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WAR DEPARTMENT  
WASHINGTON

JUN 15 1940

The Honorable,

The Secretary of the Treasury.

My dear Mr. Secretary:

The proposed license agreements covered by the attached drafts dated May 28 and May 29, 1940, prepared under your supervision and in collaboration with the indicated licensors and representatives of interested services and departments of the Government, have been examined by this office. Such agreements seem to be satisfactory and designed to accomplish the contemplated objective.

Sincerely yours,



HARRY H. WOODRING,  
Secretary of War.

2 Incls.:  
License Agreements -  
Wright Aero. Corp.,  
United Aircraft Corp.

RECEIVED  
JUN 15 1940  
U.S. DEPARTMENT OF WAR  
WASHINGTON, D.C.

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Sincerely yours,

(Signed) Harry H. Woodring.

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Secretary of War.

2 Encls.:  
License Agreements -  
Wright Aero. Corp.,  
United Aircraft Corp.

*gaw*



AGREEMENT made and entered into as of the \_\_\_ day of \_\_\_\_\_, 19\_\_\_, by and between WRIGHT AERONAUTICAL CORPORATION, a corporation organized and existing under the laws of the State of New York, with offices at Paterson, New Jersey, United States of America, (hereinafter referred to as "Wright"), party of the first part, and \_\_\_\_\_, a corporation organized and existing under the laws of the \_\_\_\_\_, (hereinafter referred to as the "Licensee"), party of the second part:

In consideration of the mutual covenants and agreements of the parties hereto, each does agree with the other as follows:

I. DEFINITIONS: For the purpose of this agreement, the Wright \_\_\_\_\_ engine is defined as the current single row radial-air-cooled geared and/or direct drive Model \_\_\_\_\_ engine such as is now being sold by Wright to the United States of America, designed in the English inch measurement system, and in accordance with specifications satisfactory to the Government of the United States.

Wherever the term "Engine" is used in this agreement, it shall be interpreted to mean the bare engine fully equipped, including magnetos, carburetors and spark plugs or the like, but exclusive of all optional accessories which are not necessary for the ordinary and usual operation of the engine.

Engine "Type" shall be understood and defined as referring to the general configuration of the engine without specific reference to size or ordinary details, as for example, "Vee" type, single row radial type, double row radial type, in-line type, air cooled type, water cooled type, etc.

The word "Model" shall be understood and defined as referring to an engine of a particular type with a given number of cylinders and a given piston displacement.

II. NON-EXCLUSIVE LICENSE: Wright hereby grants to Licensee for the term of this agreement a non-exclusive right and license to manufacture, assemble, use and sell Wright \_\_\_\_\_ engines and spare parts

therefor to the Government of the United States or any of its departments, including all features applicable to said engine covered by United States letters patent or applications for patents now pending or hereafter applied for \_\_\_\_\_ which are owned or controlled by Wright.

III. DESIGN DRAWINGS AND SPECIFICATIONS: Wright will furnish to the authorized representative or representatives of Licensee at the plant of Wright at Paterson, New Jersey, United States of America, within two months from the date of execution of this agreement, drawings, specifications and information regarding assembling, testing and servicing of the Wright \_\_\_\_\_ engine as indicated below:

- (1) Assembly drawings of the licensed engine and parts therefor.
- (2) Drawings and/or acceptance specifications for all component parts of the licensed engine purchased by Wright from third parties in finished form, and acceptance specifications and description of all finished accessories, normally purchased by Wright from third parties for application to the licensed engine.
- (3) Inspection instructions for finished parts.
- (4) Assembly instructions, assembly inspection specifications and engine test specifications.
- (5) Fuel and oil specifications.
- (6) Engine operating instructions, overhaul and service manuals, tolerance charts, drawings and specifications for special tools, accessories, etc. used in maintenance and overhaul activities.
- (7) Installation drawings and data showing general requirements for arrangement of cowlings, fuel and oil supply systems, air intakes and heaters, ventilation of accessory compartments, engine mounts.
- (8) Drawings or specifications of all special tools, jigs, fixtures, etc. designed by Wright and used in the current assembly and test of the licensed engine.

All drawings, specifications and data referred to above shall be copies of current drawings, specifications and instructions and other data



when designed or prepared by Wright and employed by Wright in current assembly and overhaul activities. Four copies of the data shall be supplied. Two copies shall be delivered in Van Dyke or carbon back typewritten form, whichever is appropriate to the particular information supplied, in English text and dimensions as used by Wright, and two copies shall be delivered in blueprint form.

