of money for them to carry. It'll go back to the President today, will it?

H.M.Jr: Oh, yes. I signed it. It's on the way now.

- 2 -

W: Uh-huh. They're keeping you pretty busy,
Mr. Morgenthau.

H.M.Jr: What?

W: They're keeping you pretty busy, aren't they?

H.M.Jr: Me?

W: Yeah.

H.M.Jr: Too busy.

W: Uh-huh.

H.M.Jr: Well, I'm glad you brought it to my attention.

W: All right, Henry.

H.M.Jr: Thank you.

W: So long.

January 10, 1941
12:37 p.m.

H.M.Jr: Hello.

Herbert
Fels: I've just had a long and not-too-easy session.

H.M.Jr: Yeah. Would you talk a little louder?

F: Did you hear what I just said? I just had a long and not-too-easy session.

H.M.Jr: Yeah.

F: You heard the Secretary's presentation at the meeting at the White House yesterday so there is no use in my reciting that again, and he went over it with me. Now I found this most nearly expressive of both my own judgment and of the most immediately useful. I tried to convince him that the issue was financial assistance to Britain to enable them to continue the war, that that has been put before the American people in these terms, that we would become the arsenal of democracy, that the immediate task was to get for the Executive enough authority to carry out that task. Congress is being asked to give that authority, that I thought it would be extremely unwise and greatly add to the burden if our discussion of that problem with Congress was complicated by a discussion of what security, collateral or otherwise, we were going to seek from the British in return for this financial assistance.....

H.M.Jr: Yeah.

F: that there were two problems connected but not necessarily connected in dealing with Congress and if the matter could be put before Congress without raising ~~any~~ sharp or important fashion the second question, the business of getting the legislation through, which is all important at this present time, would be much simpler. I think I made a certain impression on him along that point of view and that's the main thing I'd like to get across to you.

- 2 -

H.M.Jr:

Yeah. Swell.

F:

Now beyond that I then said as this help is extended to the British under this legislation, the Executive can discuss questions of collateral security in any form it so wishes. When that comes up perhaps you, Mr. Hull, are correct in your judgment that security of a type and amount should be had, and we can do it and perhaps should do it, but, then you'll have to reappraise your statistical material and then I went over the character of that estimate of \$16 or \$18 billions, the fact that it was based on par values and that it was related to a period quite far in the past, et cetera, et cetera, et cetera.

H.M.Jr:

Right.

F:

So that's what I've done so far.

H.M.Jr:

O. K. Thank you.

F:

Right. Have you got another minute or two?

H.M.Jr:

Yeah, just a second, I've got people in but go ahead. Go ahead.

F:

He's going to see Phillips tomorrow and I think he's trying to wonder whether this way of proceeding that I put forward is feasible or whether we're going to rush so quickly in giving authorization to the British to place these orders that any chance to get collateral is going to be lost. Am I making myself clear?

H.M.Jr:

Yeah, but nobody can answer that.

F:

No. I couldn't. I didn't know.

H.M.Jr:

Nobody can answer that. Is he afraid the bill is going to go through too quickly?

F:

No. He's afraid that, presumably you - I take it it would be you or the President - would so quickly authorize the British to

- 3 -

place their whole '41 and '42 and '43 program that the possibility of seeking collateral would be lost if he follows the line of action I suggested, of leaving that out of account during the discussions down in Congress. You see?

H.M.Jr: Well, the whole idea of collateral anyway - I mean it's obnoxious unless you want to so destroy these people's morale that they're going to make peace. Now if that's what they want this is a beautiful way to do it and I don't think Congress is going to ask for it.

F: I - and I said to him - in my judgment, 80% of the American people would stand behind the passage of this bill without at the time of passing the bill raising the question of collateral.

H.M.Jr: Well, I think you're right.

F: When you once get the authority, it might well be that the President or yourself or Mr. Hull will want to sit down. For example, there is one item - I must confess it's new to me, Henry - in The Economist that asserts that Great Britain has an unrecorded stock of gold down in South Africa of 200 million pounds.

H.M.Jr: Well, it isn't true.

F: Well, I just couldn't say - I said I hadn't heard of it, but there it was.

H.M.Jr: Well, if it's there, it's either The Economist or Phillips isn't telling the truth and I'll take Phillips' word for it.

F: Well, that's what I've done so far; I'll keep working at it.

H.M.Jr: Thank you so much. I think it's very helpful.

F: Right. Good-bye.

THE BILL AS IT WAS DISCUSSED AT
 WHITE HOUSE ON JANUARY 9 WITH
 CONGRESSIONAL LEADERS AND AS IT
 BEING INTRODUCED TODAY, JANUARY 10.

For Immediate Release
 January 10, 1941, 12 noon

The attached bill giving effect to President Roosevelt's Lend-Lease proposals will be introduced simultaneously when Congress meets at noon today by Senator Barkley and Representative McCormack, the two Majority Leaders.

The bill simply translates into legislative form the policy of making this country the arsenal for the democracies, and seeks to carry out President Roosevelt's pledge to send to these countries, "in ever increasing numbers, ships, planes, tanks, guns"

It follows the precedent established by Congress last June when the President was empowered to authorize the Secretaries of War and Navy to manufacture, purchase and repair war materials for the American republics. Under the present bill, this country is enabled to furnish war materials of every kind to any country whose defense the President considers to be vital to the defense of the United States. The chief provisions of this bill enable the United States —

To manufacture war defense materials for such countries in Government-owned arsenals, factories, and shipyards;

Our Government will only order for foreign governments such materials as our Army and Navy can use. This means that we shall be producing the same material for our friends as for ourselves. It should eliminate double assembly lines in our factories and should help to standardize our war materials among the democracies. The power to manufacture under this provision does not carry with it a waiver of the Eight-Hour Act, the Walsh-Healy Act, the Wagner Act, and similar domestic legislation.

To procure or purchase any war materials from our wartime airplane plants, shipyards, or other factories;

It will be for the President to decide the conditions and the manner in which foreign governments can obtain war materials under this provision.

To sell, lease, lend, or otherwise dispose of any war materials to any country whose defense is vital to the defense of the United States;

The President can, under this section, dispose of new material as well as equipment now in the hands of our Army or Navy, according to our own needs as he sees them. A sale or lease of such articles can provide for payment in kind, or for any direct or indirect benefit to the United States. A certificate from our Chief of Staff or Chief of Naval Operations will no longer be needed. A transfer of defense materiel can be made, in the President's discretion, without the formality of public advertisement or without the other restrictions which now apply to the disposition of Government property.

To test, repair, outfit, or otherwise to place in good working order any defense article;

This would apply equally to defense articles whether manufactured in the United States or not. It could conceivably mean, for example, that the British battle cruiser *RENOWN* could be repaired in the Brooklyn Navy Yard if the President considered it in the interest of our national defense to do so. The provision is broad enough to permit the use of any of our military, naval, or air bases to outfit and repair the weapons of countries whose defense is vital to the defense of the United States.

To communicate to any such government information pertaining to any defense article furnished to such government under the proposed bill;

This section gives the President the discretion to make available designs, blueprints, and other information for using particular equipment. Such information would relate only to defense articles actually supplied to foreign nations under this bill.

To release any defense article for export;

This eliminates restrictions in the Espionage Act of 1917 and in the Nebergo Act of July 2, 1940 against the exportation of certain war materials. It does not, however, authorize the use of American vessels to deliver war materials to combat areas.

In addition, the proposed bill forbids any foreign country which obtains defense articles or defense information from the United States from transferring them to any other country without the President's consent. It also enables the United States to buy war materials in the American republics, Canada, or other countries whose defense is vital to ourselves, if such materials are not readily obtainable in this country.

- 3 -

While the bill contains an authorization for an appropriation, full effect cannot be given to its provisions until appropriations are actually provided by Congress.

A BILL

To further promote the defense of the United States,
and for other purposes.

Be it enacted by the Senate and House of Representatives of the
United States of America in Congress assembled, That this Act may be
cited as "An Act to promote the Defense of the United States."

Sec. 2. As used in this Act —

(a) The term "defense article" means:

- (1) Any weapon, munition, aircraft, vessel, or boat;
- (2) Any machinery, facility, tool, material, or supply necessary for the manufacture, production, processing, repair, servicing, or operation of any article described in this subsection;
- (3) Any component material or part of or equipment for any article described in this subsection;
- (4) Any other commodity or article for defense.

Such term "defense article" includes any article described in this subsection: Manufactured or procured pursuant to section 3; or to which the United States or any foreign government has or hereafter acquires title, possession, or control.

(b) The term "defense information" means any plan, specification, design, prototype, or information pertaining to any defense article.

- 12 -

... ..
... ..
... ..
... ..

(1)
... ..
... ..
... ..

(2)
... ..
... ..

(3)
... ..
... ..

(4)
... ..
... ..

(5)
... ..

... ..
... ..
... ..

... of kind or property, or any other thing of value which the President deems satisfactory.

Sec. 2. All contracts or agreements made for the disposition of any defense article or defense information pursuant to section 3 shall include a clause by which the foreign government undertakes that it will not, without the consent of the President, transfer title to or possession of such defense article or defense information by gift, sale, or otherwise, to another person or agency not an officer, employee, or agent of the foreign government.

Sec. 3. The Secretary of War, the Secretary of the Navy, or the head of any other department or agency of the Government involved shall, when any defense article or defense information is exported, immediately advise the Department or Agency designated by the President as receiving authority under the Act of July 23, 1940 (54 Stat. 714), of the quantity, description, value, terms of disposition, and destination of the article or information so exported.

Sec. 4. No sum of money authorized to be appropriated from time to time, or any other money in the Treasury not otherwise appropriated, shall be used in any way to carry out the provisions and purposes of this Act.

Sec. 5. All money in the Treasury which is converted into money received from the sale of the Government shall, with the approval of the Secretary of the Treasury, report to the respective appropriation or appropriations out of which such money were expended with respect to the

- 4 -

defense article or defense information for which such consideration is received, and shall be available for expenditure for the purpose for which such expended funds were appropriated by law, during the fiscal year in which such funds are received and the ensuing fiscal year.

Sec. 7. The Secretary of War, the Secretary of the Navy, and the head of the department or agency shall in all contracts or agreements for the disposition of any defense article or defense information fully protect the rights of all citizens of the United States who have patent rights in and to any such article or information which is hereby authorized to be disposed of and the payments collected for royalties on such patents shall be paid to the owners and holders of such patents.

Sec. 8. The Secretaries of War and of the Navy are hereby authorized to purchase or otherwise acquire arms, ammunition, and implements of war produced within the jurisdiction of any country to which section 3 is applicable, whenever the President deems such purchase or acquisition to be necessary in the interests of the defense of the United States.

Sec. 9. The President may, from time to time, promulgate such rules and regulations as may be necessary and proper to carry out any of the provisions of this Act; and he may exercise any power or authority conferred on him by this Act through such department, agency, or officer as he shall direct.

January 10, 1941

Press release prepared for Senator Barkley and also requested by Speaker Rayburn (and also furnished to him) for use at press conference today explaining the Lease-Lend Bill.

For Immediate Release
January 10, 1941, 12 noon

The attached bill giving effect to President Roosevelt's lend-lease proposals will be introduced simultaneously when Congress meets at noon today by Senator Barkley and Representative McCormack, the two Majority Leaders.

The bill simply translates into legislative form the policy of making this country the arsenal for the democracies, and seeks to carry out President Roosevelt's pledge to send to these countries, "in ever increasing numbers, ships, planes, tanks, guns".

It follows the precedent established by Congress last June when the President was empowered to authorize the Secretaries of War and Navy to manufacture, purchase and repair war materials for the American republics. Under the present bill, this country is enabled to furnish war materials of every kind to any country whose defense the President considers to be vital to the defense of the United States. The chief provisions of this bill enable the United States —

To manufacture war defense materials for such countries in Government-owned arsenals, factories, and shipyards;

Our Government will only order for foreign governments such materials as our Army and Navy can use. This means that we shall be producing the same material for our friends as for ourselves. It should eliminate double assembly lines in our factories and should help to standardize our war materials among the democracies. The power to manufacture under this provision does not carry with it a waiver of the Eight-Hour Act, the Walsh-Healy Act, the Wagner Act, and similar domestic legislation.

To procure or purchase any war materials from our private airplane plants, shipyards, or other factories;

It will be for the President to decide the conditions and the manner in which foreign governments can obtain war materials under this provision.

To sell, lease, lend, or otherwise dispose of any war materials to any country whose defense is vital to the defense of the United States;

The President can, under this section, dispose of new material as well as equipment now in the hands of our Army or Navy, according to our own needs as he sees them. A sale or lease of such articles can provide for payment in kind, or for any direct or indirect benefit to the United States. A certificate from our Chief of Staff or Chief of Naval Operations will no longer be needed. A transfer of defense material can be made, in the President's discretion, without the formality of public advertisement or without the other restrictions which now apply to the disposition of Government property.

To test, repair, outfit, or otherwise to place in good working order any defense article;

This would apply equally to defense articles whether manufactured in the United States or not. It could conceivably mean, for example, that the British battle cruiser *RENOWN* could be repaired in the Brooklyn Navy Yard if the President considered it in the interest of our national defense to do so. The provision is broad enough to permit the use of any of our military, naval, or air bases to outfit and repair the weapons of countries whose defense is vital to the defense of the United States.

To communicate to any such government information pertaining to any defense article furnished to such government under the proposed bill;

This section gives the President the discretion to make available designs, blueprints, and other information for using particular equipment. Such information would relate only to defense articles actually supplied to foreign nations under this bill.

To release any defense article for export;

This eliminates restrictions in the Espionage Act of 1917 and in the Embargo Act of July 2, 1940 against the exportation of certain war materials. It does not, however, authorize the use of American vessels to deliver war materials to combat areas.

In addition, the proposed bill forbids any foreign country which obtains defense articles or defense information from the United States from transferring them to any other country without the President's consent. It also enables the United States to buy war materials in the American republics, Canada, or other countries whose defense is vital to ourselves, if such materials are not readily obtainable in this country.

- 3 -

While the bill contains an authorization for an appropriation, full effect cannot be given to its provisions until appropriations are actually provided by Congress.

A BILL

To further promote the defense of the United States,
and for other purposes.

Be it enacted by the Senate and House of Representatives of the
United States of America in Congress assembled, That this Act may be
cited as "An Act to promote the Defense of the United States."

Sec. 2. As used in this Act —

(a) The term "defense article" means:

- (1) Any weapon, munition, aircraft, vessel, or
boat;
- (2) Any machinery, facility, tool, material, or
supply necessary for the manufacture, production,
processing, repair, servicing, or operation of
any article described in this subsection;
- (3) Any component material or part of or equipment
for any article described in this subsection;
- (4) Any other commodity or article for defense.

Such term "defense article" includes any article described in this sub-
section: Manufactured or procured pursuant to section 3; or to which the
United States or any foreign government has or hereafter acquires title,
possession, or control.

(b) The term "defense information" means any plan, specifi-
cation, design, prototype, or information pertaining to any defense
article.

- 2 -

Sec. 3(a). Notwithstanding the provisions of any other law, the President may, from time to time, when he deems it in the interest of national defense, authorize the Secretary of War, the Secretary of the Navy, or the head of any other department or agency of the Government:

- (1) To manufacture in arsenals, factories, and shipyards under their jurisdiction, or otherwise procure, any defense article for the government of any country whose defense the President deems vital to the defense of the United States.
- (2) To sell, transfer, exchange, lease, lend, or otherwise dispose of, to any such government any defense article.
- (3) To test, inspect, prove, repair, outfit, recondition, or otherwise to place in good working order any defense article for any such government.
- (4) To communicate to any such government any defense information, pertaining to any defense article furnished to such government under paragraph (2) of this subsection.
- (5) To release for export any defense article to any such government.

(b) The terms and conditions upon which any such foreign government receives any aid authorized under subsection (a) shall be those which the President deems satisfactory, and the benefit to the

- 3 -

United States may be payment or repayment in kind or property, or any other direct or indirect benefit which the President deems satisfactory.

Sec. 4. All contracts or agreements made for the disposition of any defense article or defense information pursuant to section 3 shall contain a clause by which the foreign government undertakes that it will not, without the consent of the President, transfer title to or possession of such defense article or defense information by gift, sale, or otherwise, or permit its use by anyone not an officer, employee, or agent of such foreign government.

Sec. 5. The Secretary of War, the Secretary of the Navy, or the head of any other department or agency of the Government involved shall, when any such defense article or defense information is exported, immediately inform the department or agency designated by the President to administer section 6 of the Act of July 2, 1940 (54 Stat. 714), of the quantities, character, value, terms of disposition, and destination of the article and information so exported.

Sec. 6(a). There is hereby authorized to be appropriated from time to time, out of any money in the Treasury not otherwise appropriated, such amounts as may be necessary to carry out the provisions and accomplish the purposes of this Act.

(b) All money and all property which is converted into money received under section 3 from any government shall, with the approval of the Director of the Budget, revert to the respective appropriation or appropriations out of which funds were expended with respect to the

- 4 -

defense article or defense information for which such consideration is received, and shall be available for expenditure for the purpose for which such expended funds were appropriated by law, during the fiscal year in which such funds are received and the ensuing fiscal year.

Sec. 7. The Secretary of War, the Secretary of the Navy, and the head of the department or agency shall in all contracts or agreements for the disposition of any defense article or defense information fully protect the rights of all citizens of the United States who have patent rights in and to any such article or information which is hereby authorized to be disposed of and the payments collected for royalties on such patents shall be paid to the owners and holders of such patents.

Sec. 8. The Secretaries of War and of the Navy are hereby authorized to purchase or otherwise acquire arms, ammunition, and implements of war produced within the jurisdiction of any country to which section 3 is applicable, whenever the President deems such purchase or acquisition to be necessary in the interests of the defense of the United States.

Sec. 9. The President may, from time to time, promulgate such rules and regulations as may be necessary and proper to carry out any of the provisions of this Act; and he may exercise any power or authority conferred on him by this Act through such department, agency, or officer as he shall direct.

77TH CONGRESS
1ST SESSION

H. R. 1776

IN THE HOUSE OF REPRESENTATIVES

JANUARY 10, 1941

Mr. McCORMACK introduced the following bill; which was referred to the Committee on Foreign Affairs

A BILL

Further to promote the defense of the United States, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as "An Act to Promote the
4 Defense of the United States".

5 SEC. 2. As used in this Act—

6 (a) The term "defense article" means—

7 (1) Any weapon, munition, aircraft, vessel, or
8 boat;

9 (2) Any machinery, facility, tool, material, or
10 supply necessary for the manufacture, production, proc-

1 essing, repair, servicing, or operation of any article
2 described in this subsection;

3 (3) Any component material or part of or equip-
4 ment for any article described in this subsection;

5 (4) Any other commodity or article for defense.

6 Such term "defense article" includes any article described
7 in this subsection: Manufactured or procured pursuant to
8 section 3, or to which the United States or any foreign
9 government has or hereafter acquires title, possession, or
10 control.

11 (b) The term "defense information" means any plan,
12 specification, design, prototype, or information pertaining to
13 any defense article.

14 SEC. 3. (a) Notwithstanding the provisions of any
15 other law, the President may, from time to time, when he
16 deems it in the interest of national defense, authorize the
17 Secretary of War, the Secretary of the Navy, or the head
18 of any other department or agency of the Government—

19 (1) To manufacture in arsenals, factories, and ship-
20 yards under their jurisdiction, or otherwise procure, any
21 defense article for the government of any country whose
22 defense the President deems vital to the defense of the
23 United States.

24 — (2) To sell, transfer, exchange, lease, lend, or

1 otherwise dispose of, to any such government any defense
2 article.

3 (3) To test, inspect, prove, repair, outfit, recondi-
4 tion, or otherwise to place in good working order any
5 defense article for any such government.

6 (4) To communicate to any such government any
7 defense information, pertaining to any defense article
8 furnished to such government under paragraph (2) of
9 this subsection.

10 (5) To release for export any defense article to
11 any such government.

12 (b) The terms and conditions upon which any such
13 foreign government receives any aid authorized under sub-
14 section (a) shall be those which the President deems
15 satisfactory, and the benefit to the United States may be
16 payment or repayment in kind or property, or any other
17 direct or indirect benefit which the President deems
18 satisfactory.

19 SEC. 4. All contracts or agreements made for the dis-
20 position of any defense article or defense information pur-
21 suant to section 3 shall contain a clause by which the foreign
22 government undertakes that it will not, without the consent
23 of the President, transfer title to or possession of such defense
24 article or defense information by gift, sale, or otherwise,

1 or permit its use by anyone not an officer, employee, or
2 agent of such foreign government.

3 SEC. 5. The Secretary of War, the Secretary of the
4 Navy, or the head of any other department or agency of
5 the Government involved shall, when any such defense arti-
6 cle or defense information is exported immediately inform
7 the department or agency designated by the President to
8 administer section 6 of the Act of July 2, 1940 (54 Stat.
9 714), of the quantities, character, value, terms of disposi-
10 tion, and destination of the article and information so
11 exported.

12 SEC. 6. (a) There is hereby authorized to be appro-
13 priated from time to time, out of any money in the Treasury
14 not otherwise appropriated, such amounts as may be neces-
15 sary to carry out the provisions and accomplish the purposes
16 of this Act.

17 (b) All money and all property which is converted
18 into money received under section 3 from any government
19 shall, with the approval of the Director of the Budget,
20 revert to the respective appropriation or appropriations out
21 of which funds were expended with respect to the defense
22 article or defense information for which such consideration
23 is received, and shall be available for expenditure for the
24 purpose for which such expended funds were appropriated

1 by law, during the fiscal year in which such funds are
2 received and the ensuing fiscal year.

3 SEC. 7. The Secretary of War, the Secretary of the
4 Navy, and the head of the department or agency shall in all
5 contracts or agreements for the disposition of any defense
6 article or defense information fully protect the rights of all
7 citizens of the United States who have patent rights in and
8 to any such article or information which is hereby authorized
9 to be disposed of and the payments collected for royalties on
10 such patents shall be paid to the owners and holders of such
11 patents.

12 SEC. 8. The Secretaries of War and of the Navy are
13 hereby authorized to purchase or otherwise acquire arms,
14 ammunition, and implements of war produced within the
15 jurisdiction of any country to which section 3 is applicable,
16 whenever the President deems such purchase or acquisition
17 to be necessary in the interests of the defense of the United
18 States.

19 SEC. 9. The President may, from time to time, promul-
20 gate such rules and regulations as may be necessary and
21 proper to carry out any of the provisions of this Act; and he
22 may exercise any power or authority conferred on him by
23 this Act through such department, agency, or officer as he
24 shall direct.

1777-1900
1901-1909
1910-1919
1920-1929
1930-1939
1940-1949
1950-1959
1960-1969
1970-1979
1980-1989
1990-1999
2000-2009
2010-2019
2020-2029
2030-2039
2040-2049
2050-2059
2060-2069
2070-2079
2080-2089
2090-2099
2100-2109
2110-2119
2120-2129
2130-2139
2140-2149
2150-2159
2160-2169
2170-2179
2180-2189
2190-2199
2200-2209
2210-2219
2220-2229
2230-2239
2240-2249
2250-2259
2260-2269
2270-2279
2280-2289
2290-2299
2300-2309
2310-2319
2320-2329
2330-2339
2340-2349
2350-2359
2360-2369
2370-2379
2380-2389
2390-2399
2400-2409
2410-2419
2420-2429
2430-2439
2440-2449
2450-2459
2460-2469
2470-2479
2480-2489
2490-2499
2500-2509
2510-2519
2520-2529
2530-2539
2540-2549
2550-2559
2560-2569
2570-2579
2580-2589
2590-2599
2600-2609
2610-2619
2620-2629
2630-2639
2640-2649
2650-2659
2660-2669
2670-2679
2680-2689
2690-2699
2700-2709
2710-2719
2720-2729
2730-2739
2740-2749
2750-2759
2760-2769
2770-2779
2780-2789
2790-2799
2800-2809
2810-2819
2820-2829
2830-2839
2840-2849
2850-2859
2860-2869
2870-2879
2880-2889
2890-2899
2900-2909
2910-2919
2920-2929
2930-2939
2940-2949
2950-2959
2960-2969
2970-2979
2980-2989
2990-2999
3000-3009
3010-3019
3020-3029
3030-3039
3040-3049
3050-3059
3060-3069
3070-3079
3080-3089
3090-3099
3100-3109
3110-3119
3120-3129
3130-3139
3140-3149
3150-3159
3160-3169
3170-3179
3180-3189
3190-3199
3200-3209
3210-3219
3220-3229
3230-3239
3240-3249
3250-3259
3260-3269
3270-3279
3280-3289
3290-3299
3300-3309
3310-3319
3320-3329
3330-3339
3340-3349
3350-3359
3360-3369
3370-3379
3380-3389
3390-3399
3400-3409
3410-3419
3420-3429
3430-3439
3440-3449
3450-3459
3460-3469
3470-3479
3480-3489
3490-3499
3500-3509
3510-3519
3520-3529
3530-3539
3540-3549
3550-3559
3560-3569
3570-3579
3580-3589
3590-3599
3600-3609
3610-3619
3620-3629
3630-3639
3640-3649
3650-3659
3660-3669
3670-3679
3680-3689
3690-3699
3700-3709
3710-3719
3720-3729
3730-3739
3740-3749
3750-3759
3760-3769
3770-3779
3780-3789
3790-3799
3800-3809
3810-3819
3820-3829
3830-3839
3840-3849
3850-3859
3860-3869
3870-3879
3880-3889
3890-3899
3900-3909
3910-3919
3920-3929
3930-3939
3940-3949
3950-3959
3960-3969
3970-3979
3980-3989
3990-3999
4000-4009
4010-4019
4020-4029
4030-4039
4040-4049
4050-4059
4060-4069
4070-4079
4080-4089
4090-4099
4100-4109
4110-4119
4120-4129
4130-4139
4140-4149
4150-4159
4160-4169
4170-4179
4180-4189
4190-4199
4200-4209
4210-4219
4220-4229
4230-4239
4240-4249
4250-4259
4260-4269
4270-4279
4280-4289
4290-4299
4300-4309
4310-4319
4320-4329
4330-4339
4340-4349
4350-4359
4360-4369
4370-4379
4380-4389
4390-4399
4400-4409
4410-4419
4420-4429
4430-4439
4440-4449
4450-4459
4460-4469
4470-4479
4480-4489
4490-4499
4500-4509
4510-4519
4520-4529
4530-4539
4540-4549
4550-4559
4560-4569
4570-4579
4580-4589
4590-4599
4600-4609
4610-4619
4620-4629
4630-4639
4640-4649
4650-4659
4660-4669
4670-4679
4680-4689
4690-4699
4700-4709
4710-4719
4720-4729
4730-4739
4740-4749
4750-4759
4760-4769
4770-4779
4780-4789
4790-4799
4800-4809
4810-4819
4820-4829
4830-4839
4840-4849
4850-4859
4860-4869
4870-4879
4880-4889
4890-4899
4900-4909
4910-4919
4920-4929
4930-4939
4940-4949
4950-4959
4960-4969
4970-4979
4980-4989
4990-4999
5000-5009
5010-5019
5020-5029
5030-5039
5040-5049
5050-5059
5060-5069
5070-5079
5080-5089
5090-5099
5100-5109
5110-5119
5120-5129
5130-5139
5140-5149
5150-5159
5160-5169
5170-5179
5180-5189
5190-5199
5200-5209
5210-5219
5220-5229
5230-5239
5240-5249
5250-5259
5260-5269
5270-5279
5280-5289
5290-5299
5300-5309
5310-5319
5320-5329
5330-5339
5340-5349
5350-5359
5360-5369
5370-5379
5380-5389
5390-5399
5400-5409
5410-5419
5420-5429
5430-5439
5440-5449
5450-5459
5460-5469
5470-5479
5480-5489
5490-5499
5500-5509
5510-5519
5520-5529
5530-5539
5540-5549
5550-5559
5560-5569
5570-5579
5580-5589
5590-5599
5600-5609
5610-5619
5620-5629
5630-5639
5640-5649
5650-5659
5660-5669
5670-5679
5680-5689
5690-5699
5700-5709
5710-5719
5720-5729
5730-5739
5740-5749
5750-5759
5760-5769
5770-5779
5780-5789
5790-5799
5800-5809
5810-5819
5820-5829
5830-5839
5840-5849
5850-5859
5860-5869
5870-5879
5880-5889
5890-5899
5900-5909
5910-5919
5920-5929
5930-5939
5940-5949
5950-5959
5960-5969
5970-5979
5980-5989
5990-5999
6000-6009
6010-6019
6020-6029
6030-6039
6040-6049
6050-6059
6060-6069
6070-6079
6080-6089
6090-6099
6100-6109
6110-6119
6120-6129
6130-6139
6140-6149
6150-6159
6160-6169
6170-6179
6180-6189
6190-6199
6200-6209
6210-6219
6220-6229
6230-6239
6240-6249
6250-6259
6260-6269
6270-6279
6280-6289
6290-6299
6300-6309
6310-6319
6320-6329
6330-6339
6340-6349
6350-6359
6360-6369
6370-6379
6380-6389
6390-6399
6400-6409
6410-6419
6420-6429
6430-6439
6440-6449
6450-6459
6460-6469
6470-6479
6480-6489
6490-6499
6500-6509
6510-6519
6520-6529
6530-6539
6540-6549
6550-6559
6560-6569
6570-6579
6580-6589
6590-6599
6600-6609
6610-6619
6620-6629
6630-6639
6640-6649
6650-6659
6660-6669
6670-6679
6680-6689
6690-6699
6700-6709
6710-6719
6720-6729
6730-6739
6740-6749
6750-6759
6760-6769
6770-6779
6780-6789
6790-6799
6800-6809
6810-6819
6820-6829
6830-6839
6840-6849
6850-6859
6860-6869
6870-6879
6880-6889
6890-6899
6900-6909
6910-6919
6920-6929
6930-6939
6940-6949
6950-6959
6960-6969
6970-6979
6980-6989
6990-6999
7000-7009
7010-7019
7020-7029
7030-7039
7040-7049
7050-7059
7060-7069
7070-7079
7080-7089
7090-7099
7100-7109
7110-7119
7120-7129
7130-7139
7140-7149
7150-7159
7160-7169
7170-7179
7180-7189
7190-7199
7200-7209
7210-7219
7220-7229
7230-7239
7240-7249
7250-7259
7260-7269
7270-7279
7280-7289
7290-7299
7300-7309
7310-7319
7320-7329
7330-7339
7340-7349
7350-7359
7360-7369
7370-7379
7380-7389
7390-7399
7400-7409
7410-7419
7420-7429
7430-7439
7440-7449
7450-7459
7460-7469
7470-7479
7480-7489
7490-7499
7500-7509
7510-7519
7520-7529
7530-7539
7540-7549
7550-7559
7560-7569
7570-7579
7580-7589
7590-7599
7600-7609
7610-7619
7620-7629
7630-7639
7640-7649
7650-7659
7660-7669
7670-7679
7680-7689
7690-7699
7700-7709
7710-7719
7720-7729
7730-7739
7740-7749
7750-7759
7760-7769
7770-7779
7780-7789
7790-7799
7800-7809
7810-7819
7820-7829
7830-7839
7840-7849
7850-7859
7860-7869
7870-7879
7880-7889
7890-7899
7900-7909
7910-7919
7920-7929
7930-7939
7940-7949
7950-7959
7960-7969
7970-7979
7980-7989
7990-7999
8000-8009
8010-8019
8020-8029
8030-8039
8040-8049
8050-8059
8060-8069
8070-8079
8080-8089
8090-8099
8100-8109
8110-8119
8120-8129
8130-8139
8140-8149
8150-8159
8160-8169
8170-8179
8180-8189
8190-8199
8200-8209
8210-8219
8220-8229
8230-8239
8240-8249
8250-8259
8260-8269
8270-8279
8280-8289
8290-8299
8300-8309
8310-8319
8320-8329
8330-8339
8340-8349
8350-8359
8360-8369
8370-8379
8380-8389
8390-8399
8400-8409
8410-8419
8420-8429
8430-8439
8440-8449
8450-8459
8460-8469
8470-8479
8480-8489
8490-8499
8500-8509
8510-8519
8520-8529
8530-8539
8540-8549
8550-8559
8560-8569
8570-8579
8580-8589
8590-8599
8600-8609
8610-8619
8620-8629
8630-8639
8640-8649
8650-8659
8660-8669
8670-8679
8680-8689
8690-8699
8700-8709
8710-8719
8720-8729
8730-8739
8740-8749
8750-8759
8760-8769
8770-8779
8780-8789
8790-8799
8800-8809
8810-8819
8820-8829
8830-8839
8840-8849
8850-8859
8860-8869
8870-8879
8880-8889
8890-8899
8900-8909
8910-8919
8920-8929
8930-8939
8940-8949
8950-8959
8960-8969
8970-8979
8980-8989
8990-8999
9000-9009
9010-9019
9020-9029
9030-9039
9040-9049
9050-9059
9060-9069
9070-9079
9080-9089
9090-9099
9100-9109
9110-9119
9120-9129
9130-9139
9140-9149
9150-9159
9160-9169
9170-9179
9180-9189
9190-9199
9200-9209
9210-9219
9220-9229
9230-9239
9240-9249
9250-9259
9260-9269
9270-9279
9280-9289
9290-9299
9300-9309
9310-9319
9320-9329
9330-9339
9340-9349
9350-9359
9360-9369
9370-9379
9380-9389
9390-9399
9400-9409
9410-9419
9420-9429
9430-9439
9440-9449
9450-9459
9460-9469
9470-9479
9480-9489
9490-9499
9500-9509
9510-9519
9520-9529
9530-9539
9540-9549
9550-9559
9560-9569
9570-9579
9580-9589
9590-9599
9600-9609
9610-9619
9620-9629
9630-9639
9640-9649
9650-9659
9660-9669
9670-9679
9680-9689
9690-9699
9700-9709
9710-9719
9720-9729
9730-9739
9740-9749
9750-9759
9760-9769
9770-9779
9780-9789
9790-9799
9800-9809
9810-9819
9820-9829
9830-9839
9840-9849
9850-9859
9860-9869
9870-9879
9880-9889
9890-9899
9900-9909
9910-9919
9920-9929
9930-9939
9940-9949
9950-9959
9960-9969
9970-9979
9980-9989
9990-9999

Further to promote the defense of the United States, and for other purposes.

By Mr. McCOMACK

JANUARY 10, 1941

Referred to the Committee on Foreign Affairs

A BILL

H. R. 776

77th CONGRESS
1st Session

S. 275

IN THE SENATE OF THE UNITED STATES

JANUARY 10, 1941

Mr. BARKLEY introduced the following bill; which was read twice and referred to the Committee on Foreign Relations

A BILL

Further to promote the defense of the United States, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as "An Act to promote the
4 defense of the United States".

5 SEC. 2. As used in this Act—

6 (a) The term "defense article" means—

7 (1) Any weapon, munition, aircraft, vessel, or
8 boat;

9 (2) Any machinery, facility, tool, material, or
10 supply necessary for the manufacture, production, pro-

1 essing, repair, servicing, or operation of any article
2 described in this subsection;

3 (3) Any component material or part of or equip-
4 ment for any article described in this subsection;

5 (4) Any other commodity or article for defense.
6 Such term "defense article" includes any article described
7 in this subsection: Manufactured or procured pursuant to
8 section 3; or to which the United States or any foreign
9 government has or hereafter acquires title, possession, or
10 control.

11 (b) The term "defense information" means any plan,
12 specification, design, prototype, or information pertaining to
13 any defense article.

14 SEC. 3. (a) Notwithstanding the provisions of any
15 other law, the President may, from time to time, when he
16 deems it in the interest of national defense, authorize the
17 Secretary of War, the Secretary of the Navy, or the head
18 of any other department or agency of the Government—

19 (1) To manufacture in arsenals, factories, and ship-
20 yards under their jurisdiction, or otherwise procure, any
21 defense article for the government of any country whose
22 defense the President deems vital to the defense of the
23 United States.

24 (2) To sell, transfer, exchange, lease, lend, or

1 otherwise dispose of, to any such government any defense
2 article.

3 (3) To test, inspect, prove, repair, modify, maintain,
4 or otherwise to place in good working order any
5 defense article for any such government.

6 (4) To communicate to any such government any
7 defense information, pertaining to any defense article
8 furnished to such government under paragraph (2) of
9 this subsection.

10 (5) To release to any such government any
11 defense article.

12 (b) The terms and conditions upon which any such
13 foreign government receives any aid authorized under sub-
14 section (a) shall be those which the President finds
15 satisfactory, and the benefit to the United States may be
16 payment or repayment in kind or property, or any other
17 direct or indirect benefit which the President deems
18 satisfactory.

19 SEC. 4. All contracts or agreements made by the dis-
20 position of any defense article or defense information pur-
21 suant to section 3 shall contain a clause by which the foreign
22 government undertakes that it will not, without the consent
23 of the President, transfer title to or possession of such defense
24 article or defense information to any other government.

1 or provide its use by anyone not an officer, employee, or
2 agent of such foreign government.

3 Sec. 5. The Secretary of War, the Secretary of the
4 Navy, or the head of any other department or agency of
5 the Government involved shall, when any such defense arti-
6 cle or defense information is exported immediately inform
7 the department or agency designated by the President to
8 administer section 3 of the Act of July 2, 1940 (54 Stat.
9 714), of the quantities, character, value, terms of disposi-
10 tion, and destination of the article and information so
11 exported.

12 Sec. 6. (a) There is hereby authorized to be sign-
13 printed from time to time, out of any money in the Treasury
14 not otherwise appropriated, such amounts as may be neces-
15 sary to carry out the provisions and accomplish the purposes
16 of this Act.

17 (b) All money and all property which is converted
18 into money received under section 3 from any government
19 shall, with the approval of the Director of the Budget,
20 proceed to the respective appropriation or appropriations out
21 of which funds were expended with respect to the defense
22 article or defense information for which such consideration
23 is received, and shall be available for expenditure for the
24 purpose for which such expended funds were appropriated

1 by law, during the fiscal year in which such funds are
2 received and the ensuing fiscal year.

3 Sec. 7. The Secretary of War, the Secretary of the
4 Navy, and the head of the department or agency shall in all
5 contracts or agreements for the disposition of any defense
6 article or defense information fully protect the rights of all
7 citizens of the United States who have patent rights in and
8 to any such article or information which is hereby authorized
9 to be disposed of and the payments collected for royalties on
10 such patents shall be paid to the owners and holders of such
11 patents.

12 Sec. 8. The Secretaries of War and of the Navy are
13 hereby authorized to purchase or otherwise acquire arms,
14 ammunition, and implements of war produced within the
15 jurisdiction of any country to which section 3 is applicable,
16 whenever the President deems such purchase or acquisition
17 to be necessary in the interests of the defense of the United
18 States.

19 Sec. 9. The President may, from time to time, promul-
20 gate such rules and regulations as may be necessary and
21 proper to carry out any of the provisions of this Act; and he
22 may exercise any power or authority conferred on him by
23 this Act through such departmental, agency, or officer as he
24 shall direct.

77TH CONGRESS
1ST SESSION

H. R. 1776

IN THE HOUSE OF REPRESENTATIVES

JANUARY 10, 1941

Mr. McCORMACK introduced the following bill; which was referred to the Committee on Foreign Affairs

A BILL

Further to promote the defense of the United States, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as "An Act to Promote the
4 Defense of the United States".

5 SEC. 2. As used in this Act—

6 (a) The term "defense article" means—

7 (1) Any weapon, munition, aircraft, vessel, or
8 boat;

9 (2) Any machinery, facility, tool, material, or
10 supply necessary for the manufacture, production, proe-

369

77TH CONGRESS
1ST SESSION

S. 275

A BILL

Further to promote the defense of the United States, and for other purposes.

By Mr. BARKER

JANUARY 10, 1941

Read twice and referred to the Committee on Foreign Relations

1 essing, repair, servicing, or operation of any article
2 described in this subsection;

3 (3) Any component material or part of or equip-
4 ment for any article described in this subsection;

5 (4) Any other commodity or article for defense.

6 Such term "defense article" includes any article described
7 in this subsection: Manufactured or procured pursuant to
8 to section 3, or so which the United States or any foreign
9 government has or hereafter acquires title, possession, or
10 control.

11 (b) The term "defense information" means any plan,
12 specification, design, prototype, or information pertaining to
13 any defense article.

14 SEC. 3. (a) Notwithstanding the provisions of any
15 other law, the President may, from time to time, when he
16 deems it in the interest of national defense, authorize the
17 Secretary of War, the Secretary of the Navy, or the head
18 of any other department or agency of the Government—

19 (1) To manufacture in arsenals, factories, and ship-
20 yards under their jurisdiction, or otherwise procure, any
21 defense article for the government of any country whose
22 defense the President deems vital to the defense of the
23 United States.

24 (2) To sell, transfer, exchange, lease, lend, or

1 otherwise dispose of, to any such government any defense
2 article.

3 (3) To test, inspect, prove, repair, outfit, recondi-
4 tion, or otherwise to place in good working order any
5 defense article for any such government.

6 (4) To communicate to any such government any
7 defense information, pertaining to any defense article
8 furnished to such government under paragraph (2) of
9 this subsection.

10 (5) To release for export any defense article to
11 any such government.

12 (b) The terms and conditions upon which any such
13 foreign government receives any aid authorized under sub-
14 section (a) shall be those which the President deems
15 satisfactory, and the benefit to the United States may be
16 payment or repayment in kind or property, or any other
17 direct or indirect benefit which the President deems
18 satisfactory.