Wright further agrees to furnish to the authorized representative or representatives of Licensee at the plant of Wright at Paterson, New Jersey, United States of America, at a compensation to be agreed upon and within one month from the date of receipt by Wright from Licensee of an order therefor, additional sets of the drawings and specifications and other data referred to in this Article.

Two copies of the drawings, specifications and other data, similar to that above referred to, of improvements, modifications and changes in Wright \_\_\_\_\_ engines, shall, during the period hereof, be supplied by Wright without additional compensation, it being understood that changes in design and specification shall be delivered within one month after three months' periods of accumulation.

IV. DETAILED MANUFACTURING DRAWINGS AND PRODUCTION DATA: Wright will furnish to the authorized representative or representatives of Licensee at the plant of Wright at Paterson, New Jersey, United States of America, within three months from the date of execution of this agreement, detailed drawings, specifications and information regarding the manufacture of component parts, as manufactured by Wright, for the \_\_\_\_\_ engine, and suitable information for the purchase of parts not so manufactured. Said manufacturing drawings and information shall be as follows:

- (1) Detailed drawings of engine parts including tolerance specifications for finished parts.
- (2) Material specifications including heat treating specifications.



(3) Bills of material, production drawings, process sheets, material test specifications.

(4) Drawings and specifications of all special tools, jigs, fixtures, etc. normally designed by Wright and used in the manufacture, assembly and test of parts in process.

(5) Inspection specifications used in manufacturing, including drawings of inspection, tools, jigs and fixtures normally designed by Wright.

All drawings, specifications and data referred to above shall be copies of current Wright drawings, specifications and instructions and other data normally designed or prepared by Wright and employed by Wright in current manufacturing activities. Four copies of the data shall be supplied. Two copies shall be delivered in Van Dyke or carbon back typewritten form, whichever is appropriate to the particular information supplied, in English text and dimensions as used by Wright, and two copies shall be delivered in blueprint form.

Wright further agrees to furnish to the authorized representative or representatives of Licensee at the plant of Wright at Paterson, New Jersey, United States of America, at a compensation to be agreed upon, within one month from the date of the receipt by Wright from Licensee of an order therefor, additional sets of the drawings, specifications and other data referred to in this Article.

Two copies of the drawings, specifications and other data, similar to that above referred to, of improvements in the methods of manufacture of Wright \_\_\_\_\_ engines, shall, during the period hereof, be supplied by Wright without additional compensation, it being understood that changes in design and specification shall be delivered within one month after three months' periods of accumulation.

V. SERVICES OF ENGINEERS IN LICENSEE'S FACTORY: During the term hereof Wright undertakes and agrees to render all reasonable manufacturing and technical assistance and servicing information and data in connection with the manufacture, assembly, testing and servicing of the \_\_\_\_\_ engines, and to that end, and at the request of Licensee, Wright agrees to furnish Licensee with the services of a reasonable number, not to exceed \_\_\_\_\_ ( ), of competent and experienced engineers to assist Licensee in the manufacture, assembly, testing and servicing of Wright \_\_\_\_\_ engines and/or parts therefor.

Licensee agrees to pay to Wright in a manner to be agreed upon the cost of the services of any such engineer or engineers, together with all reasonable traveling and living expenses from the time he or they leave Paterson, New Jersey, United States of America, until their return thereto, plus \_\_\_ per cent ( %) thereof. It is further agreed that all liability for injuries to or death of any or all of such engineers, and for damages of any kind and chargeable against Wright, which may arise from any cause occurring in the course of the employment of such engineers while they are with or employed by Licensee, shall be paid by Licensee.

VI. PAYMENTS: Licensee agrees to make payments to Wright at Paterson, New Jersey, United States of America, as follows:

A. Partial Payments:

- (a) The sum of \_\_\_\_\_ upon delivery to the authorized representative or representatives of Licensee at the Plant of Wright at Paterson, New Jersey, of the design drawings, specifications and information provided for in Article III hereof.
- (b) The sum of \_\_\_\_\_ upon delivery to the authorized representative or representatives of Licensee at the

plant of Wright at Paterson, New Jersey, of the manufacturing drawings and production data provided for in Article IV hereof.