19 SEC. 4. All contracts or agreements made for the dis-
20 position of any defense article or defense information pur-
21 suant to section 3 shall contain a clause by which the foreign
22 government undertakes that it will not, without the consent
23 of the President, transfer title to or possession of such defense
24 article or defense information by gift, sale, or otherwise.

1 or permit its use by anyone not an officer, employee, or
2 agent of such foreign government.

3 SEC. 5. The Secretary of War, the Secretary of the
4 Navy, or the head of any other department or agency of
5 the Government involved shall, when any such defense arti-
6 cle or defense information is exported immediately inform
7 the department or agency designated by the President to
8 administer section 6 of the Act of July 2, 1940 (54 Stat.
9 714), of the quantities, character, value, terms of disposi-
10 tion, and destination of the article and information so
11 exported.

12 SEC. 6. (a) There is hereby authorized to be appro-
13 priated from time to time, out of any money in the Treasury
14 not otherwise appropriated, such amounts as may be neces-
15 sary to carry out the provisions and accomplish the purposes
16 of this Act.

17 (b) All money and all property which is converted
18 into money received under section 3 from any government
19 shall, with the approval of the Director of the Budget,
20 revert to the respective appropriation or appropriations out
21 of which funds were expended with respect to the defense
22 article or defense information for which such consideration
23 is received, and shall be available for expenditure for the
24 purpose for which such expended funds were appropriated

1 by law, during the fiscal year in which such funds are
2 received and the ensuing fiscal year.

3 SEC. 7. The Secretary of War, the Secretary of the
4 Navy, and the head of the department or agency shall in all
5 contracts or agreements for the disposition of any defense
6 article or defense information fully protect the rights of all
7 citizens of the United States who have patent rights in and
8 to any such article or information which is hereby authorized
9 to be disposed of and the payments collected for royalties on
10 such patents shall be paid to the owners and holders of such
11 patents.

12 SEC. 8. The Secretaries of War and of the Navy are
13 hereby authorized to purchase or otherwise acquire arms,
14 ammunition, and implements of war produced within the
15 jurisdiction of any country to which section 3 is applicable,
16 whenever the President deems such purchase or acquisition
17 to be necessary in the interests of the defense of the United
18 States.

19 SEC. 9. The President may, from time to time, promul-
20 gate such rules and regulations as may be necessary and
21 proper to carry out any of the provisions of this Act; and he
22 may exercise any power or authority conferred on him by
23 this Act through such department, agency, or officer as he
24 shall direct.

373

BY THE SENATOR

H. R. 1776

A BILL

Further to promote the defense of the United States, and for other purposes.

By Mr. McCORMACK

JANUARY 10, 1941

Referred to the Committee on Foreign Affairs

January 10, 1941

To: Mrs. Eltz
From: W. Young

Attached herewith are five memoranda for the Secretary, all dated January 10th, and all for his information. There are also attached two letters attached addressed to Secretary Hull for the Secretary's signature, one concerning the National Munitions Control Board, and the other in respect to the note which you transmitted to me this morning. With respect to this letter to Secretary Hull on the 300 P-40 planes, there is attached my conference notes on that meeting in case the Secretary should like to send them along too.

W.Y.

CONFIDENTIALDO KEEP YOU POSTED

January 10, 1941

To: The Secretary

From: Mr. Young

Subject: French P-40s

As a result of your conference with Sir Hugh Dowding the other day, you asked for information concerning the number of French P-40s taken over by the British.

I attach herewith a memorandum which I received from the British Purchasing Commission giving additional information.

RY

P-40 AIRCRAFT

1. We took over 315 P-40s ordered by the French and our own contracts cover 765. The French type planes were scheduled to be delivered first.
2. The French planes were being built around French type guns, radio, etc., and had to be adapted to meet British requirements, since the French had intended to instal their equipment on arrival in France. It was not found possible to complete the modifications in the U.S.A. and an appreciable amount of work had to be done in England.
3. The 316th plane was shipped late in November. Allowing for shipping and re-assembly time, together with the necessity of forming a complete squadron before commencing the required intensive personnel training, it is estimated that these planes will not be in combat before late in February.
4. Approximately 500 P-40s have been shipped to England. It is believed the remainder will be shipped to the Middle East via Takoradi.

Washington, D.C.

January 7, 1941.

CONFIDENTIALTO KEEP YOU POSTED

January 10, 1941

To: The Secretary

From: Mr. Young

Subject: Priorities

This office has had no comment and received no information from Mr. Knudsen since filing 13 foreign priority requests with him last Tuesday. Seven of these requests were British, 5 were Dutch and 1 was South American (Pan American Grace Airways, Incorporated.)

We are planning to continue this procedure and file a number of additional requests by Monday.

P.Y.

CONFIDENTIALTO KEEP YOU POSTED

January 10, 1941

To: The Secretary

From: Mr. Young

Re: Availability of Unexpended
Navy Appropriations.

I had a chat with Mr. Forrestal last night concerning the possibility of the Navy finding unexpended appropriations which might be used to help the British.

This morning Mr. Wise in Secretary Knox' office called to say that he had been looking into the matter and that the Navy would have some money available. I told him briefly about the memorandum I sent you yesterday with respect to the 11 million dollar bid which the British submitted to the Maritime Commission for twenty cargo vessels.

Mr. Wise said that he would investigate the possibility of the Navy acquiring such ships and so relieve the British from this bid.

T.Y.

CONFIDENTIALNO COPY TO BE POSTED

January 10, 1941

To: The Secretary
 From: Mr. Young
 Subject: 9 orphan bombers

Sometime ago you asked Mr. Purvis to find out what the British would give up in return for the additional 9 Consolidated B-24 bombers. At that time the British made the suggestion of 100 Allison C engines. Since that time the Army has requested that the British release 230 Wright 1820 engines.

It is my feeling that the British should not have to give up anything immediately for these planes. The original theory, as I understand it, is that the British should give up something in return in order that General Marshall may take out a certificate showing that the release of these planes is in the interest of national defense. This certificate, however, will not be necessary if the new legislation goes through providing for other methods of transfer. The impression I get is that the Air Corps is attempting to use this as a lever whereby they can pry out of the British, Wright 1820 engines prior to the passing of the new legislation. If the British give up these engines they estimate it will ground about 80 British planes.

As you will note from the attached the last 9 of these B-24 bombers will not be delivered until the last part of May so that there would seem to be plenty of time to work out the details of the transfer although, in the meantime, it should be understood that these planes will be turned over to the British in order that the necessary changes, such as the Sperry stabilizer, may be made.

RY.

PRODUCTION SCHEDULE CONSOLIDATED B24 BOMBERS

Present estimate by our West Coast Production Manager:

| | | |
|---------|--------------------------------|-----------|
| First 6 | by February 17th | 6 |
| | 7th by March 14th | 1 |
| | 8th by March 21st | 1 |
| | 9th by March 28th | 1 |
| | 2 per week through April | 8 |
| | 4 per week through May | 16 |
| Last 2, | say, in first few days of June | 2 |
| | | <u>35</u> |

The following two points of immediate interest can be developed from the above table:

1. Delivery of the first twenty-six (26) will be completed soon after the middle of May.
2. The last nine will probably be delivered during the last ten days of May and first few days of June.

January 7, 1941.

CONFIDENTIALTO KEEP YOU POSTED

January 10, 1941

To: The Secretary

From: Mr. Young

Re: Planes for China.

Several snags have come up in connection with the purchase of the 100 P-40 planes by China. I think all of these have been ironed out with the exception of one, namely, the relationship of the Inter-Continent Corporation to the Curtiss Wright Corporation. This factor has to date kept the deal from going through, so that planes have not yet been delivered to the Chinese.

Inter-Continent Corporation has a legal contract for the exclusive agency for Curtiss Wright in China, to which Curtiss Wright is legally bound. Thus, if Universal Trading purchases the 100 planes from Curtiss Wright, under the contract a commission should be paid to Inter-Continent. Inter-Continent has taken the position that it will not waive this commission fee in this instance.

I have taken the stand that as Inter-Continent is the only company which can erect, maintain, and service planes in China the payment to Inter-Continent should represent a service charge for those operations and should not include any additional fee for getting the business. If this plan is accepted, then it is only a question of determining the method of payment.

Payment could be made as part of the contract price between Universal and Curtiss, by a separate contract between Inter-Continent and the Chinese Government, or by a separate contract between Universal and Inter-Continent. The only other alternative would be for Universal to buy the planes directly from the British rather than from Curtiss Wright, thus eliminating the contract relationship between Curtiss Wright and Inter-Continent. This latter solution, however, seems to present some difficulties.

- 2 -

on the British side although, to be sure, it would return to the British a small amount of dollars.

I have talked with Guy Vaughan, Archie Lockheed, and Mr. Brophy, counsel for Inter-Continent. The status as of today is that Archie Lockheed is securing from Inter-Continent and Curtiss Wright a breakdown as to the price of the planes, the cost of erection, maintenance, servicing, etc. It may be that Inter-Continent will have to be told in no uncertain terms that in this instance it cannot charge any commission over and above the actual cost of erection and maintenance of the planes in China.

I might add that the Chinese have agreed to accept the British P-40's just as they are coming off the production line without a single change. I have also told Guy Vaughan and Inter-Continent that I would like to see the planes started for China regardless of whether or not satisfactory negotiations had been completed.

F.G.

January 10, 1941

Dear Cordell:

At a conference held in your office on December 23rd, at which were present Secretary Stinson, Secretary Knox, and I, there was discussed the allocation of the 300 extra Curtiss P-40 pursuit planes to be produced this spring over and above those already on order.

As the United States Army Air Corps was understood not to be interested in this extra production, it was generally agreed that the bulk of these planes should go to the British--say 150 to 200. Suggested destinations for the remainder included China, Greece, and South America. However, after considerable discussion it was agreed that the allocation should be limited to China and Great Britain; that Great Britain should give up 100 planes to the Chinese out of her January, February, and March deliveries and receive in compensation 200 in May, June, and July--a net gain to her of 200 planes.

This proposal was presented to the British Government and has been agreed to by them as a basis of operations. Likewise the Chinese Government is prepared to receive its allotted number of planes in this and the next two months. In view of these decisions, none of the 300 Curtiss P-40s discussed is now available to other purchasers.

Sincerely,

(Signed) H. Morganthau, Jr

H. M.
The Honorable,

The Secretary of State.

By Messenger 3⁰⁰

383 - B

January 10, 1941

Dear Cordell:

At a conference held in your office on December 23rd, at which were present Secretary Stimson, Secretary Knox, and I, there was discussed the allocation of the 300 extra Curtiss P-40 pursuit planes to be produced this spring over and above those already on order.

As the United States Army Air Corps was understood not to be interested in this extra production, it was generally agreed that the bulk of these planes should go to the British---say 150 to 200. Suggested destinations for the remainder included China, Greece, and South America. However, after considerable discussion it was agreed that the allocation should be limited to China and Great Britain; that Great Britain should give up 100 planes to the Chinese out of her January, February, and March deliveries and receive in compensation 300 in May, June, and July---a net gain to her of 300 planes.

This proposal was presented to the British Government and has been agreed to by them as a basis of operations. Likewise the Chinese Government is prepared to receive its allotted number of planes in this and the next two months. In view of these decisions, none of the 300 Curtiss P-40s discussed is now available to other purchasers.

Sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable,

The Secretary of State.

By Messenger

January 10, 1941

Dear Cordell:

At a conference held in your office on December 23rd, at which were present Secretary Stimson, Secretary Knox, and I, there was discussed the allocation of the 300 extra Curtiss P-40 pursuit planes to be produced this spring over and above those already on order.

As the United States Army Air Corps was understood not to be interested in this extra production, it was generally agreed that the bulk of these planes should go to the British--say 150 to 200. Suggested destinations for the remainder included China, Greece, and South America. However, after considerable discussion it was agreed that the allocation should be limited to China and Great Britain: that Great Britain should give up 100 planes to the Chinese out of her January, February, and March deliveries and receive in compensation 300 in May, June, and July--a net gain to her of 200 planes.

This proposal was presented to the British Government and has been agreed to by them as a basis of operations. Likewise the Chinese Government is prepared to receive its allotted number of planes in this and the next two months. In view of these decisions, none of the 300 Curtiss P-40s discussed is now available to other purchasers.

Sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable,

The Secretary of State.

By Message

January 9, 1941

At Cabinet, Cordell Hull made a statement about how we were going to divide up the Curtiss P-40 planes, showing how confused the matter is in his mind. Therefore, I better write him a letter telling him that we have gotten the English to give the Chinese 100 planes and they are to get the 300 later on. By advising him of this, it may clear up his mind so that he won't again make a misstatement.

Has Philip Young prepare letter.

January 10, 1941.

MEMORANDUM FOR THE SECRETARY'S DIARY

At 5:00 p.m. today, Mr. Foley saw Associate Justice Frankfurter, and left with him a copy of the letter of transmittal together with a copy of the Executive Order extending freeze control and creating a Board for Economic Defense. The Justice said that he would read the Order and digest it, and then get in touch with his friend, Herbert Feis, and find out what was holding up its execution.

Mr. Foley also left with the Justice for his information a copy of the legislation to provide material aid to Great Britain together with a copy of the press release.

E. M. F.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE January 10, 1941

TO Secretary Morgenthau
FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

| | |
|------------------------------------|----------|
| Sold to commercial concerns | \$64,000 |
| Purchased from commercial concerns | \$10,000 |

Open market sterling remained at 4.03-3/4. Transactions of the reporting banks were as follows:

| | |
|------------------------------------|----------|
| Sold to commercial concerns | \$ 3,000 |
| Purchased from commercial concerns | \$ 2,000 |

Closing quotations for the other currencies were:

| | |
|--------------------------|-------------------|
| Canadian dollar | 1 1/2% discount |
| Swiss franc | .2321 |
| Swedish krona | .2385 |
| Reichsmark | .4005 |
| Lira | .0505 |
| Argentine peso (free) | .2360 |
| Brazilian milreis (free) | .0505 |
| Mexican peso | .2066 |
| Cuban peso | 7-13/16% discount |
| Chinese yuan | .05-5/8 |

There were no gold transactions consummated by us today.

The Federal Reserve Bank of New York reported that the Central Bank of El Salvador repaid \$55,000 of the three-month loans previously made to it by the Federal. Upon repayment, the Federal transferred \$70,744.09 worth of gold from the collateral account to the Salvadorean bank's own earmarked account. The amount of loans outstanding is now \$322,000, secured by \$918,835.52 in gold.

On January 4, we reported that the Commonwealth Bank of Australia had shipped \$10,470,000 in gold from Australia to the Federal Reserve Bank of San Francisco, and stated that the disposition of this shipment was unknown. It was learned today that this gold will be sold to the San Francisco Mint, and that \$6,324,000 of the proceeds will be credited to the Commonwealth Bank's account at the Federal Reserve Bank of New York. The remaining \$4,146,000 is to be credited to the account of His Britannic Majesty's Government.

-2-

The New York banks were advised by cable that the Bombay bullion markets were closed today, and no gold or silver prices were received from that center.

The prices fixed in London for spot and forward silver were both $1/16d$ lower at $23-5/16d$ and $23-1/4d$ respectively. The dollar equivalents were $42.33¢$ and $42.21¢$.

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

We made two purchases of silver totaling 200,000 ounces under the Silver Purchase Act, both of which consisted of new production from foreign countries, for forward delivery.



CONFIDENTIAL

RH

GRAY

Santiago, Chile

Dated January 10, 1941

Rec'd 9:16 p.m.

Secretary of State,
Washington.

11, January 10, 6 p.m.

The British Government trade mission concluded on January 8 a twelve day visit to Chile. Activities here included meetings with Chilean Government officials, the press, members of the Chilean and British business communities and attendance at innumerable social functions. The mission was received in all quarters with marked and apparently sincere cordiality and the press gave its movements and the utterances of its members extensive and favorable publicity.

According to my information the mission conducted no (repeat no) negotiations with the view to concluding commercial agreements. The successful accomplishments were, in my opinion, the intensification of the feeling of goodwill toward Great Britain, the creation of a more sympathetic understanding of her war trade problems and the inculcation of the belief that she is sincere in her wish to continue and expand her trade with Chile after
the

EH -2- 11, January 10, 6 p.m. from Santiago.

the war. I am told that the mission made it clear to Chilean authorities that because of the maritime transportation problem British purchases of Chilean products in the immediate future would be restricted chiefly to nitrates, iodine, hides, wool and hemp, that no Chilean mutton, meats, beans or lentils would be bought unless Chile could arrange for their transportation, that Britain could not approve of the sale of Danish vessels now tied up in Chilean ports to Chilean Government and their transfer to the Chilean flag, that she could not acquiesce to the passage through the blockade of goods still in Germany which were purchased and paid for prior to the outbreak of hostilities, that it would be recommended that the Bank of England grant a £1,000,000 overdraft to the Bank of London and South America in order that the latter institution may undertake forward exchange commitments with wool shippers in Chile during the next three to four months, apply the proceeds of these sales to the unblocking of £700,000 now owned by Chilean importers to British shippers and make the balance available for the payment of future British imports.

The mission at no time attempted to convey the impression that England was prepared to do business as usual.

On

EH -3- 11, January 10, 8 p.m. from Santiago.

On the contrary, in private conversations it was intimated that for the duration of the war Britain would only be in position to supply a limited number of items for export and that its purchases would be restricted to those goods most urgently needed for the prosecution of the conflict.

Repeated to Lima.

BOWERS

EMB

ESM

PLAIN

London

Dated January 10, 1941

Rec'd 5:35 p. m.

Secretary of State,
Washington.

110, Tenth.

FOR TREASURY.

1. A definition of the responsibilities of stockbrokers having accounts in the names of non-residents is given in a letter published today from the Bank of England to the Stock Exchange, the full text of which goes forward by mail. If such accounts are in credit the permission of the Bank of England must be obtained before making the balances available in whatever manner to non-resident clients. If the accounts are in debit steps must be taken as soon as possible to obtain the repayment of the advances and the debit balances must be reported to the Bank of England forthwith. Express permission is required for the grant of any over-draft or loan facilities to non-residents. The effect of any change in a client's country of residence since September 1, 1939, must be ascertained by the stockbroker from his banker before further investments or remittances are made.

2. Both this morning's London financial papers

run

hsm -2- No. 110, January 10, from London

run an article under Washington date-line stating that a group of leading investment trusts headed by the Tri-Continental Corporation has applied for approval of a tentative plan for the joint purchase of \$600,000,000 worth of British-owned American securities to be held until disposable profitably.

JOHNSON

NPL

COPY
TREASURY

JB

GRAY

Shanghai via W. R.

Dated January 10, 1941

Rec'd 11:07 a.m., 11th.

Secretary of State,
Washington.

41, January 10, 2 p.m. (SECTION ONE)

Chinese currency stabilization at Shanghai.

It has been pointed out in reports and despatches, particularly my 85 of December 9, 1940, that the thinking people in the past decided that continued support of the Chinese National currency on the Shanghai exchange market was motivated by three principal considerations; firstly, that the expense involved should be regarded as part of the war costs; secondly, that it was highly important to protect the political prestige of the national currency in the Shanghai region; thirdly, that it was highly important to continue measures designed to prevent Japanese success in economic and definite control of this region.

The other person's opinion which opposes a continuance of exchange support at Shanghai, emphasizes the following points which elaborate further the views advanced pages 3 and 4 and pages 19, 20 and 21 (above mentioned despatch): firstly, 'free' China can no longer export through Shanghai nor obtain substantial quantities of merchandise from Shanghai due to the effective Japanese naval blockade, a situation which has created a serious shortage of consumer goods in the Chinese controlled interior and contributes to the embarrassing rising price situation there;

LOCKHART

CSB

REAY

Shanghai

Dated January 10, 1941

Rec'd 8:30 a.m., 11th

Secretary of State

Washington

41, January 10, 2 p.m. (SECTION TWO)

Secondly, further unlimited support of the Chinese currency at Shanghai is beginning to be of increasing advantage to the Japanese and their sponsored regime, as their economic and trade control measures in the Shanghai region are now gradually achieving some success; thirdly, the contrasts between the economic poverty and scarcity of goods in vast Chinese interior and the relative plenty at Shanghai makes the appropriation of further funds from exchange resources for support of the currency at Shanghai seem illogical and out of proportion, as the only purpose to be served would be to save vested interests at Shanghai which are no longer of any advantage to the economic life of territory controlled by Chungking; fourthly it is perhaps unique in world financial history for a country to maintain behind enemy lines a free exchange market such as has been done at Shanghai, and if such action can no longer serve any usefulness, purpose or advantage, China should have no more hesitancy in doing away with the free market and establishing exchange control than did Great Britain in its time of crisis; fifthly, as it appears inevitable that China's unfavorable economic and financial situation will continue to afflict conditions even after the present conflict is ended, it seems inadvisable to burden China with further loan obligations as advanced by friendly powers for support of the currency, when it is patent that the ultimate outcome of the Sino-Japanese hostilities must be the determination of the future status of the Chinese currency; sixthly, the trading interests of the friendly powers at Shanghai can best be preserved if China wins the war. (END OF SECTION TWO).

LOCKHART

WSB

RAY

Shanghai via P. R.

Dated January 10, 1941

Rec'd. 9:10 a. m., 11th

Secretary of State,

Washington

21, January 11, 2 p. m. (Section three).

Hence, costly palliatives cannot serve certain fundamental standards, and China's resources should be conserved to make prolonged resistance possible and to make post war rehabilitation easier; seventhly, the financial and economic welfare of China in the Shanghai region is indeed important, but the welfare of the Chinese in free China is more important; furthermore, the fate of the Chinese people in the Japanese occupied regions depends upon the outcome of the conflict and upon nothing else; eighthly, licensing and allotment systems for exchange are satisfactory, because there are bound to be loopholes, as conceded by foreign monetary experts, not to mention China's experience in 1938 in releasing in the aggregate United States dollars 50 million in allotments at Shanghai for export commodities; furthermore, the introduction of an allotment system for exports at a fixed rate would prevent the development of an unofficial market at lower rates; ninthly, there is no certainty that the maintenance of the exporting exchange market at Shanghai will be less costly than in the past, despite the temporary favorable technical position of the Shanghai market at present. Inform Comserve. Sent to the Department, to Chungking, air mail to Peking and Tokyo. (End of Message).

DOUBT

222

Copy:als

JR

PLAIN

Shanghai via N. R.

Dated January 10, 1941

Rec'd 1:35 p.m., 11th.

Secretary of State,
Washington.

44, tenth.

The second special district court in the French Concession has issued a proclamation stating that the public will be requested henceforth to pay court fees and cash securities in notes of the new control reserve bank and that "person who attempts to work against the circulation of those notes or refuses to accept same shall be punished without leniency".

Sent to the Department, repeated to Chungking, Peiping, mail to Tokyo.

LOCKHART

CSB

No. 37

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

American Consulate General,
Harbin, Manchuria,
January 10, 1941

Subject: Shipments to and from Germany via Siberia.

STRICTLY CONFIDENTIAL

The Honorable

The Secretary of State,
Washington.

Sir:

I have the honor to enclose a copy of my despatch No. 24, dated January 10, 1941, addressed to the American Embassy at Peiping, entitled "Shipments to and from Germany via Siberia."

Respectfully yours,

L. H. Gourley
American Consul

Enclosure:

Copy of despatch No. 24, dated
January 10, 1941, to the Embassy
at Peiping, with its enclosure.

In quintuplicate.

800
BEJ:av

THE POSTOFFICE SERVICE
OF THE
UNITED STATES OF AMERICA

American Consulate General,
Harbin, Manchuria,
January 10, 1943.

STRICTLY CONFIDENTIAL

Subject: Shipments to and from Germany via Siberia.

The Honorable

Nelson Truesler Johnson,
American Ambassador,
Peiping, China.

Sir:

I have the honor to refer to the Consulate General's despatch No. 11 of November 4, 1940 entitled "Shipments to Germany via Siberia" and several despatches along the same line from other offices in this area, particularly Dairen, and to summarize the information on the subject which has come to the attention of this office since the time of its last despatch.

Summary

Trans-Siberian traffic to and from Germany seems much heavier than expected a year ago. A firm in Hungary called The National City Bank were to help with Trans-Siberian shipments. Probably 100,000 tons of raw iron reached Germany via Manchouli during 1940 and possibly a like amount via Vladivostok, and current shipments are believed at least 1,500 tons daily. There is evidence of efforts to increase these all shipments. Steps to increase by delivering 21 locomotives to Korch Chiao and Ering, railway for iron cement plants in Manchuria. The German transport company claims it German in Manchouli, where a branch legation has been opened, and Germans are much in evidence everywhere.

Of unusual interest is the enclosed copy of a letter from a firm in Hungary to the Harbin office of The National City Bank of New York,* Peiping

* Original in the files of this office.

...the firm presumably represents German interests. The letter states in part that: "Different importers and factories in Hungary intend to buy raw wool through Russia raw leather, raw gummi, raw cotton, raw jute, raw wool, raw copper, tin and lead." and that "there is a regular traffic from Russia through Russia and Germany on the Transsiberian railroad, and it is not infrequently considerable transports were coming already in this way." Furthermore, the letter states that large quantities of the articles named are wanted, asks the bank to recommend reliable firms, and proposes to pay in the United States Dollars for release to the shipper upon presentation to the bank of proper evidence that an order has been dispatched.

The letter may be a bona fide attempt to do business or may possibly have been sent out as a form of indirect propaganda to impress Americans with the extent of shipments via Siberia. Either interpretation of the letter is interesting, but, regardless of the motive of the writer of the particular letter, this Consulate General is inclined to believe that shipments via Siberia have been, and are, larger than generally anticipated (at least in Berlin circles) a year ago.

Aside from the letter described above, which was received by this office today and was not answered by the bank, various stories have been heard since the time of the despatch under reference regarding shipments from and from Germany via Siberia.

As indicated in the Consulate General's political report for November, reliable and well informed persons in Berlin have begun to think that smaller quantities of the amount of soy beans shipped to Germany during 1940 was the case and that 100,000 tons have been sent by way of Vladivostok. In addition, the person in whom this office has confidence believes that it is not at all improbable that a similar quantity has gone by river to the sea and thence to Germany via Vladivostok. He says that the small amount of beans which have

"Berlin's Political Report for November 1940, page 9.

appeared in normal channels from the Sungari River Basin lends credibility to reports of that nature which have come to him.

The same informant states that he knows that the German firm of Knust and Albers has bought up a large stock of oil drums for use in transporting soy bean oil. He also mentioned that soy bean oil can now be made into a solid form^{**}, which will make shipment easier. Newspaper reports to the effect that Harbin and Hsinking mills would be furnished 450,000 tons of beans this year and that these cities would replace Dairen as the center of the industry were discussed with him. He has no information to confirm these reports, despite his intimate knowledge of the business, but points out that if large amounts of oil are to go to Germany, such a development would be logical because shipping costs would be reduced. Deliveries to date of beans to Harbin millers have, however, been far below those required to fulfill such a milling program.^{***}

There are many allegations current about the quantity of soy beans leaving Manchouli for Germany during the past month or two. Various well informed persons have given estimates running from two to as many as five trains a day. Even the minimum estimate would give a daily total of some 1,500 tons. There seems to be ample ground for believing that the minimum figure at least is by no means an exaggeration, since there are also reliable reports of considerable movements of beans from Harbin toward Manchouli.

Regarding shipments arriving from Germany, the Consulate General's informants are less specific, but must think that a good deal is coming in. According to an item in the November 1, 1940 issue of the MANCHURIA DAILY NEWS,

^{**} Reported also in Dairen's despatch of December 17, 1940 to Tokyo, entitled "Special Aspects of the Soybean Situation in Manchuria."

^{***} These press reports have been touched on in Harbin's Trade Conditions-North Manchuria for November 1940 and in Dairen's despatch to Tokyo mentioned in the footnote above.

machinery from Krupp is on the way for two cement plants in North Manchuria. The Embassy may be in a position to verify one specific report: Several people have quoted the representative of Skoda* as saying that he has concluded a contract for twenty-one locomotives for delivery in North China, to be sent out via Siberia.

A responsible officer of the German company in charge of Trans-Siberian shipments recently said in the presence of an officer of this Consulate General that his company has fourteen Germans in Kanchouli, and that they have more work than they can handle. It is believed that his statement is at least substantially true.

A German on the staff of the local German Consulate General recently said that a branch of the German Legation at Hsinking was opened in Kanchouli toward the end of December.

During the past year there has been a very noticeable increase in the number of Germans living and travelling in Manchuria. Published hotel guest lists show that by far the greatest number of foreigners registering are German. Germans are such in evidence everywhere.

While the information reported above and in previous despatches from this and other offices is not as factual as might be desired, it does nevertheless point to the conclusion that the Trans-Siberian route is operating with a greater degree of effectiveness than had been generally expected a year ago, and that the amount of cargo handled thereon is by no means insignificant.

Respectfully yours,

L. H. Gourley
American Consul

Enclosure:

Copy of letter of November 12, 1940,
Polgar, Lefkovits & Fekete, Budapest,
Hungary to The National City Bank of
New York, Harbin.

Copy to Embassy, Chungking.
Five copies to the Department by
despatch No. 37, January 10, 1941.
Copy to Embassy, Tokyo.
Copy to Embassy, Berlin.
Copy to Embassy, Moscow.
Copy to Consulate General, Mukden.
Copy to Consulate, Dairen.

500
REL:JNO

copy:bj:eh

Enclosure to Dispatch No. 24 dated
January 10, 1941 from the American
Consulate General, Berlin, entitled
"Shipments to and from Germany via
Siberia."

402

COPY

COPY FOLLOWS:

MILGROM, DEBROWITZ & PEREZ
Forwarding Agents
Telephone No. 117-750, Berlin,
Telegraph: FURBER.

BERLIN, the 12th November 1940
V.. Kaiser-Strasse 24.

Your Ref.: _____
Our Ref.: 101/1/101.

Receipt
National City Bank of New York,
CHESTER
Philadelphia.

Gentlemen:

We are constantly working with your overseas-houses and we call your attention
to the following matters:

Different importers and factories in Hungary intend to buy and ship through
Berlin raw leather, raw wool, raw cotton, raw jute, then metals, like copper
lead and tin.

You know the market there very well naturally, therefore we beg you to recommend
us reliable firms, which are willing and are able to furnish us with considerable
big amounts of above mentioned materials.

We imagine the effecting of these businesses so that there is a regular traffic
from Berlin through Russia and Germany on the Transsiberic railroad, and to our
information considerable transports were coming already on this route. The
paying of the goods would be done naturally in USA Dollars that is to say the
Hungarian importers would credit the goods at your House so that if the firm in
question certifies, that the ordered goods are loaded in Berlin at the railway
company as per our instructions, the credited amount would be paid out to this
firm. Naturally it would be necessary to have a go between third hand, because
of the terrific distance and the high value of the goods in question, which third
hand would control the quality of the goods. We beg you therefore to recommend
us such a person or firm, and inform us in the same time the tariff of such a
firm as to the controlling of the qualities of the ordered goods, and what are
the guarantees of same.

We await your re. kind replies very urgently, and therefore please give us your
answer via air mail either through America or through Russia, the expenses of
which we cover naturally ourselves.

Thanking you for your kindness in advance, we sign Gentlemen, hoping a prompt
answer from your part.

Very truly yours,
Folger, Lefkowitz & Peck
(signature illegible)

VIA AIRMAIL COPY:

January 10, 1941

CONFIDENTIAL

Dear Mr. Eakin:

Permit me to acknowledge, on behalf of Secretary Hargothas, the receipt of your letter of January 9, 1941, enclosing your compilation for the week ended December 31, 1940 showing dollar disbursements out of the British Empire and French accounts at the Federal and the names by which these expenditures were financed.

Sincerely yours,

E. Marie Cochran
Technical Assistant to the Secretary

L. W. Eakin, Esquire,
Vice President,
Federal Reserve Bank of New York,
New York, New York.

EMC:lap-1/10/41

Copy for Miss Chauncey

FEDERAL RESERVE BANK
OF NEW YORK

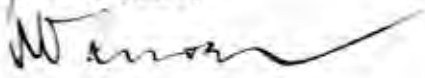
January 9, 1941.

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. E. Merle Cochran

I am enclosing herewith our compilation for the week ended December 31, 1940, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,



L. W. Knobe,
Vice President.

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

Enclosure

ANALYSIS OF DEBITES AND CREDITS ACCOUNTS
(In Millions of Dollars)

Week Ended **December 31, 1940.** (Continued)

| PERIOD | DEBIT OF IRELAND (UNITED GOVERNMENT) | | | | | | | | DEBIT OF FRANCE | | | | | | | Net Incr. (+) or Decr. (-) in Balance |
|--------------------|--------------------------------------|------------------------|--------------|---------------|---------------------------|-------------------|----------------------------|---------------------------------------|-----------------|------------------------|--------------|---------------|------------------------|---------------|--------|---------------------------------------|
| | DEBIT | | | CREDIT | | | | | DEBIT | | | CREDIT | | | | |
| | Total Debits | Gov't Expenditures (a) | Other Debits | Total Credits | Proceeds of Sales of Gold | Resortion (b) (c) | Other Credits incl. adj'ts | Net Incr. (+) or Decr. (-) in Balance | Total Debits | Gov't Expenditures (a) | Other Debits | Total Credits | Proceeds of Gold Sales | Other Credits | | |
| 1939 | | | | | | | | | | | | | | | | |
| Aug. 31 - Sept. 27 | 94.3 | 3.6 | 90.7 | 207.8 | 185.4 | 33.6 | -11.8(d) | +113.5 | 19.4 | 6.0 | 13.4 | 11.3 | - | 11.3 | - 8.1 | |
| Sept. 28 - Nov. 1 | 106.7 | 5.8 | 100.9 | 142.0 | 3.2 | 52.5 | 86.2(e) | + 35.3 | 88.6 | 31.8 | 105.4 | 76.8 | 38.0 | 41.8 | - 12.4 | |
| Nov. 2 - 29 | 191.7 | 8.9 | 182.8 | 105.8 | 57.8 | 23.0 | 23.0 | - 85.9 | 78.6 | | 58.7 | 82.9 | 55.1 | 27.8 | + 4.3 | |
| Nov. 30 - Jan. 3 | 97.7 | 8.7 | 89.0 | 75.5 | 50.6 | 14.2 | 10.4 | - 22.5 | 86.8 | 28.1 | 58.7 | 109.2 | 93.9 | 15.3 | + 22.4 | |
| 1940 | | | | | | | | | | | | | | | | |
| Jan. 4 - 31 | 54.8 | 16.8 | 38.0 | 43.4 | 20.6 | 17.8 | 5.0(f) | - 11.4 | 61.5 | 31.8 | 30.0 | 55.9 | 50.1 | 5.8 | - 5.6 | |
| Feb. 1 - 28 | 124.8 | 15.4 | 109.4 | 108.3 | 86.7 | 17.9 | 35.7 | - 15.9 | 72.9 | 37.6 | 39.9 | 71.5 | 54.8 | 16.7 | - 1.2 | |
| Feb. 29 - Apr. 5 | 110.0 | 14.6 | 95.4 | 94.0 | 60.9 | 21.5 | 11.6(g) | - 21.5 | 99.6 | 30.9 | 68.7 | 100.0 | 75.4 | 24.6 | + 5.4 | |
| Apr. 6 - May 1 | 115.4 | 26.1 | 89.3 | 86.4 | 46.8 | 15.4 | 26.8(h) | - 27.0 | 84.8 | 29.4 | 55.4 | 78.7 | 60.7 | 18.0 | - 6.1 | |
| May 2 - 30 | 100.0 | 23.6 | 76.4 | 125.2 | 93.8 | 7.1 | 25.9 | + 25.3 | 101.4 | 57.0 | 44.4 | 145.4 | 126.2 | 19.2 | + 24.0 | |
| May 31 - July 3 | 203.8 | 145.5 | 158.3 | 319.3 | 301.3 | 6.1 | 12.9 | + 36.1 | 256.7(i) | 127.3(j) | 28.4 | 345.1(k) | 335.6 | 9.5(l) | +100.4 | |
| July 4 - 31 | 249.7 | 106.7 | 143.0 | 220.0 | 212.2 | 5.0 | 10.8 | - 24.7 | 7.5 | 6.5 | 1.0 | 3.8 | 3.0 | 0.8 | - 4.1 | |
| Aug. 1 - 30 | 261.1 | 180.2 | 80.9 | 294.2 | 267.4 | 1.0 | 26.4(m) | + 23.7 | 8.9 | 0.5 | 8.4 | 10.9 | 10.4 | 0.5 | + 8.0 | |
| First year of war | 1288.8 | 505.5 | 1,089.6 | 1,288.8 | 1,266.1 | 21.2 | 26.9 | + 35.0 | 66.8 | 216.5 | 229.7 | 1,000.3 | 900.6 | 100.1 | +219.0 | |
| Aug. 29 - Oct. 2 | 316.6 | 242.3 | 74.3 | 308.9 | 271.5 | 6.0 | 31.4(n) | - 7.9 | 0.9 | 5.3 | 4.8 | 1.3 | - | 1.3 | - 7.3 | |
| Oct. 3 - 30 | 198.7 | 167.8 | 30.9 | 198.0 | 160.0 | 6.0 | 32.0(o) | + 1.8 | 0.8 | 0.3 | 0.5 | 0.0 | - | 0.5 | - | |
| Oct. 31 - Nov. 27 | 241.0 | 202.1 | 38.9 | 259.5 | 210.0 | 18.0 | 31.5(p) | + 18.5 | 0.8 | 0.1 | 0.7 | 0.7 | - | 0.7 | - 0.1 | |
| Nov. 28 - Dec. 31 | 234.6 | 206.8 | 27.8 | 198.0 | 111.4 | 26.0 | 60.8(q) | - 36.6 | 2.1 | - | 2.1 | 0.6 | - | 0.6 | - 1.5 | |
| WEEK ENDED | | | | | | | | | | | | | | | | |
| Dec. 4 | 42.3 | 31.7 | 10.6 | 10.4 | 1.4 | 2.0 | 7.0 | - 32.9 | 0.6 | - | 0.6 | 0.3 | - | 0.3 | - 0.3 | |
| 11 | 47.8 | 42.4 | 5.4 | 14.4 | 1.3 | 4.0 | 9.1 | - 33.4 | 1.3 | - | 1.3 | 0.1 | - | 0.1 | - 1.2 | |
| 18 | 39.6 | 36.1 | 3.5 | 71.2 | 60.2 | 4.0 | 7.0 | + 32.6 | 0.2 | - | 0.2 | 0.1 | - | 0.1 | - 0.1 | |
| 24 | 34.8 | 30.1 | 4.7 | 27.5 | 0.2 | 8.0 | 19.3 | - 27.3 | - | - | - | 0.1 | - | 0.1 | + 0.1 | |
| 31 | 50.1 | 46.5 | 3.6 | 74.5 | 48.3 | 8.0 | 18.2(r) | + 24.4 | - | - | - | - | - | - | - | |

Average weekly Expenditures Since Outbreak of War
France (through June 19) \$19.6 million

England (through June 19) \$7.6 million
England (since June 19) \$7.9 million

Transfers from British Purchasing Commission to
Bank of Canada for French Account

Week ended Dec. 31, 1940 \$ 0.0 million
Cumulation from July 8 126.7 million

(See footnotes in reverse side)

ANALYSIS OF CANADIAN AIR AUCTIONEER ACCOUNTS
(In Millions of Dollars)

Week Ending Dec. 31, 1940.