B. Royalties:

(a) Semi-annually during the first year of this agreement, whichever of the following amount is the greater:

(1) the sum of \_\_\_\_\_ or

(2) the sum of \_\_\_\_\_ for each direct drive \_\_\_\_\_ engine manufactured, assembled or sold by Licensee, and the sum of \_\_\_\_\_ for each geared \_\_\_\_\_ engine manufactured, assembled or sold by Licensee.

(b) Semi-annually during the remaining years of this agreement, whichever of the following sums is the greater:

(1) the sum of \_\_\_\_\_ or

(2) the sum of \_\_\_\_\_ for each direct drive \_\_\_\_\_ engine, manufactured, assembled or sold by Licensee, and the sum of \_\_\_\_\_ for each geared \_\_\_\_\_ engine manufactured, assembled or sold by Licensee.

C. Other Payments:

Licensee agrees to reimburse Wright for royalties which Wright is required to pay in the amounts and in the manner shown on Schedule A hereto attached.

D. Conditions of Payment:



VII. REPRESENTATIVES OF LICENSEE AT WRIGHT PLANT: During the term hereof Licensee may send not more than \_\_\_\_\_ ( ) technicians or representatives to the plant of Wright at Paterson, New Jersey, United States of America, to observe and study the methods employed by Wright in the manufacture, assembly and servicing of the \_\_\_\_\_ engine upon the following conditions: (1) Licensee shall pay all salaries and wages of such technicians or representatives and shall bear all traveling, living and other expense which may be incurred in this connection; (2) Wright shall not be required to admit such technicians or representatives to portions of their factory where work of a secret or confidential nature is in process or where prohibited from doing so by virtue of requirements made by the Government of the United States in connection with contracts for the building and developing of aircraft engines and/or accessories therefor; (3) whenever such technicians or representatives are stationed for instruction purposes, they will be under a responsible and capable leader who will secure conformance to the rules and regulations of Wright; (4) Wright will not be liable for injuries to or death of any or all such representatives while at the plant of Wright, or for injury, damage or loss to their property; and (5) Licensee will indemnify and hold Wright harmless from any such liability.

VIII. RESTRICTION OF PATENTS: It is understood between the parties hereto that no patent will be obtained or applied for by Licensee or by another with its inducement or consent, on Wright engines, or any drawings or parts thereof either as existing at present or as they may hereafter be improved or developed by Wright without the express written consent of Wright.

IX. ASSIGNMENT OR TRANSFER: Licensee shall not assign, transfer or sell, or permit the use of the rights hereby granted, without the written

consent of Wright and shall not disclose or suffer to be disclosed to another, (except to the Government of the United States), any information or any designs, drawings or other data which it receives or is entitled to receive hereunder, and will, at its own expense, use every effort and take the necessary proceedings to protect Wright against such disclosure.

X. MAINTENANCE OF RECORDS: Licensee shall at all times during the continuance of this agreement, keep accurate and separate accounts containing full entries and particulars of sales of all engines and parts provided for hereunder, and of all engines and parts fabricated and/or assembled. Wright shall have access during reasonable business hours, not to exceed two investigations per annum, to the books and records of Licensee that pertain to the subject matter of this agreement, in order to determine what sums, if any, are due it hereunder.

XI. PREVENTION OF PERFORMANCE BY WRIGHT: Wright shall not be deemed to have breached this agreement by reason of its failure to perform any of its obligations hereunder, provided such failure shall be due to strikes, fire, acts of God or a public enemy, riots, incendiaries, interference by civil or military authorities, compliance with orders of the President of the United States or other governmental agencies, delays in transit or delivery on part of transportation companies or any act or failure to act of Licensee or other cause of the same or different nature beyond control or without fault of Wright.

XII. CANCELLATION OF AGREEMENT: Wright may revoke or terminate this agreement if Licensee shall fail to make payment of any sum required under this agreement and shall not remedy and make good such failure or failures within thirty (30) days from the date of the mailing to it by Wright of a written notice of such failure.



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In the event of any such revocation or termination of this agreement, Wright shall be entitled to receive any and all moneys due it up to the date of such revocation or termination, and such revocation or termination shall also be without prejudice to any claim which any party hereto may have against any other for damages in respect to any prior breaches of this agreement.

In the event that this agreement shall be so revoked or so terminated, Licensee further agrees forthwith to deliver to Wright any and all working drawings, blueprints, specifications or other papers or data, and all copies thereof in its possession or under its control, applicable for use in connection with the manufacture of the licensed engines, and which the Licensee is not obligated to deliver to the Government of the United States or any of its departments.