Monthly
Grand Totals

NAME OF CANADA
DEBIT
CREDIT

CONSOLIDATED BALANCE SHEET OF AUSTRALIA
DEBIT
CREDIT

| PERIOD | DEBIT TRANSFERS | | | CREDIT TRANSFERS | | | | Other Credits | Net Imp. (+) or Dep. (-) to Balance | Total Debits | TRANSFERS TO | | | Net Imp. (+) or Dep. (-) in Balance | |
|--------------------|-----------------|----------------------|--------------|------------------|------------------------|------------------------------------|-----------------|---------------|-------------------------------------|--------------|----------------------|---------------|---------------|-------------------------------------|------------------------|
| | Total Debits | Official British A/C | Other Debits | Total Credits | Proceeds of Gold Sales | Proceeds from Official British A/C | From French A/C | | | | Official British A/C | Other Credits | Total Credits | | Proceeds of Gold Sales |
| 1939 | | | | | | | | | | | | | | | |
| Aug. 31 - Sept. 30 | 17.5 | 0.6 | 16.9 | 31.0 | 16.1 | 0.0 | - | 0.9 | + 4.3 | - | - | - | - | - | |
| Sept. 31 - Nov. 1 | 9.6 | 0.8 | 9.8 | 16.7 | 7.8 | 0.1 | - | 7.8 | + 7.1 | - | - | - | - | - | |
| Nov. 2 - 30 | 9.9 | 0.7 | 9.8 | 14.4 | 13.8 | - | - | 1.1 | + 4.0 | - | - | 1.9 | 1.9 | + 1.9 | |
| Nov. 31 - Jan. 3 | 30.0 | - | 30.0 | 38.0 | 15.3 | 3.0 | - | 5.0 | - 7.2 | 5.0 | - | 0.0 | 0.0 | + 3.0 | |
| 1940 | | | | | | | | | | | | | | | |
| Jan. 4 - 31 | 23.5 | - | 23.5 | 25.7 | 31.1 | - | - | 4.6 | + 2.3 | 5.2 | 0.3 | 4.2 | 3.3 | 0.3 | + 1.9 |
| Feb. 1 - 28 | 23.1 | - | 23.1 | 17.0 | 16.1 | - | - | 0.9 | - 6.1 | 3.3 | 0.1 | 3.2 | 3.2 | 0.2 | + 0.9 |
| Feb. 29 - Apr. 3 | 42.3 | - | 42.3 | 39.5 | 29.3 | - | - | 0.8 | - 12.0 | 3.0 | 0.3 | 2.7 | 2.2 | 1.6 | + 0.6 |
| Apr. 4 - May 1 | 30.2 | - | 30.2 | 42.9 | 24.2 | 15.0 | - | 3.1 | + 4.7 | 5.2 | - | 3.3 | 3.0 | 0.8 | + 0.3 |
| May 2 - 29 | 37.9 | 15.0 | 37.9 | 50.2 | 30.2 | - | - | 0.2 | + 12.3 | 1.2 | 0.2 | 1.0 | 2.6 | 1.7 | + 1.4 |
| May 30 - July 3 | 44.1 | - | 44.1 | 75.2 | 72.8 | - | - | 0.3 | + 22.4 | 5.3 | - | 1.3 | 5.9 | 4.4 | + 3.6 |
| July 4 - 31 | 22.2 | - | 22.2 | 117.6 | 96.3 | - | 10.2 | 2.1 | + 22.4 | 4.6 | - | 4.6 | 5.0 | 4.2 | + 0.4 |
| Aug. 1 - 26 | 12.7 | - | 12.7 | 73.0 | 53.9 | - | 19.5 | 0.2 | + 24.9 | 0.3 | 3.0 | 3.2 | 5.0 | 3.4 | + 1.0 |
| First year of war | 323.0 | 16.6 | 306.4 | 504.7 | 412.7 | 20.9 | - | 22.4 | + 121.7 | 31.2 | 3.9 | 27.3 | 36.1 | 30.0 | + 4.9 |
| Aug. 27 - Oct. 2 | 44.3 | - | 44.3 | 43.9 | 16.4 | - | 27.3 | 0.2 | - 0.4 | 2.7 | 2.5 | 6.2 | 2.0 | 1.2 | + 0.7 |
| Oct. 3 - 30 | 26.7 | - | 26.7 | 22.6 | 14.0 | - | 14.3 | 0.3 | + 1.9 | 10.1 | 7.5 | 2.6 | 7.9 | 6.5 | + 2.2 |
| Oct. 31 - Nov. 27 | 35.2 | - | 35.2 | 62.4 | 42.2 | - | 16.7 | 3.7 | + 34.4 | 3.1 | 0.6 | 2.5 | 3.6 | 2.1 | + 2.5 |
| Nov. 28 - Dec. 31 | 42.0 | - | 42.0 | 60.6 | 42.5 | - | 13.7 | 4.4 | + 12.6 | 4.8 | - | 4.2 | 6.2 | 2.0 | + 2.0 |
| WEEK ENDING | | | | | | | | | | | | | | | |
| Dec. 4 | 10.2 | - | 10.2 | 21.4 | 21.4 | - | - | - | + 10.6 | 0.8 | - | 0.2 | 0.1 | - | + 0.7 |
| 11 | 5.4 | - | 5.4 | 14.4 | 5.8 | - | 4.5 | 4.1 | + 9.0 | 0.2 | - | 0.2 | 0.3 | - | + 0.5 |
| 12 | 11.0 | - | 11.0 | 10.4 | 10.3 | - | 0.1 | - | - 0.6 | 1.7 | - | 1.7 | 6.0 | 4.7 | + 4.3 |
| 23 | 7.1 | - | 7.1 | 12.4 | 3.4 | - | 8.9 | 0.1 | + 5.3 | 0.1 | - | 0.1 | 0.3 | 0.1 | + 0.2 |
| 31 | 13.7 | - | 13.7 | 2.0 | 2.6 | - | 0.2 | 0.2 | - 11.7 | 1.4 | - | 2.4 | 0.1 | - | + 1.3 |

Weekly Average of Total Debits Since Outbreak of War (Canada alone)

Through Dec. 31 \$ 6.8 million

FEDERAL RESERVE BANK
OF NEW YORK

January 9, 1941.

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. E. Merle Cochran

I am enclosing herewith our compilation for the week ended December 31, 1940, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knobe,
Vice President.

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

Enclosure

ANALYSIS OF BRITISH AND FOREIGN ACCOUNTS
(In Millions of Dollars)

Week Ended December 31, 1940.

1-11117
CONTINUED

BANK OF ENGLAND (BRITISH GOVERNMENT)

DEBIT

CREDIT

DEBITS

CREDITS

DEBITS

CREDITS

| PERIOD | DEBITS | | | CREDITS | | | Net Incr. (+) or Decr. (-) in Balance | DEBITS | | | CREDITS | | | Net Incr. (+) or Decr. (-) in Balance | |
|--------------------|--------------|------------------------|--------------|---------------|---------------------------|----------------------------------|---------------------------------------|--------------|------------------------|--------------|---------------|------------------------|---------------|---------------------------------------|--------|
| | Total Debits | Gov't Expenditures (a) | Other Debits | Total Credits | Proceeds of Sales of Gold | Other Credits (incl. adj'ts) (b) | | Total Debits | Gov't Expenditures (a) | Other Debits | Total Credits | Proceeds of Gold Sales | Other Credits | | |
| 1939 | | | | | | | | | | | | | | | |
| Aug. 31 - Sept. 27 | 94.3 | 3.6 | 90.7 | 207.8 | 185.4 | 33.6 | -11.2(d) | +113.5 | 19.4 | 0.0 | 13.4 | 11.3 | - | 11.3 | - 8.1 |
| Sept. 28 - Nov. 1 | 106.7 | 5.8 | 100.9 | 142.0 | 3.8 | 52.6 | 86.2(e) | + 35.3 | 80.6 | 31.8 | 105.4 | 76.2 | 35.0 | 41.2 | - 12.4 |
| Nov. 2 - 29 | 191.7 | 8.9 | 182.8 | 105.8 | 37.8 | 25.0 | 23.0 | - 85.9 | 78.6 | 28.1 | 58.7 | 82.9 | 55.1 | 27.8 | + 4.3 |
| Nov. 30 - Jan. 3 | 97.7 | 8.7 | 89.0 | 75.2 | 50.6 | 14.2 | 10.4 | - 22.5 | 56.8 | | | 109.2 | 93.9 | 15.3 | + 22.4 |
| 1940 | | | | | | | | | | | | | | | |
| Jan. 4 - 31 | 54.8 | 16.8 | 38.0 | 43.4 | 20.6 | 17.8 | 5.0(f) | - 11.4 | 61.5 | 31.5 | 30.0 | 55.9 | 50.1 | 5.8 | - 5.6 |
| Feb. 1 - 28 | 124.2 | 15.4 | 108.8 | 108.3 | 56.7 | 17.9 | 33.7 | - 10.9 | 72.7 | 35.8 | 39.9 | 71.5 | 54.8 | 16.7 | - 1.2 |
| Feb. 29 - Apr. 3 | 110.5 | 14.6 | 95.9 | 94.0 | 60.9 | 21.6 | 11.6(g) | - 21.5 | 99.6 | 33.9 | 65.7 | 106.0 | 75.4 | 30.6 | + 5.6 |
| Apr. 4 - May 1 | 113.4 | 26.1 | 87.3 | 86.4 | 46.8 | 13.4 | 20.2(h) | - 27.0 | 84.6 | 29.4 | 55.2 | 78.7 | 60.7 | 18.0 | - 8.1 |
| May 2 - 29 | 100.9 | 23.6 | 77.3 | 126.2 | 93.2 | 7.1 | 25.9 | + 25.3 | 101.4 | 57.0 | 44.4 | 145.4 | 126.2 | 19.2 | + 44.0 |
| May 30 - July 3 | 283.2 | 145.3 | 137.9 | 319.3 | 301.3 | 6.1 | 12.9 | + 36.1 | 296.7(i) | 127.3(j) | 89.4 | 346.1(k) | 335.6 | 9.5(l) | +106.4 |
| July 4 - 31 | 249.7 | 106.7 | 143.0 | 288.0 | 212.2 | 2.0 | 10.8 | - 24.7 | 7.5 | 6.3 | 1.0 | 3.7 | 3.0 | 0.7 | - 2.1 |
| Aug. 1 - 31 | 261.1 | 120.2 | 140.9 | 294.2 | 267.4 | 1.0 | 26.4(m) | + 33.7 | 8.9 | 0.5 | 8.4 | 10.9 | 10.4 | 0.5 | + 2.0 |
| Aug. 1 - 31 | 1985.2 | 805.8 | 1179.4 | 1985.2 | 1356.2 | 211.2 | 211.2 | + 35.0 | 44.2 | 116.0 | 429.7 | 1090.2 | 600.2 | 189.1 | +229.0 |
| Aug. 31 - Oct. 1 | 212.2 | 222.3 | 78.3 | 306.0 | 271.5 | 6.0 | 31.4(n) | - 7.9 | 0.6 | 0.4 | 4.2 | 1.3 | - | 1.3 | - 7.5 |
| Oct. 2 - 31 | 198.7 | 167.9 | 30.8 | 198.5 | 160.0 | 4.0 | 38.0(o) | + 1.8 | 0.8 | 0.3 | 0.5 | 0.5 | - | 0.0 | - 0.3 |
| Oct. 31 - Nov. 27 | 242.0 | 202.1 | 39.9 | 259.5 | 210.0 | 18.0 | 31.3(p) | + 18.2 | 0.8 | 0.1 | 0.7 | 0.7 | - | 0.0 | - 0.1 |
| Nov. 28 - Dec. 31 | 234.5 | 204.8 | 29.7 | 198.0 | 111.4 | 26.0 | 60.6(q) | - 36.6 | 2.1 | - | 2.1 | 0.6 | - | 0.6 | - 1.5 |

WEEK ENDED

| | | | | | | | | | | | | | | | |
|--------|------|------|------|------|------|-----|---------|--------|-----|---|-----|-----|---|-----|-------|
| Dec. 1 | 42.3 | 31.7 | 10.6 | 10.4 | 1.4 | 2.0 | 7.0 | - 31.7 | 0.6 | - | 0.6 | 0.3 | - | 0.3 | - 0.3 |
| 2 | 47.8 | 42.4 | 5.4 | 14.4 | 1.3 | 4.0 | 9.2 | - 33.4 | 1.3 | - | 1.3 | 0.1 | - | 0.1 | - 1.2 |
| 3 | 32.6 | 36.1 | 3.5 | 71.2 | 60.2 | 4.0 | 7.0 | + 31.6 | 0.2 | - | 0.2 | 0.1 | - | 0.1 | - 0.1 |
| 4 | 34.8 | 30.3 | 4.5 | 27.5 | 0.2 | 8.0 | 13.0 | - 27.3 | - | - | - | 0.1 | - | 0.1 | + 0.1 |
| 5 | 50.1 | 44.5 | 5.6 | 74.5 | 48.3 | 8.0 | 18.2(r) | + 24.4 | - | - | - | - | - | - | - |

Average Weekly Expenditures Since Outbreak of War
France (through June 19) \$19.6 million

England (through June 19) 27.6 million
England (since June 19) 57.9 million

Transfers from British Purchasing Commission to
Bank of Canada for French Account

Week ended Dec. 31, 1940 \$ 6 million
Commission from July 8 122 million

(See Statement on reverse side)

- Ministry of Supply, Timber
- (a) Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Ministry of Supply, Timber Control, and Ministry of Shipping.
 - (b) Through June 19, these figures represent total sales of American securities in Second District reported for account of the United Kingdom. (Proceeds of these sales, however, may not have been credited to the Bank of England's account in all cases.) Beginning with the week ended June 26, the figures represent transfers from the Bank of Montreal, New York Agency, which is custodian for requisitioned American securities held in this country. The transfers apparently reflect proceeds of official security sales, including those handled through private deals. From June 19 to July 19, transactions in securities payable in specified foreign currencies, including dollars, by United Kingdom residents were prohibited.
 - (c) Includes payments for account of French Air Commission and French Purchasing Commission.
 - (d) Includes adjustment for (b) above.
 - (e) About \$90 million transferred from accounts of British authorized banks with New York banks.
 - (f) About \$11 million transferred from accounts of British authorized banks with New York banks.
 - (g) About \$9 million transferred from accounts of British authorized banks with New York banks.
 - (h) About \$10 million transferred from accounts of British authorized banks with New York banks.
 - (i) Adjusted to eliminate the effect of \$20 million paid out on June 26 and returned the following day.
 - (j) About \$8 million transferred from accounts of British authorized banks with New York banks.
 - (k) About \$8 million transferred from accounts of British authorized banks with New York banks.
 - (l) About \$4 million transferred from accounts of British authorized banks with New York banks.
 - (m) About \$6 million transferred from accounts of British authorized banks with New York banks.
 - (n) About \$12 million transferred from accounts of British authorized banks with New York banks.
 - (o) About \$11.3 million transferred from accounts of British authorized banks with New York banks.

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS
(in Millions of Dollars)

Week Ending Dec. 31, 1940.

OFFICIALLY
CONFIRMED

BANK OF CANADA
DEBITS CREDITS

COMMONWEALTH BANK OF AUSTRALIA
DEBITS CREDITS

| PERIOD | BANK OF CANADA DEBITS | | | | BANK OF CANADA CREDITS | | | | Net Incr. (+) or Decr. (-) in Balance | COMMONWEALTH BANK OF AUSTRALIA DEBITS | | | | Net Incr. (+) or Decr. (-) in Balance | | |
|--------------------|-----------------------|-----------------------------------|--------------|---------------|------------------------|-------------------------------------|-----------------------------|---------------|---------------------------------------|---------------------------------------|-----------------------------------|--------------|---------------|---------------------------------------|------------------------|-------|
| | Total Debits | Transfers to Official British A/C | Other Debits | Total Credits | Proceeds of Gold Sales | Transfers from Official For Own A/C | Official A/C For French A/C | Other Credits | | Total Debits | Transfers to Official British A/C | Other Debits | Total Credits | | Proceeds of Gold Sales | |
| Jan. 1 - Sept. 27 | 17.5 | 0.6 | 15.9 | 21.8 | 15.1 | 0.8 | - | 5.9 | + 4.3 | - | - | - | - | - | | |
| Oct. 1 - Nov. 1 | 9.6 | 0.3 | 9.3 | 16.7 | 7.3 | 2.1 | - | 7.3 | + 7.1 | - | - | - | - | - | | |
| Nov. 2 - 29 | 9.9 | 0.7 | 9.2 | 14.4 | 13.3 | - | - | 1.1 | + 4.5 | - | - | 1.9 | 1.9 | - 1.9 | | |
| Nov. 30 - Dec. 31 | 30.0 | - | 30.0 | 22.8 | 13.3 | 3.0 | - | 6.5 | - 7.2 | 2.5 | - | 2.5 | 2.8 | + 3.3 | | |
| 1940 | | | | | | | | | | | | | | | | |
| Jan. 4 - 31 | 23.5 | - | 23.5 | 25.7 | 21.1 | - | - | 4.6 | + 2.2 | 5.5 | 0.3 | 4.9 | 3.3 | 2.0 | 0.3 | - 1.2 |
| Feb. 1 - 28 | 23.1 | - | 23.1 | 17.0 | 16.1 | - | - | 0.9 | - 6.1 | 3.3 | 0.1 | 3.2 | 2.2 | 0.2 | - 0.9 | |
| Feb. 29 - Apr. 3 | 42.3 | - | 42.3 | 29.5 | 29.3 | - | - | 0.2 | - 12.6 | 3.0 | 0.3 | 2.7 | 2.2 | 1.6 | 0.6 | - 0.8 |
| Apr. 4 - May 1 | 38.2 | - | 38.2 | 42.9 | 24.6 | 15.0 | - | 3.1 | + 4.7 | 2.5 | - | 2.3 | 2.0 | 1.8 | 0.2 | - 0.3 |
| May 2 - 29 | 37.9 | 15.0 | 37.9 | 50.2 | 50.0 | - | - | 0.2 | + 12.3 | 1.2 | 0.2 | 1.0 | 2.6 | 1.7 | 0.9 | + 1.4 |
| May 30 - July 3 | 44.1 | - | 44.1 | 72.3 | 72.2 | - | - | 0.3 | + 28.4 | 2.3 | - | 2.3 | 5.9 | 4.4 | 1.5 | + 3.5 |
| July 4 - 31 | 22.2 | - | 22.2 | 117.6 | 96.3 | - | - | 2.1 | + 89.4 | 4.6 | - | 4.6 | 5.0 | 4.2 | 0.8 | + 0.4 |
| Aug. 1 - 28 | 18.7 | - | 18.7 | 73.6 | 53.9 | - | - | 19.2 | + 54.9 | 6.8 | - | 6.8 | 5.0 | 3.4 | 1.6 | + 1.8 |
| First year of war | 304.0 | 16.8 | 308.4 | 504.7 | 412.7 | 20.9 | - | 32.4 | +181.7 | 31.2 | 2.7 | 28.2 | 36.1 | 30.0 | 6.1 | + 4.9 |
| Aug. 29 - Sept. 1 | 44.3 | - | 44.3 | 43.9 | 12.4 | - | - | 27.3 | 0.2 | 6.7 | 2.5 | 4.2 | 9.0 | 4.7 | 1.3 | - 0.7 |
| Oct. 2 - 30 | 22.7 | - | 22.7 | 28.6 | 14.0 | - | - | 14.3 | 0.3 | 10.1 | 7.5 | 2.6 | 7.9 | 5.5 | 1.4 | - 2.2 |
| Oct. 31 - Nov. 27 | 31.2 | - | 31.2 | 52.6 | 43.2 | - | - | 14.7 | + 34.4 | 3.1 | 0.6 | 2.5 | 3.6 | 2.1 | 1.5 | + 0.5 |
| Nov. 28 - Dec. 31 | 42.8 | - | 42.8 | 60.6 | 42.5 | - | - | 13.7 | +12.6 | 4.8 | - | 4.8 | 4.8 | 2.0 | + 2.0 | |
| WEEK ENDING | | | | | | | | | | | | | | | | |
| Nov. 1 | 10.8 | - | 10.8 | 21.4 | 21.4 | - | - | - | +10.6 | 0.8 | - | 0.8 | 0.1 | - | 0.1 | - 0.7 |
| 11 | 5.4 | - | 5.4 | 14.4 | 5.8 | - | - | 4.5 | + 9.0 | 0.8 | - | 0.8 | 0.3 | - | 0.3 | - 0.5 |
| 12 | 11.0 | - | 11.0 | 10.4 | 10.3 | - | - | 0.1 | - 0.6 | 1.7 | - | 1.7 | 4.7 | 1.1 | + 4.1 | |
| 22 | 7.1 | - | 7.1 | 12.4 | 3.4 | - | - | 2.2 | + 5.3 | 0.1 | - | 0.1 | 0.1 | 0.2 | + 0.1 | |
| 31 | 13.7 | - | 13.7 | 2.0 | 2.6 | - | - | 0.2 | -11.7 | 1.4 | - | 1.4 | 0.1 | - | 0.1 | - 2.3 |

Weekly Average of Total Debits Since Outbreak of War (Canada alone)

Through Dec. 31 \$ 6.8 million

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 10, 1941

TO Secretary Morgenthau
FROM Mr. Cochran

Mrs. Arthur Wood, Hobart 3014, telephoned me this morning. She said that her aunt, Miss Anne Morgan, was just back from Europe and would like very much to bring to Secretary Morgenthau's attention her first-hand information with respect to the situation in France, as well as certain recommendations toward a more liberal policy in the Treasury's control of funds for certain residents of France.

I promised Mrs. Wood that I would learn whether the Secretary preferred that Mr. Fehle or a group from our Control Committee receive Miss Morgan and submit her observations with such recommendations as we might see fit to make, or whether the Secretary might himself care to receive her. Miss Morgan is now endeavoring through Mr. Dunn to have an early appointment with Secretary of State Hull.

Will the Secretary tell me what answer I should give Mrs. Wood?

B.M.R.

January 10, 1941

Last night I called up Herbert Feis, and asked him whether he wouldn't please try to halt or correct Cordell Hull's misinformation. Twice yesterday he said that the English have \$18,000,000,000 worth of securities. Therefore, there was no reason why they couldn't put up two or three billion dollars' worth of collateral.

Feis said he wanted me to know that there is an author of a book on English securities of about ten years ago, and he is the greatest living authority on English securities. It was he who had given Hull his information; in fact, he had given him quite contrary information. Feis said that he was opposed to having the English put up any collateral.

He promised me that he would get in touch with Merle Cochran today to bring himself up to date, although he didn't use exactly that language, and then he would tell Mr. Hull how much securities the English really have. Feis is to call me back and tell me the results of his conference with Hull.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 10, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

At 11:45 Dr. Feis telephoned me. He mentioned his talk with you last night. He asked me for information to help refute Secretary Hull's understanding that the British have \$18,000,000,000 of assets which could be liquidated or pledged. I told him that the British had met with us this morning and that Sir Frederick Phillips was going to request an appointment with Secretary Hull for this very purpose of explaining the true British situation. I added that he would probably endeavor to see two or three of the other Cabinet members. Feis was happy that Phillips was coming to the State Department and promised to do what he could to assist in reaching a correct understanding of the real position. I confirmed one or two figures that Feis had and corrected him on one other.

Feis was inclined to doubt the wisdom of this matter of international finances, which is shortly to come before Congress, being discussed by Phillips in departments other than Treasury and State. Feis was afraid of leaks. I told him that the Treasury felt it urgent that Phillips back up Secretary Morgenthau's arguments with some of his Cabinet colleagues if the Cabinet, and Congress in turn, are to be convinced of the British need for assistance. Feis was still worried about the risks involved through Phillips visiting the other departments.

BRITISH EMBASSY,
WASHINGTON, D. C.

10th January 1941.

Dear Cochran,

You will recollect that at the meeting this morning the question was raised whether some financial relief could be secured through immediate payment for goods on the sterling area to be acquired by the U.S. Departments.

The following instances occur to us:-

1) WOOL.

Purchase by U.S. Government of 250,000,000 lbs. Australian wool to be stored in the United States under the Storage Agreement signed in London on December 9th 1940. Possible purchase by U.S. Government is provided for in this agreement.

According to our information, the value of this wool would be between \$130 to \$150 millions. The loading of the wool for shipment to the United States has recently commenced in Australia. As you know, the British Government has purchased the entire Australian wool clip until after the war.

2) RUBBER

Rubber Reserve Company agreed to purchase 150,000 tons on June 29th, for shipment prior to December 31st, but we understand that shipment has not yet been completed. The Company agreed to purchase a further stock of 180,000 tons for shipment during 1941, none of which has presumably yet been shipped. The value of the first lot at the contract price was about \$67 millions, and that of the second lot \$81 millions.

3) TIN

Metals Reserve Company agreed in July 1940 to purchase 75,000 tons of tin at 50¢ lb. C.I.F. U.S. Ports, total value being about \$84 millions.

BRITISH EMBASSY,
WASHINGTON, D.C.

- 2 -

I understand delivery was expected to be completed towards the end of 1941, so that some substantial part of this yet remains to be delivered.

We are sure that these items include the best chances for an immediate application of the new idea in time to be of use in meeting the financial needs of the interim period. I have cabled to London to enquire whether there is a prospect of fixing up a contract for a further 50,000 tons of tin and generally whether any other articles occur to them. In particular we know that all the following articles are in oversupply in the sterling area and that we can meet any orders which U.S. Departments are likely to place for them. We do not, however, know how far they are regarded as strategic materials under the Act of June 25th 1940.

Burlap
Cocoa
Copra
Long staple Egyptian Cotton
Jute
Kapoc
Animal, vegetable and fish oils,
Shellac
Skins
Tea.

I need not remind you that rubber and tin come only in part from British sources and that we can only count on receiving a corresponding part of the proceeds. It seems to me that wool offers the best immediate possibilities from every point of view.

Yours sincerely,

F Phillips

F. H. M. Cochran,
United States Treasury,
Washington.

January 20, 1940

Present: Mr. White
Mrs. Klots

H.W.Jr: Mr. Wilson started talking to me to me,
"I don't know whether Mr. Wilson told you
the story."

As a matter of fact, he told me that to it.
He may have told it to me. My memory
isn't clear. But he said, "I know that you
always felt that we shouldn't have worked
with Morgans." He said, "I attended a dinner
at Lottman's," and he said, "I got next to
Butterworth and Butterworth said to me, on
his own initiative, he says, 'You know we all
take it for granted that you are going to
get your advice at 11 Wall Street,'" and then
he said, "At the other side of the table,
your Undersecretary, Mr. Jones, was sitting
next to Nathan, and he said to Nathan,
'You know, Mr. Nathan, we expect you to go
to J. P. Morgan for your advice.'" He said,
said, "After all, you can't blame us for
here your financial representative of the
Embassy in London who was Undersecretary
voluntarily tell us to go to J. P. Morgan.
How should we know that that isn't what the
Administration wants?"

Klots: Somebody told this story before.

H.W.Jr: I think it is in the record, but I want to
make it again.

Klots: I know it.

- 2 -

Q. Now

You don't know this story?

A. Yes.

No. This is the first I have heard of this story. It is curious he didn't defend himself when you were criticizing him for that. He probably didn't think it was the appropriate time.

Q. Now

We go back, "If I would have known that the Administration didn't want us to take the advice of J. P. Morgan, I would have brought half a dozen people over here from England and set up my own office."

A. Yes.

But you told him right here.

Q. Now

Well, I don't know, but subsequently he must have got it from Hayes and Butterworth. Anyway, we took Hayes' and Butterworth's word as against mine.

Q. Now

I remember that meeting here very well.

Q. Now

Now I asked him what advice Kennedy had given him. We said when they got over here, also in December, they got a cable from Treasury in London not to do anything until Kennedy arrived. Kennedy was strongly against their vesting any securities. He said, "The market couldn't take it." At the most, they should only vest 15 or 20. We was very nervous about the whole thing, and it got everybody in the British Treasury very nervous.

I then asked if he could let me have a report of his conversation, and he said it was all covered in a cable that he sent back to England, and he said he would hand me a copy the next time he comes down.

- 3 -

- Flots: You told him the story about the school children's attitude toward J. P. Moran the day he was here.
- E.W.Jr: I gave that.
- White: He is a very slippery chap, this Gifford, very shrewd, but still the rest of the story may be true and they gladly seized upon the excuse which they wanted to in the first place, but it gave him an additional - but it is amazing that Butterworth should have had the - should have said that.
- Flots: Butterworth was, I think, very close to Kennedy and he knew what Kennedy would want.
- White: I mean with Hanes it was - he was high enough to shape his own policy, but Butterworth is acting under instructions. It is of quite a different character. With Kennedy, of course, the Lord knows if everything that Kennedy said and did would come out, it would make a very interesting picture.
- Flots: I believe so.
- E.W.Jr: Now, did you (White) want to see me or did I want to see you?
- White: You said you wanted to see me.
- E.W.Jr: Well, I have had that pleasure.

January 18, 1941

Dear Jerome:

Thank you for your courtesy in sending me a copy of your proposed letter to the President on the attitude of the investment bankers of New York in connection with the sale of British securities.

It is entirely agreeable to me to have you send the letter to the President.

Yours sincerely,

Henry

Hon. Jerome Frank,
Chairman, Securities and
Exchange Commission,
Washington, D. C.

By Message / 30

January 16, 1941

Dear Jerome:

Thank you for your courtesy in sending me a copy of your proposed letter to the President on the attitude of the investment bankers of New York in connection with the sale of British securities.

It is entirely agreeable to me to have you send the letter to the President.

Yours sincerely,

Henry

Hon. Jerome Frank,
Chairman, Securities and
Exchange Commission,
Washington, D. C.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON

OFFICE OF THE CHAIRMAN

January 8, 1941

Confidential

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

Dear Henry:

I am enclosing a copy of a memorandum which I would like to send to the President if you have no objection. My purpose in sending it is to acquaint him with the attitudes of the investment bankers, and not to inform him about the British arrangements which, of course, are your province.

Sincerely yours,

Jerome H. Frank
Jerome H. Frank
Chairman

Enclosure

*O.K. Let the
letter go J.H.F.*

January 8, 1941

CONFIDENTIAL

MEMORANDUM FOR THE PRESIDENT:

I think you will be interested in the following in its bearing not only on our national problems but in its relation to the attitude of the investment bankers:

Secretary Morgenthau, as a result of his conversations with the British, wanted to demonstrate to them that it is possible for them to sell their nonlisted securities, in wholly owned American corporations, in an orderly way without unnecessary sacrifice. To that end he conferred with Mr. Cyril Quinn, one of the principal officers of Tri-Continental, an investment trust affiliated with Seligman. He then invited us to a conference for the sole purpose of asking us to see to it that, if the investment trust industry were to offer to buy such securities, all the investment trusts would get their ratable share, if they so desired. We agreed to perform that limited task.

Mr. Schenker, head of our Investment Company Division, accordingly went to New York to confer with the heads of the various investment trusts. He learned that, with the exception of the three investment trusts controlled by investment

- 2 -

bankers, Lehman Corporation; U. S. and Foreign, a Dillon affiliate; and American General, a Lazard Freres affiliate) all the investment companies which had been contacted by Mr. Quinn were ready to go along. Mr. Schenker conferred with Robert Lehman and John Hancock of Lehman Bros. and Arthur Sunker of Lehman Corp. They expressed an unwillingness to participate primarily on the alleged grounds, first, that they had information to the effect that the British did not want to sell such securities and that the plan would put pressure upon the British to sell (which they thought undesirable) and second, that the particular mechanism set up would stifle competition in bidding for those securities. (This second ground is amusing inasmuch as the same investment bankers are vigorously protesting against a contemplated SEC rule to require competitive bidding for utilities.)

As above noted, the three recalcitrant investment companies are those which are dominated by investment bankers. It seems fairly obvious that their true basic objection is their fear that there will develop through the investment trusts something highly desirable, namely, true underwriting, i.e., underwriting in which the underwriters, having sufficient capital, are able to buy, without the necessity of any immediate or even ultimate sale to the public. The fact

- 3 -

is that our investment bankers, when they act as so-called underwriters, do not do the job that is done frequently in England but merely act as salesmen who get more than a salesman's commission on the theory that they are true underwriters when, in fact, they do not so function. They wish to maintain that position and in effect continue to get something for nothing; this vice of the existing underwriting arrangements was forcibly commented on by former Chairman Douglas several years ago to the great disgust of the investment bankers.

What makes the matter even more amusing is this fact: The position taken is based on the alleged desire to maintain competition between investment bankers. Our own studies, and the evidence introduced before the T.N.E.C., show that today there is no such thing among the leading investment bankers, for when one investment banker gets a piece of business all others by tacit consent lay off and do not compete. The development of true underwriting by the investment trusts (something contemplated by the Investment Company Act of 1940) will create competition for the investment bankers; that is what they dislike and, in this instance, are resisting.

In spite of that resistance, I think that within a very short period the investment trusts (either with or without

- 4 -

cooperation on the part of the recalcitrants) will be in a position to make an offer for the British securities. From there on the job will be Henry Morgenthau's.

Chairman
Securities and Exchange Commission

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

STRICTLY CONFIDENTIAL

DATE January 10, 1941

TO Secretary Morgenthau
FROM Mr. Klaus

FBI reports:

January 8. The Yokohama Specie Bank in Honolulu has been preparing to transfer to its parent in Japan the customers' collateral and other assets and to turn its required government bond reserve into cash; a legal opinion advising the Bank of its power to do this but of the possibility of a receivership by the Territorial Bank Examiner on the ground of this conduct amounting to a bad banking practice has been circulated to the Yokohama Specie branches in the United States. The Territorial Bank Examiner has declined to accede to the request that he permit the conversion of the 2½ million dollars of United States government bond reserve into a cash deposit with the Bishop National Bank and the Bank of Hawaii.

M

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE JAN 10 1941

TO Secretary Morgenthau

FROM Mr. Foley

In accordance with the request contained in Mr. Thompson's memorandum of December 26, 1939, there is attached a summary report of studies or projects carried on in the Office of the General Counsel for the month of December, 1940.

7-1-76

Attachment

SUMMARY REPORT ON STUDIES OR PROJECTS IN
THE OFFICE OF THE GENERAL COUNSEL -
December, 1940

The following matters received attention in the Office of the Chief Counsel for the Bureau of Internal Revenue:

1. Bill (H.R. 10558) to Liberalize Tax Provisions of Merchant Marine Act of 1936. By virtue of existing provisions of the Merchant Marine Act of 1936, a shipowner qualifying as a "subsidized operator" in foreign commerce is permitted to build up a reserve for use in the expansion or replacement of its shipping facilities and to avoid income taxes with respect to the earnings from operations deposited in such reserve. Earnings so deposited and used are wholly exempt from tax. By virtue of a recent amendment to the Act, the reserve privilege has been expanded. All shipowners, subsidized and unsubsidized alike, are now permitted to include in a tax-exempt reserve the proceeds of a sale or other disposition of existing vessels. In such case the amount of the unrecognized gain represented in the proceeds of sale is applied in reduction of the cost basis of the new vessel. There is now pending in Congress a new bill, H.R. 10558, by virtue of the enactment of which the privilege of building up the tax-exempt reserve out of operating profits, originally restricted to subsidized operators, would be extended to the unsubsidized operator in foreign commerce. It should be noted that while the recently enacted amendment results merely in tax postponement because of the fact that basis is reduced by the unrecognized gain, the earlier provisions of the 1936 Act and the pending legislation result in

- 2 -

complete tax exemption because no provision is made for a reduction of basis by the amount of the untaxed earnings.

2. Tax Liens on Real Property in State of Michigan. In United States of America v. Thomas Maniaci and Wilmerth T. Shafer, decided November 8, 1940, the United States Circuit Court of Appeals for the Sixth Circuit in affirming the decision of the lower court held that where the notice of the Federal tax lien imposed by section 3186, Revised Statutes, as amended, failed to contain a description of the land upon which the lien was claimed, as required by the laws of the State of Michigan, the lien was invalid as against a bona fide purchaser of real estate situated in Michigan, who took title subsequent to the filing of the notice of the lien in the proper registry. A memorandum has been prepared proposing legislation to clarify the section of law here involved (section 3672, I.R.C.), to state more clearly that the authority granted to the states is merely to designate the office for the filing of notice of Federal tax liens and not to provide that there must be a full description of the land upon which the lien is claimed.

The above matters were handled under the supervision of G. E. Adams, Head, Legislation and Regulations Division.

The following work was done under the supervision of Assistant General Counsel Cairns:

3. Proposed Order of the Secretary, Authorizing the Chairman of the Processing Tax Board of Review to Designate an Acting Chairman. The

- 3 -

opinion on this question was prepared by Mr. Roberts and was signed on December 18, 1940. The conclusion is that the power of appointment or designation vested in the Secretary cannot be delegated to the Chairman. It is pointed out that an Assistant to the Secretary, under U.S.T. title 5, sec. 246a, could designate an alternate Chairman.

The following was the subject of special study:

4. Foreign Confiscation Decrees. This study was prepared by Messrs. Kaufman and Barky. It considered the effect which American courts may be expected to give to decrees of foreign governments confiscating or requisitioning property, real or personal, situated in this country and owned by nationals or corporations of the foreign country. Only tentative predictions can be made on the basis of the judicial authorities. (1) Confiscatory or requisitioning decrees of unrecognized foreign governments will not be extraterritorially applied to affect property that has a legal situs in the United States; (2) such decrees of recognized foreign governments will probably not be given effect to the extent of impairing the rights of domestic claimants, and perhaps simple creditors; (3) where domestic claimants have been protected, it cannot with assurance be forecast whether or not the courts will give effect to such decrees with respect to property in the United States; it may be relevant whether the decrees make provision for compensation; (4) where there is an international

- 4 -

agreement such as the Litvinoff Agreement, the courts will probably give some effect to the foreign decree; (5) in the event that the individual property owners themselves convey the property, pursuant to the decree, American courts may give effect to the transfer in the United States.

5. Silver Fox Fur Agreement. In order to insure the administrative feasibility thereof from the point of view of the Customs Service, Messrs. Dean and Smith of the Customs legal staff cooperated with the various interested agencies in the drafting of a new supplementary trade agreement with Canada for the governance of importations of silver or black foxes and furs and articles made from such furs. The agreement was proclaimed by the President on December 18 and became provisionally effective on December 20, 1940. Also prepared was a Treasury Decision containing instructions for the administration of the quota provisions of the proclaimed agreement.

6. British Purchase Tax. Mr. Dean, Chief Counsel, Customs, revised and approved a letter prepared in the Bureau of Customs for the signature of the Secretary and reporting on H.R. 10705, a bill to amend section 402 of the Tariff Act of 1930 so that sales or purchase taxes of an exporting country should not be included in the foreign market value used by customs authorities in assessing and collecting customs duties when such taxes are not applicable to exported merchandise.

- 5 -

The following matters received attention in the Legislative Section under the direction of Assistant General Counsel Bernard:

CONTINUATION OF PROJECTS

7. Bill to Relieve the Hospitals from Double Taxation Under Harrison Narcotic Act (for description see original report, item 9). This bill, prepared by Miss McDuff, together with subsequent material submitted in support of particular phases of the bill, is still receiving consideration by the Bureau of the Budget.
8. Fidelity Bond Bill (formerly identified as "Bond Survey") (for description see original report, item 10). Due to the interest of about ten other agencies in this bill, the Bureau of the Budget has not yet been able to give it the usual clearance.
9. Compilation of Money Statutes (for description see original report, item 11). Work on this project has been temporarily discontinued.
10. Codification of Anti-counterfeiting and Related Laws (for description see original report, item 7). Work on this project has been discontinued for the time being.
11. Federal Depository System (for description see original report, item 6). Mr. Reeves is continuing his work on this bill. It is anticipated that the bill will be transmitted to the Congress shortly after the beginning of its next session.
12. Acting Administrators Bill (for description see June report, item 33). Miss McDuff is continuing her study of the necessity and

- 6 -

feasibility of general legislation to provide for acting bureau or division chiefs in the absence of a chief.

13. Law Committee of Defense Communications Board (for description see November report, item 23). Mr. Spingarn is continuing his work with the Law Committee, as the Treasury representative, on drafts of legislation to authorize complete control by the Government of radio and wire communication facilities in time of war or impending war.

NEW STUDIES

14. Codification of Public Debt Laws. Mr. Koken is preparing a bill to codify the public debt laws authorizing the borrowing of money and the issuance of obligations therefor. Mr. Broughton prepared the first draft of such a bill.

The following matter received attention under the supervision of Mr. O'Connell, Special Assistant to the General Counsel:

15. Bank Holding Companies. We have been assisting in studying the bank holding company problem and in preparing a draft of legislation dealing with the matter. Mr. Sherbondy has been conferring with lawyers in the office of the Comptroller of the Currency relative to changes in our draft of the proposed bill.

The following matters were handled under the direction of Assistant General Counsel Bernstein:

16. Foreign Funds Control. A number of conferences have been held with the operating division of the Foreign Funds Control, together

- 7 -

with representatives of the Office of Monetary Research, at which conferences the proposed Order in case of the extension of freezing control has been discussed, and attention has been focused upon the problems that will arise in the administration of an extended freezing control and some of the possible avenues of approach to be pursued from the policy point of view. The object of such conferences has been to familiarize the various groups as to the types of problems and possible solutions thereof which will be presented under an extended control.

Considerable work has been done on the revision of General Licenses 32 and 33 relating to the remittance of small sums for living expenses to nationals in the occupied area, including American citizens. The object of such revision will be to liberalize the sums which may be remitted, together with the formulation of a method by which the blocked funds of such nationals may be remitted to them without permitting the dollars involved to be released from the control. The entire staff worked on the foregoing matters.

17. Executive Order re Economic Defense. This office participated in the drafting of the proposed Executive Order consolidating the various economic defense measures under the Economic Defense Board with administration thereof vested in the Secretary of the Treasury. It also participated in the drafting of a memorandum and letter to the Secretary of State describing the proposal and cleared the matter with Justice. Messrs. Bernstein and Lurford worked on this.

- 8 -

18. Denish Ships. This office participated in conferences relative to action to be taken in connection with the ships of the Maersk-Koller Line located in this country. Mr. Bernstein and Mr. Friedman worked on this matter.

19. German Re-Immigration Marks. This office studied the possible violation of the Johnson Act and the Neutrality Act involved in the sale of these marks in this country and discussed the matter with representatives of the Department of Justice. Messrs. Bernstein, Friedman and Luxford worked on this.

20. Foreign Exchange Provision in Trade Agreements. This office participated in departmental conferences relative to the foreign exchange clause to be used in trade agreements entered into by this government with foreign countries.

21. Argentine and Chinese Stabilization Agreements. We participated in the conferences leading to the Secretary's appearance before the joint congressional committee, worked on the statement read before the committee, drafted the Agreements, participated in the negotiations and conferences with the interested governmental agencies and foreign representatives, and prepared legal opinions on certain questions. Mr. Bernstein and Mr. Friedman worked on this matter.

22. Black Tom Cases. We discussed with Justice the brief filed in this case and attended the argument before the Supreme Court. Mr. Bernstein and Miss Hodel handled this case.

- 9 -

23. Spanish Silver Cases. The time to appeal to the Supreme Court from the decision of the Circuit Court which had been favorable to the Government has expired and the remaining law suits are being dismissed. Messrs. Bernstein and Friedman worked on this matter.

24. Norwegian and Swedish Accounts at the Federal Reserve Bank of New York. We have discussed with the foreign representatives and with the Federal Reserve Bank of New York and the State Department documents and letters to be furnished in connection with transferring control over the Norwegian Central Bank assets at New York to the Norwegian Government and giving the Swedish diplomatic officials in Washington control over certain accounts of the Swedish Central Bank. Mr. Bernstein handled this matter.

25. Stamp Taxes. This office participated in the problem of the applicability of stamp taxes to the sale or transfer of the securities requisitioned by the British Government and worked on the Treasury Decision issued in connection therewith. Mr. Bernstein handled this.

26. Proposed Bill to Authorize Establishment of New Coinage Mint. This office participated in the preparation of a Bill and letters of transmittal which would authorize the establishment of a new coinage mint at some point in the Middle West to be selected by the Secretary of the Treasury. Mr. Bernstein and Miss Hodel worked on this matter.

27. Contributions to the British. The New York Federal has received numerous checks made payable to the order of the British Government

- 10 -

by persons desiring to contribute to the British war effort. This office, after consulting with the British, State Department, and Mr. D. W. Bell, advised the New York Federal to return the checks to their senders with reference to the appropriate provision of the Neutrality Act. Mr. Bernstein and Mr. Groman worked on this matter.

January 10, 1941

Mr. Preston Delano
Secretary Morgenthau

I wish you would begin to prepare arguments why Senator Glass' bank holding company bill should go through. One of the suggestions I would like to make is for you to go back five years or ten years in each community where bank holding company banks operate, and find out just how many banks are in each community. My impression is that where the bank holding company banks operate there are less banks serving the community than there would be if there were not bank holding companies.

I would like you to make this study just as soon as possible, and see whether the argument will or will not hold water.

January 10, 1941

Mr. White

Secretary Morgenthau

I think you better prepare a letter for me, letting the President know just what the exact financial situation of the English is today. I learned from my conversation with him yesterday that he doesn't seem to comprehend what the situation is. I think it important that I make a record of it by writing him a letter.

January 10, 1941

Ferdinand Kuhn

Secretary Morgenthau

You can tell Edgar Mowrer that I release him and he can write anything that he wants to on frozen funds.

For your own background, the situation is now definitely blocked in the State Department, and I have grave doubts that I will be able to get it out of there.

JAN 10 1941

My dear Mr. Secretary:

Thank you for your letter of December 16th, concerning the National Munitions Control Board regulations with respect to the exportation of tin-plate scrap.

In view of the information which you set forth and the recommendations of the Advisory Commission to the Council of National Defense, may I state that I concur with your views on this subject.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of State.

HT:pf

104.

By Messenger 3 10

DEPARTMENT OF STATE
WASHINGTONIn reply refer to
Co

December 16, 1940

CONFIDENTIAL

My dear Mr. Secretary:

Reference is made to the minutes of the meeting of the National Munitions Control Board which was held on November 28, 1939. A copy of these minutes was enclosed with the letter which I addressed to you under date of November 30, 1939.

The regulations which I prescribed on December 7, 1936, in virtue of the authority vested in me by Executive order No. 7297 of February 15, 1936, to govern the exportation of tin-plate scrap under the provisions of the act of Congress approved February 15, 1936, provide under paragraph (3) that the Secretary of State will issue export licenses to authorize the exportation of tin-plate scrap when, in the opinion of the National Munitions Control Board, the issuance of such licenses may be consistent with

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

-3-

with the purposes of the act. The purposes of the act are embodied in the preamble thereof in which it is stated that, "in the interest of national defense, it is hereby declared to be the policy of Congress and the purpose and intent of this Act to protect, preserve, and develop domestic sources of tin, to restrain the depletion of domestic reserves of tin-bearing materials, and to lessen the present costly and dangerously dependent position of the United States with respect to resources of tin".

It has been customary for the Board to meet each year for the purpose of giving consideration to the adoption of rules of procedure to govern the issuance of licenses for the exportation of tin-plate scrap for the ensuing calendar year. It is my understanding that the Advisory Commission to the Council of National Defense is of the opinion that the interests of the national defense require that the exportation of tin-plate scrap should not be permitted. In view of this fact and in view of the stated purposes of the act, it is my feeling that no action should be taken at this time to make any provision for the issuance of licenses during the calendar year 1941. It would seem pertinent to mention at this point that, since the existing legislation has been in effect, all of the tin-plate scrap exported from this country has gone to Japan. The Department has never received a single application for license to export tin-plate scrap to any country other than Japan.

Yours

-3-

You will recall that the Board, at its meeting on November 28, 1939, authorized me to assign allotments for the exportation of tin-plate scrap during the calendar year 1940 to a total of not to exceed 15,000 long tons in accordance with the rules of procedure adopted at that meeting. Requests for allotments totalling 13,181 long tons have been received up to the present time. The allotments assigned thus far during the present calendar year total 8,363 long tons. Licenses have been issued since January 1, 1940, authorizing the exportation of a total of 4,269 long tons. Actual exports of tin-plate scrap between January 1 and October 31, 1940, inclusive, as shown by the Department of Commerce statistics, totalled 2,841 long tons, all to Japan. It appears, therefore, that, of the total quantity of 15,000 long tons which the Board authorized to be exported during 1940, a total of but 4,269 long tons has been licensed for export, and a total quantity of but 2,841 long tons has actually been exported. I may state, for your information in this connection, that under existing circumstances I have not availed myself of the authorization granted to me by the Board at its meeting of November 28, 1939, to assign additional allotments for the last six months of the present calendar year.

In

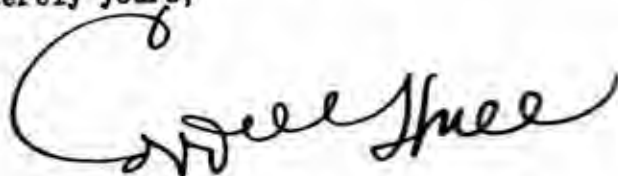
-4-

In view of the considerations mentioned above, I do not believe that it will be necessary for the Board to meet for the purpose of considering this subject. Accordingly, unless you or some other member of the Board disagrees, I do not propose to call a meeting of the Board at this time. On January 1, 1941, the situation would then be that no provision would have been made for the issuance of allotments or the granting of licenses for the exportation of tin-plate scrap to any country, and any person who should make inquiry in regard thereto would be so informed. The effect of this proposed action would be that the exportation of tin-plate scrap from this country would not be authorized until such time in the future as the Board may meet and take action to reinstate the licensing procedure heretofore in effect.

I should appreciate it if you would communicate to me, as soon as practicable, your views on this subject.

Similar letters have been addressed to the other members of the National Munitions Control Board.

Sincerely yours,



BRITISH EMBASSY,
WASHINGTON, D. C.

10th January, 1941.

Personal and Secret

Dear Mr. Secretary,

I enclose herein for your
personal and secret information a copy
of the latest report received from
London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Harold Butler

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.

Telegram received from London
dated January 8th, 1941

Naval

Night of 6th/7th, bombers attacked Tripoli and one large merchant vessel was hit amidships.

Explosion followed and smaller vessel probably hit.

2. Reported that Northern ports of Gulf of Bothnia closed thick ice but Southern ports being kept open by ice breakers.

3. Danish fjords are frozen up, no longer navigable ice breakers out of coal.

4. Assessment of damage done to enemy aircraft by ships' gunfire up to December 31st, 1940, from the beginning of the war 193 destroyed 91 probable 105 damaged, of these His Majesty's ships and auxiliaries accounted for 151 destroyed 79 probable and 72 damaged.

5. Military

The following Italian formations have been captured at Bardia:-

62nd Division, remainder of 63rd Division (this Division had already sustained heavy casualties previously) 1st (March 23rd) Blackshirt Division and 2nd (October 28th) Blackshirt Division less one Legion.

6. Royal Air Force

Night of 7th/8th. Bad weather - operations cancelled.

7. Albania

On January 6th 2 Blenheims successfully attacked Valona.

8. German Air Force

January 7th. Single enemy aircraft were active during the day over Eastern Countries and 8 Royal

Air/

-9-

Air Force stations were attacked but neither damage nor casualties were serious.

9. Eight of 7th/8th. No enemy activity reported.

10. Aircraft casualties in operations over and from British Isles: 2 aircraft damaged.

WARREN HENNING,
WASHINGTON, D. C.

January 10th, 1941.

Personal and secret.

Dear Mr. Secretary,

I enclose herewith for your
personal and secret information a copy
of the latest report received from
London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,



The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.

Telegram from London dated January 9th.

1. Naval.

On the 8th one aircraft attacked without success merchant vessel of 3,500 tons in Bjerne Fiord.

2. Night of 8th/9th strong force of heavy bombers attacked Tirpitz and ship building yards at Wilhelmshaven and docks at Emden preliminary report of results good. All returned safely - weather conditions perfect.

3. Night of 6th/7th. Aircraft bombed submarine base at Hassowa, bombs fell near moorings but searchlight glare prevented observation of damage.

4. Royal Air Force.

Italy on night of 8th/9th January. Naples. 10 Wellingtons were sent to attack targets at Naples.

5. German Air Force.

Night of 8th/9th January. Nothing to report.

6. Aircraft casualties in operations over and from the British Isles - none to report.

7. Secret. Home Security.

On the afternoon of January 8th an enemy machine, while dropping bombs on Coventry, hit a balloon barrage cable and broke it, but managed to get away.

G-2/2657-220

RESTRICTEDM.I.D., W.D.
January 10, 1941.
12:00 M.

No. 289

SITUATION REPORT

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

I. Western Theater of War.1. Air Force Operations.

Last night the German Air Force, operating in normal strength, varied its technique and made widespread attacks on at least fifteen cities, including Liverpool and Manchester, in the northwest industrial area.

The R.A.F. last night attacked the Ruhr industrial area, concentrating on oil targets, and bombed docks along the French coast and oil targets at Rotterdam.

II. Greek Theater of War.

The Greeks claim the capture of Klisura, dominating the main interior road north to Berat, Elbasan, and Tirana.

Minor air activity.

III. Mediterranean and African Theaters of War.1. Ground Operations.

British mechanized forces are operating west of Tobruk and preparations for its capture are proceeding.

In East Africa, an Italian outpost northeast of Kassala on the Sudan frontier, has been occupied by the British.

In Ethiopia, rebellious natives have forced the Italians to evacuate the post of Gubba.

2. Air Force Operations.

The R.A.F. continues to support the British advance into Libya.

The British attacked Messina, Sicily, using incendiaries.

RESTRICTED

RESTRICTED

IV. Far East.

Thai-Indo Chinese hostilities have been intensified, with the Thais on the offensive.

RESTRICTED

Photographs of Code Radiogram
Received at the War Department
at 12:36, January 10, 1941.

London, filed 14:44, January 10, 1941.

1. On Thursday, January 9, railway installations in Boulogne were attacked by planes of the British Coastal Command. During the preceding night planes from the Bomber Command successfully attacked Emden, Tirpitz (T) and Wilhelmshaven and dropped propaganda leaflets. They also planted mines along the north coast of Germany.

2. During daylight hours of January 9 German aircraft engaged in only two widely scattered attacks. One was along the eastern coast of Britain and the other was over the Thames Estuary. That night German planes severely attacked Northampton, Liverpool, Rugby and Birmingham. Fairly heavy secondary raids were carried out against London, Sheffield, Portsmouth, Bristol and Southampton. One German bomber ran into a balloon cable but the cable broke and the plane got away safely. The damage caused by these raids and the number of German planes used in them is not known. Neither is the number of German aircraft casualties known. Also there is no information as to whether or not British night fighters intercepted the attackers.

3. British airplanes continue to carry out successful attacks in Libya and across in the Sudan. The submarine base and the power plant at Hamauna were severely bombed during the night of January 7-8.

4. It is thought that a direct hit was made on an Italian battleship during the night of January 8-9 in a severe attack on

CONFIDENTIAL

Engines by British planes from Malta. Hits on other targets caused explosions and started fires. A ship and a dock were hit by British bombs at Palermo.

5. There is now the equivalent of two and one-half armored divisions under General Maxwell's command. The 2d Armored Division, which was sent to Egypt, arrived there on December 24. The two divisions whose movement to the Middle Eastern theater was mentioned in our cablegram of January 9 are Infantry divisions.

6. Captured Italian weapons are being shipped to Greece and up to now a total of 20,000 captured Italians have been sent to India.

7. The island of Malta is being prepared as a base for destroyers. The island is strongly held and at present has supplies sufficient for a 6-month period. Under cover of fleet raids and diversions supplementary supplies are arriving each month.

8. Two new ports on the northwest coast of Scotland are being rapidly built by the British. Since these ports will be able to care for three cargo vessels each, the time consumed by turning around will be lessened and the likelihood of damage to merchant vessels from air bombing will be reduced. It is estimated that they will be completed in six months.

9. On January 8 some of the fires started by the German raid on Bristol of January 2-3 were still smoldering. This raid lasted 12 hours. During the first two and one-half hours the Germans used incendiary bombs exclusively and started many fires. For the next four hours high explosive bombs were used principally but some

incendiaries were used. This was followed by a 30-minute pause. At regular intervals during the next five hours high explosive bombs were used.

LEE

Distribution:

Secretary of War
State Department
Secretary of Treasury
Asst. Secretary of War
Chief of Staff
War Plans Division
Office of Naval Intelligence
AS - 2
G-3, 1

CONFIDENTIAL

456

Paraphrase of Code Radiogram
Received at the War Department
at 13:00, January 10, 1941

Bucharest, filed January 10, 1941.

Including one Panzer division, the German units in Rumania now consist of six or seven divisions. The number including air force and corps troops is about 140,000. Additional troops continue to arrive.

The chief of operations of the German Armed Forces, General Von Greifenberg, is in Rumania temporarily. This officer was at Leavenworth 1942-1943.

REAY

Distribution:

Secretary of War
State Department
Secretary of Treasury ✓
Asst. Secretary of War
Chief of Staff
War Plans Division
Office of Naval Intelligence

CONFIDENTIAL

Paraphrase of Code Telegram
Received State Department
11:00, January 10, 1941

Cairo, filed 10:00, January 9, 1941.

From Colonel G. E. Brewer, A. C., Air Observer in Egypt.

EXTRACT

1. I witnessed both the ground and the air operations at Bardia. Major Fellars is continuing this observation up to and including the occupation of Tobruk.

2. The British Western Desert Force, which is now called the 13th Corps, is composed of the 7th Armoured Division, the 10th Infantry Brigade, the 6th Australian Division and corps troops.

3. The Italian forces at Bardia proved to be half again as large as was expected and included the 30th Frontier Guards, the 51st and 52d Corps Headquarters, the 1st and 2d Blackshirt Militia and the 5th and 6th Divisions.

4. Although Italian Infantry showed feeble resistance and gave up readily, the artillery held on. The artillery proved to be accurate and prolonged the second phase of the attack approximately 18 hours beyond what had been planned.

5. It is now believed that the only Italian forces at Tobruk are Frontier Guards, corps and army troops, and the 51st Division. Tobruk's position is not as strong as was that of Bardia.

6. As soon as a system of supply can be organized an attempt to advance in the direction of Benghazi will probably be made. Unless the resistance of the Italians should collapse completely, the advance will probably be halted at the mountainous area between Dakhla and Benghazi for a month or more. Numerous Italian airplanes have been withdrawn to

this area. An estimated 250 Italian planes in this theater are believed to be serviceable and operating, while 250 additional planes are unserviceable at the present time.

7. Before the attack the British No. 302 (General Reconnaissance) Squadron bombed the harbor at Bardia heavily at night and the following night Tobruk was the object of the attack. Each day reconnaissance was carried out at high altitudes with one plane usually following the road along the coast line as far as Bengazi.

8. On January 3 the northern section of the Bardia area was bombed by two Blenheim bomber squadrons. These squadrons, acting in conjunction with shelling from the fleet, carried out the attack at 800, 1,200 and 1,600 feet. On January 3 and 4 single Blenheim bombers flying at high altitudes raided eight occupied airbases with small bombs. These planes kept the Italian fighter planes to the rear. However on January 4 one Blenheim bomber was lost. Tobruk was bombed on January 5 by three Blenheim bomber squadrons which carried out operations from 20,000 feet in the face of heavy anti-aircraft fire. Eight Italian airplanes, either on the ground or just taking off, were destroyed by four Hurricane fighter planes attacking each of two airbases. Continuous fighter patrols were maintained each day west of the battle area. Single Hurricane fighters were sent forward every ten minutes to advanced fields, after which each would make a 1½-hour patrol at altitudes between 12,000 and 20,000 feet. Each available plane made two such flights daily. On January 4 a Hurricane fighter plane was lost.

-3-

CONFIDENTIAL

9. Continuous tactical reconnaissance was carried out over the patrol area by the British No. 208 (Army Cooperation) Squadron, while Lyonsair observation planes carried out intermittent artillery observation. Hurricane planes of this squadron reconnoitered to Februk. The Februk and Bardia defenses were mapped by Hurricane planes on photo-reconnaissance missions. Gladiator bi-plane fighters of the Australian No. 3 squadron, which is also under the control of the Army, carried out patrols at low altitudes over Italian troops west of the Bardia area.

10. The British had to send about half of the supplies for their whole force by water through the port of Selm. Selm was further forward than most of the force, and despite its vulnerability to bombing and shelling, it was not heavily attacked by the Italians until January 5. On that date numerous Italian attempts in the Selm and Bardia areas were repulsed with probable losses of more than 20 Italian planes.

11. According to reports of Italian prisoners, the main stores of food in Bardia were destroyed shortly after Christmas by British bombing.

12. The heavy fire from 15-inch naval guns was feared although many of them bounced off the hard rock desert and did not explode. Bombs and small shells merely caused annoyance in that they required the seeking of shelter.

13. It is my plan to go back to the Bardia area about January 14 in order to carry out observation of the operation of the recently organized fighter wing. Later in the month I plan to proceed to Selm.

GROUP

Distribution:
 Secretary of War
 State Department
 Secretary of Treasury
 Asst. Secretary of War
 Chief of Staff

War Plans Division
 Office of Naval Intelligence
 Air Corps - 2
 G-5
 S. & N.E.
 Aviation Section

CONFIDENTIAL

Paraphrase of Code Intelligence
Received at the War Department
at 12:53, January 11, 1941

London, filed 14:00, January 11, 1941.

1. On Friday, January 10, British fighter planes escorted planes of the Bomber Command on heavy daylight attacks all along the French channel coast and penetrated a distance of 80 miles inland. No British planes were lost, but other results are unknown. During the night before Bomber Command planes continued to plant mines along the northern coast of Germany and bombed docks on inland waterways and railroads. The main Bomber Command objectives that night, 64 oil refineries in Rotterdam and others in Calcutkirchen, were successfully attacked by 136 heavy and medium bombers. On the same night a naval unit in a French port was successfully bombed by planes of the Coastal Command. On January 9, Coastal Command planes made raids on shipping in Norway and made two hits on a cruiser of the Hipper class at Brast.

2. On January 10, German planes engaged in mine patrols over the Thames Estuary and the English Channel. Single planes made occasional inland penetrations. During the night before 110 German planes were plotted over England. During the night of January 10-11, 25 German planes were active over Liverpool Bay and the Irish Sea, and 76 were plotted in the Portsmouth area.

3. It has now been determined that in the British raid on Naples on January 8-9, one hit was scored on a battleship of the Littorio class, and cargo ships, destroyers and quays were damaged. During daylight hours of January 9 six British fighter

CONFIDENTIAL

planes intercepted 12 Italian planes attacking Malta and destroyed five of the Italian planes without losing a single ship. The rail-road yards and harbor at Messina, Sicily, were successfully attacked during the night of January 9-10, by Malta-based bombers.

4. Planes of the Royal Air Force were very active on January 9 and 10 over all theaters in the Middle East. The harbor and airfield at Benghazi and the airfield at Benina in Libya were bombed with great success.

5. The intention of the British to wage a more aggressive air war, which we mentioned in earlier reports, is believed to have begun to take shape with the heavy daylight raid on January 10 reported in paragraph 1, above.

6. Imports totalling 636,000 tons, made up principally of munitions, machine tools and airplanes from the United States and Canada, arrived in Britain during the week of December 29 to January 4.

LEE

Distribution:

Secretary of War
 State Department
 Secretary of Treasury ✓
 Asst. Secretary of War
 Chief of Staff
 War Plans Division
 Office of Naval Intelligence
 Air Corps - 2
 C-3

CONFIDENTIAL

RESTRICTED

462

Paraphrase of Code Radiogram
Received at the War Department
at 16:34, January 11, 1941

Bess, filed January 10, 1941.

The Italians have called up their class of 1921 three months ahead of time. It is, however, entirely normal for them to call up the 1922 class at the present date. Normally, they would call this class into service in March of 1942, but any time after July, 1941, it will be available for call if wanted.

FISKE

Distribution:

Secretary of War
State Department
Secretary of Treasury
Asst. Secretary of War
Chief of Staff
War Plans Division
Office of Naval Intelligence

RESTRICTED

CONFIDENTIAL

463

Paraphrase of Code Radiogram
Received at the War Department
at 12:53 P.M., January 11, 1941

Athens, filed January 9, 1941.

Your attention is invited, with regard to the situation in Athens, to cablegrams numbers four and six from the legation. The practical end of Greek advances seems to be caused by Greek failure to prevent re-enforcement; by Italian superiority in the air; by the complexity of the terrain and the weather conditions; by stubborn resistance in Italian prepared positions; and by equipment shortage, especially in trucks. This last has added to trouble in communications and supply. A general pessimistic note, recently developed among the military authorities in Athens, has been increased by stories that German intervention impends. Italian strength is now estimated at about 350,000 in Albania. The immediate objectives and the strength of the Greeks is not materially different from what it was. Troop morale is high as ever. The line now runs approximately Pogradets-Bratilo-Tsarovonte-Klisoura (exclusive) - Tepeleni (exclusive) ending on the coast some three miles above Himara.

BAKER

Distribution:

Secretary of War
State Department
Secretary of Treasury
Asst. Secretary of War
Chief of Staff
War Plans Division
Office of Naval Intelligence

CONFIDENTIAL

G-2/2657-220

RESTRICTEDM.I.D., W.D.
January 11, 1941.
12:00 M.

No. 290

SITUATION REPORT

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

I. Western Theater of War.1. Air Force Operations.

There was little German offensive air activity during daylight of the 10th. Last night the Luftwaffe apparently operated normally, concentrating on Portsmouth.

During daylight of the 10th the R.A.F. made raids, heavily escorted by pursuit, on German airdromes and ports in France. Success of this new procedure and losses incurred are not yet determined. Last night Brest and LeHavre were again raided.

II. Greek Theater of War.

Greek headquarters officially announce the occupation of Klisura.

Limited air activity.

III. Mediterranean and African Theaters of War.

1. The British are concentrating forces around Tobruk. The Italians report 100 British mechanized vehicles heading toward Akruza, which is about 20 miles southeast of Tobruk.

It is reported that the British have retaken Buna in Northeast Kenya, and that El Wak near the Kenya-Italian Somaliland border has been abandoned by the Italians.

2. German air units are now operating from southern Italy and perhaps in Albania. Air attacks are claimed on British naval units in the straits of Sicily. Malta was bombed on the night of the 10th.

The R.A.F. is continuing its attacks in Libya. Palermo, Sicily, was bombed on the night of the 10th.

RESTRICTED

44A

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE JAN 13 1941

TO Secretary Morgenthau

FROM Mr. Foley

To the Diary

See also memo 1/13/41

There was a meeting in the Attorney General's office on January 11, 1941 attended by the following: Attorney General Jackson, Assistant Attorney General Arnold, Assistant Attorney General Shea, L. M. C. Smith of Justice, Mr. Berle of the State Department, Leon Henderson, Mr. Foley and Mr. Bernstein for the Treasury.

Jackson stated that he had been designated by the President to head a committee to work out a program of economic defense. Jackson said he thought we ought first to try to do what we could under existing legislation and then consider new legislation.

A discussion developed of the problems that needed handling. The point was particularly made that the Army and Navy and the Defense Commission group were seeking to get control of economic defense problems, that this was entirely undesirable from the point of view of progressive and liberal treatment of economic and non-military problems, and that in order to forestall this possibility it was necessary for other agencies of the Government to cooperate in a program to be presented to the President.

A discussion arose as to the Executive Order which had been submitted by the Treasury. Mr. Henderson felt quite troubled at the proposed membership of the Economic Defense Board, particularly the presence of the Army and Navy and Office of Production Management thereon. He made some suggestions as to an organizational set-up for handling economic problems. Berle emphasized that the State Department was essentially only a policy making organization and would not wish to handle the administrative aspects of such an economic defense but urged that others should not seek to grab power for themselves. Jackson also stated he wished to keep Justice a Law department and not burden it with administrative problems. Mr. Foley indicated that the Treasury was an organization set up to administer such problems and would be glad to serve in any such capacity as was desired. He also pointed out some of the aspects of the Executive Order and how the Department would function as an administrative body subject to the policies formulated by the Economic Defense Board.

It was agreed to have a further meeting on Monday, January 13, 1941, at 2:30 p.m., at which time each person would come prepared to discuss what should be included or excluded from the Treasury's proposed Executive Order and what kind of organization should handle the policy and administrative problems. Copies of the Executive Order and memorandum from this Department to the President, explaining the Order, were distributed to the people attending the meeting.

1 in 7k.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE January 11, 1941

TO Secretary Morgenthau
FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

| | |
|------------------------------------|--------|
| Sold to commercial concerns | £9,000 |
| Purchased from commercial concerns | £6,000 |

The Federal Reserve Bank of New York purchased £1,800 in registered sterling from a non-reporting bank.

Open market sterling was steady at 4.03-3/4. Transactions of the reporting banks were:

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

The Cuban peso, which improved to 7-11/16% discount during the first part of this week, weakened today to close at a discount of 8-1/16%.

Closing quotations for the other currencies were:

| | |
|--------------------------|--------------|
| Canadian dollar | 14% discount |
| Swiss franc | .2321 |
| Swedish krona | .2385 |
| Reichsmark | .4005 |
| Lira | .0505 |
| Argentine peso (free) | .2360 |
| Brazilian milreis (free) | .0505 |
| Mexican peso | .2066 |
| Chinese yuan | .05-5/8 |

There were no gold transactions consummated by us today.

Under licenses previously issued, the Federal Reserve Bank of New York transferred from the account of the Central Bank of El Salvador gold valued at approximately \$196,950 to account No. 6 of the B.I.S. This transfer raises the amount of gold in B.I.S. account No. 6 to approximately \$647,750; gold in this account is owned by the Central Bank of El Salvador and is pledged to secure repayment of credits granted that Bank by the B.I.S.

-2-

The Federal Reserve Bank of New York reported that the Central Bank of El Salvador repaid \$50,000 of the three-month loans previously made to it by the Federal. Upon repayment, the Federal transferred \$54,290.50 worth of gold from the collateral account to the Salvadorean bank's own earmarked account. The amount of loans outstanding is now \$772,000, secured by \$864,545.02 in gold.

The Federal Reserve Bank of New York reported that the Bank of Mexico shipped \$404,000 in gold from Mexico to the Federal. The disposition of this shipment is unknown at the present time.

Today's Bombay gold price was equivalent to \$33.91, a decline of 5¢ from Wednesday's level. Silver was priced at the equivalent of 44.05¢, up 1/16¢.

CONFIDENTIAL

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Stockholm, Sweden

DATE: January 11, 1941, noon

NO.: 26

RUSH

According to the Riksbank Governor, there is much nervousness in Swedish financial circles because of a rumor which was circulated today that on Monday, January 13, the President of the United States would place a general embargo on assets in the United States belonging to Europeans.

STERLING.

EA:LEW

EH

PLAIN

Stockholm

Dated January 11, 1941

Rec'd 11:20 p.m.

Secretary of State,
Washington.

25, Eleventh.

Cost of living index December thirty-first 1940 rose by seven points to 204 which will automatically raise wages by four points under new master agreement.

National debt rose during 1940 by 1854 to 4518 both million crowns.

200 new corporations registered during fourth quarter capitalized at 13,200,000 crowns.

INFORM TREASURY, COMMERCE.

STERLING

NPL

COPY
TREASURY

EH

PLAIN

Stockholm

Dated January 11, 1941

Rec'd 11:42 p.m.

Secretary of State,
Washington.

26, Eleventh.

1941 ordinary session of Rikstag opened today. In speech from throne King made traditional statement that Sweden's relations with foreign powers were friendly and expressed hope that with support of united and determined people he would still be able to preserve peace and freedom. Purpose of country's economic policy was not only to satisfy needs of day but also safeguard sustenance of people in days to come by adjusting production and regulating consumption of raw material resources and other essentials. Measures had been planned to counteract unemployment. King forecast bills for provisional extension to full year of initial training period for conscripts pending plans for reorganization of entire defense system. Needs of national defense would continue to place heavy burdens on public in form of taxes and loans.

National budget proposed by government for coming fiscal year lists current revenues at 2,082,000,000 crowns and current expenditures at 1,889,000,000 leaving nominal surplus of 193,000,000. This does not include extraordinary expenditures anticipated to combat unemployment which will be listed under two supplementary budgets to be laid before Rikstag later in session and which

- 2 -

will turn nominal surplus into heavy deficit. Minister of Finance estimates that defense appropriations alone for coming fiscal year will amount to not less than 1,300,000,000 and no more than 1,500,000,000 crosses while ordinary operating budget in this field for 1941-42 calls for 550,000,000 only. Actual deficit for coming fiscal year estimated at between 600,000,000 and 1,000,000,000. Corresponding deficit for current fiscal year ending June 30, 1941 estimated at 1,700,000,000. Total defense expenditure for this year now estimated at 2,400,000,000.

~~SECRET~~

REF

EH

GRAY

Belgrade

Dated January 11, 1941

Rec'd 2:38 p.m.

Secretary of State,

Washington.

17, January 11, 6 p.m.

Department's telegram No. 2, January 6, 10 p.m.

I took up the matter with the Prime Minister today who claimed to be ignorant regarding the case and suggested that I should see the Minister of Finance, who has promised to see me tomorrow morning.

Please telegraph the value of gold involved.

LANE

WE

EH

GRAY

Berlin

Dated January 11, 1941

Rec'd 1:20 p.m.

Secretary of State,
Washington.

99, January 11, 10 a.m. (SECTION ONE).
FOR TREASURY FROM HEATH.

The issuance of the mint statement for the end of December 1940 makes possible an estimate of the present circulation of cash money in Germany. The December Rentenbank statement is not yet available but since no new notes had been issued since June it can probably be assumed that none were issued in December. On this basis the net cash money circulation (gross coin and note circulation less Reichsbank holdings) was 16,694,000,000 marks on December 31, 1940 compared with 15,541,000,000 marks on September 30, 1940 and 14,502,000,000 marks on December 31, 1939. The individual items in million marks stood as follows: on December 31, 1940 (compared with September 30, 1940 and December 31, 1939): Reichsbank notes 14,033 (12,847; 11,798); Rentenbank notes 1,053 (1,056; 957); coins 1,726 gross 1,608 net (September 1,805 gross

EE -2- 39, January 11, 10 a.m. (SECTION ONE) from Berlin.

gross 1,638 net; December 1939 2,097 gross 1,747 net). It will be noted that there was a decrease of approximately 80,000,000 marks in gross coin circulation from September to December 1940. This was due to the demonetization of nickel 50 pfennig pieces of which 107,000,000 marks were still in circulation on September 30. Nickel one mark pieces of which 419,000,000 marks had been in circulation on June 30, 1940 were withdrawn from circulation in the period between the June and September quarterly statements.

It is not possible, however, to make a complete survey of Germany's present monetary position without information as to the volume of demand deposits in German banks, the monthly report of which ceased with the outbreak of war. However, sight deposits in the Reichsbank, a very important form of bank money, have shown a substantial increase during the year standing at 2,561,000,000 marks on December 31, 1940 compared with 2,018,000,000 marks a year earlier. Adding this to the above figures total cash and bank money circulation (without commercial bank demand deposits) stood at 19,255,000,000 marks on December 31, 1940 compared with 16,520,000,000 marks on December 31, 1939. Undoubtedly, commercial bank deposits have also increased greatly during the war. Compared with a year ago there has also been a considerable increase in the velocity of the Reichsbank's sight deposits.

MORRIS

NPL

JE

GRAY

Berlin

Undated

Rec'd 12:30 p.m.

January 11, 1941

Secretary of State,
Washington.

99, (SECTION TWO)

Total clearings (in payments plus out-payments) of the Reichsbank giro system were 141 billion marks in September, 150 billion marks in October and 162 billion marks in November, 1940 (the latest figure available) compared with 118, 116 and 128 billion marks in the corresponding months of 1939. There had been some increase in sight deposits in the Reichsbank but allowing for this total clearings were 88 times as great as the average of the sight deposits in the four weekly statements of the months in September, 1940, 90 times as great in October 1940 and 95 in November 1940, as compared with 76, 83, and 88 in the corresponding months of 1939. It should be noted, however, that there had been a considerable decrease in velocity during the first months of the war since sight deposits had shown a greater relative increase than clearings. No information is available concerning the volume of clearings in the clearing systems of the commercial and savings

banks

-2- #99, (SECTION TWO) from Berlin.

banks. Since the Reichsbank giro system is used chiefly for payments between banks, large firms, government agencies, et cetera, the increase in its clearings probably reflects chiefly an increase in turnover in the financial sector. It has frequently been pointed out in the press that the velocity of cash money has probably decreased since the beginning of the war.

Although there has thus been a considerable currency expansion in 1940 this can undoubtedly to a fairly considerable extent be attributed to territorial expansion. The most important annexations occurred before 1940 but undoubtedly there have been substantial increases during 1940 in the currency circulation of Poland the Sudetenland, Danzig, Memel, et cetera, as well as in the territories annexed in 1940 which would partially account for the considerable expansion in currency circulation in the Reich. However, there has undoubtedly been a mild inflationary movement in prices as well (see my air mail memorandum of January 7) since even the official but doctored cost of living index rose by 3.5% from December 1939 to December 1940 and this takes no account of quality declines, et cetera. END MESSAGE.

HC9833

48E

EH

GRAY

Berlin

Dated January 11, 1941

Rec'd 4:28 p.m.

Secretary of State,
Washington.

120, January 11, 3 p.m.

My 4941, December 7, 10 a.m.

FOR TREASURY FROM HEATH.

According to the statement of the Reich's short term debt at the end of October which has just been published the Reich increased its short term borrowing during October by 1,960,000,000 marks to a total of 33,959,000,000 marks. Treasury bills and certificates issued increased by 1,758,000,000 marks to 27,913,000,000 marks, other short term loans (including the loan of the Reichskreditkassen system to the Reich) increased by 202,000,000 marks to 1,715,000,000 marks, the Reich's operating credit from the Reichsbank increased by 4,000,000 to 650,000,000 marks and the amount of tax certificates outstanding decreased by 3,000,000 to 3,553,000,000 marks.

The increase in short term debt in October was more than twice as great as in September when it was only

842,000,000

EH -2- 120, January 11, 3 p.m. from Berlin.

842,000,000 marks but less than that of the peak months of short term May, July and August. In September the increase in long term debt at 2,337,000,000 marks was very large but in all probability long term borrowing continued on a fairly large scale during October. In a speech recently made by Director of the Reichsbank Puhl, he stated that close to 8,000,000,000 4% treasury bonds were issued during 1940 which means that almost 3,000,000,000 marks were issued during the last three months of the year months of this year. The savings banks and insurance institutions in all probability also bought as usual a considerable amount of li-loans during October. The total increase in debt during October was therefore probably not under the monthly average of 3,200,000 marks borrowed during the preceding five months.

MORRIS

NK

CONFIDENTIAL

PARAPHRASE OF TELEGRAM DATED JANUARY 11,
4 P. M. FROM HANOY.

At Chungking next week a conference is to be held at which Chinese and British officials will attend. Burma will be represented by the Minister of Commerce and secretary, the Chief of Public Works in the Shan States, and the Counselor to the Governor. The Minister of Commerce is the only Burmese included. Also participating in the conference will be the British Ambassador to China. One of the important matters to be discussed will be the Yunnan-Burma railway, China pressing again for the construction of the Burma link. The Burma-Chinese boundary question will also come up for discussion, together with various communication and trade questions, including traffic control on the Burma road and the construction of new highways and the improvement of others.

As a consequence of damage done by the Japanese bombing of the old suspension bridge across the Mekong river on the Burma road on January 2, 5 and 6 trans-shipment by raft is necessary. The new structure over the stream was also extensively damaged.

CONFIDENTIAL. 15,534 tons of Government supplies were shipped by the Southwest Company from Lashio into China during the last two and one-half months of 1940.

NE:CWL/GC
1/14/41

7450.93/7

BRITISH EMBASSY,
WASHINGTON, D. C.

PERSONAL AND
SECRET.

11th January, 1941.

Dear Mr. Secretary,

I enclose herein for your
personal and secret information a copy
of the latest report received from
London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

W. L. Butler

The Honourable
Henry Morgenthau, Jr.,
United States Treasury,
Washington, D. C.

Telegram from London dated
10th January, 1941.

Naval.

British destroyers on December 26th sank one, on December 29th captured another, and on December 31st, captured two more motor schooners being employed by Italians running through to Bardia from Tobruk by night.

2. Enemy formation of bombers made several unsuccessful attacks on British units at Sollum at dusk and dawn during operations. One torpedo-bomber believed shot down.

3. Position of our own troops precluded further bombardment of Bardia after 15.00 January 3rd.

4. Coastal Command attacked Hipper Class cruiser in Great evening of January 9th made two hits on her, and two on adjacent docks and the Hala.

5. During the week ending January 4th, 636,081 tons of imports arrived in convoy in United Kingdom, including large quantities of aeroplanes, machine tools and munitions from Canada and United States and nearly 8,000 tons of eggs.

6. During the month of December 2,453 tons cargo destined for enemy were seized in prize.

7. Royal Air Force.

Flight of January 8/9th. Attack on Naples was successful. A stick of bombs dropped across the stern of Littorio class battleship was followed by dull red glow. Hits were registered on quays, in dry dock area

- 2 -

and amongst merchant vessels. Many bombs fell near the railway station and a gasometer was set on fire.

8. Night of January 9th/10th. Two hundred bombers were sent out, of which 156 heavy and medium were to attack oil plants at Selsenkirchen. Petroleum depot at Rotterdam also attacked.

9. Libya.

January 8th. 8 Blenheims and several Hurricanes attacked a transport convoy near Giarabub and caused considerable damage. Armoured car patrols are expected to have captured the remainder of the convoy. Hurricanes also machine-gunned landing grounds where two Italian bombers were destroyed and eleven others damaged. Tobruk was attacked by Blenheims. Details not yet available.

10. German Air Force.

January 9th. Our fighter command carried out exclusive offensive operations over the Straits, some squadrons penetrated the French Coast at Boulogne without encountering enemy aircraft.

Night of January 9th/10th. Enemy activity was on a large scale, about 310 aircraft being plotted all over the country and it is difficult to assess the main objectives - numerous fires were started but they were all quickly under control and no serious military damage was reported.

CONFIDENTIAL

Paraphrase of Code Radiogram
Received at the War Department
at 14:15, January 12, 1941

482

Belgrade, filed 15:30, January 11, 1941.

I have been informed that transit through Hungary to Rumania for 1500 troop trains has been requested by Germany. This information obtained from Bulgarian military attache who received it from German military attache who returned from Berlin a short time ago. The Yugoslav G-2 has raised his estimate to 150,000 of German troops in Rumania.

FORTIER

Distribution:

Secretary of War
State Department
Secretary of Treasury
Asst. Secretary of War
Chief of Staff
War Plans Division
Office of Naval Intelligence

CONFIDENTIAL

CONFIDENTIAL

Paraphrase of Code Radiogram
Received at the War Department
at 12:35, January 12, 1941

483

London, filed 14:25, January 12, 1941.

1. On Friday, January 10, and during the following night planes of the British Coastal Command attacked cargo boats and naval units in port. Results are unknown. During the night of January 10-11 occupied ports along the northwest coast of France were bombed with unobserved results by planes of the Bomber Command. As yet there is no official information concerning the damage done by the heavy British attack during daylight hours of January 10.

2. There was no reported damage from the minor German raids against Britain on January 11. In the early evening of January 11-12 London was severely attacked by 114 German bombers. There were some casualties and considerable damage from high explosive bombs in the residential district in the West End of London. Several severe fires were started in the business district. Buildings where fire watchers were on duty over the week-end were hit by incendiary bombs but suffered no damage from fires. Those buildings which had been practically deserted for the week-end and in which no fire watchers were on duty were the ones which were burned. This was equally true in connection with the German incendiary attack on London during the night of December 29-30. The habit of leaving the central City deserted over the week-ends is becoming a costly luxury, and the Government will probably take some action with regard to it.

3. In the Middle Eastern theater British airplanes engaged

CONFIDENTIAL

CONFIDENTIAL

484

in usual operations.

LM

Distribution:

Secretary of War
State Department
Secretary of Treasury
Asst. Secretary of War
Chief of Staff
War Plans Division
Office of Naval Intelligence
AS - 2
C-3, 1

CONFIDENTIAL