**XIII. CONSTRUCTION OF AGREEMENT:** This agreement shall be construed and the respective rights of the parties hereto upon its expiration or cancellation pursuant to its terms, shall be determined under and pursuant to the laws of the State of New York, United States of America.

**XIV. INFORMATION TO BE SUPPLIED BY LICENSEE:** In the event that Licensee shall perfect any improvement, modification or invention which may be used in connection with the manufacture of the licensed engine and/or parts therefor, it agrees forthwith to communicate the same to Wright, to grant to Wright, its successors and assigns, the right to use and apply the same in the manufacture of the licensed engine and/or parts therefor, whenever the same are or may thereafter be manufactured by Wright, its successors or assigns, and the right to include the same in any engine offered for sale by Wright or its successors or assigns, without charge or account thereof, and to execute any and all necessary instruments to effectuate this purpose, the cost of such instruments, if any, to be borne by Wright, but there shall be no additional cost to



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Wright on account of the use of any such improvement, modification or invention, and any of the same may be used by Licensee in connection with products manufactured by it without payment of any kind.

XV. NOTICES: Notices required under this agreement shall be sent by registered mail to the respective parties at the following addresses:

Wright Aeronautical Corporation  
Paterson  
New Jersey  
U. S. A.

(Licensee)  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

XVI. LIMITATIONS: Licensee shall not have power to bind Wright by any guarantee or representation that it may give or in any other respect whatsoever, or to incur any debts or liabilities in the name or on behalf of Wright, and the parties hereto shall not be deemed partners or joint adventurers.

XVII. EXPIRATION OF AGREEMENT: Unless sooner terminated pursuant to the provisions of Article XII hereof or extended by mutual agreement, this agreement shall cease and terminate three years from the date first above written and upon the expiration thereof all obligations of Wright and Licensee hereunder shall cease and terminate. The provisions of this Article shall not relieve either party of any obligations existing pursuant to the terms of this agreement at the expiration date thereof.

XVIII. GRANT TO VENDORS: Wright hereby agrees to grant to vendors of all raw, semi-fabricated, and/or fabricated materials used or applicable to the herein licensed engines the right to use for a compensation to be mutually agreed upon, all patterns, dies, jigs, and/or fixtures owned or controlled by Wright which are necessary for the purpose of such fabrication at the plant of the vendor at which such patterns, dies, jigs, and/or fixtures are generally located, whenever such fabrications of

materials may be desired by the Licensee, provided the Licensee gives Wright reasonable (30 days where practicable) notice prior to the commencement of the fabrication of such material, and provided such use by the Licensee does not conflict with Wright's requirements for materials fabricated by such patterns, dies, jigs, and/or fixtures. It is understood and agreed that Wright has the undisputed right to change at any time and from time to time any or all of the above-mentioned patterns, dies, jigs, and/or fixtures to provide for normal changes in design and/or manufacturing processes instigated by Wright.

XIX. ARBITRATION: Any dispute arising hereunder shall be submitted to arbitration at the election of either of the parties hereto, upon written notice given to the other party hereto asking for such arbitration and designating an arbitrator selected by it. Within two (2) weeks from the giving of such notice, the other party hereto shall select an arbitrator and notify the first party of such election. The two arbitrators so selected shall select a third arbitrator within one month from the giving of the first above mentioned written notice. In case either of the parties fails to appoint an arbitrator within the time as set forth above, the other party shall have the right to appoint the second arbitrator, and in case the two arbitrators first appointed are unable within the time set forth, to agree upon the third arbitrator, the third arbitrator shall be chosen by the Arbitration Association of America or its officers or board or committee authorized to act for it in such matters. The arbitration shall be conducted in New York City under the rules of the Arbitration Association of America. The decision of the arbitrators shall be final and binding on the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be signed in their respective corporate names by their respective officers thereunto duly authorized, and their corporate seals to be

hereunto affixed, and to be attested by their respective Secretaries or other officers thereunto duly authorized, as of the day and year first above written.

WRIGHT AERONAUTICAL CORPORATION

ATTEST:

By \_\_\_\_\_

\_\_\_\_\_

LICENSEE

ATTEST:

By \_\_\_\_\_

\_\_\_\_\_



Draft of May 29, 1940

AGREEMENT this \_\_\_ day of \_\_\_\_\_, 1940, between UNITED AIRCRAFT CORPORATION, a corporation organized and existing under the laws of the state of Delaware, having its principal place of business in the town of East Hartford, State of Connecticut, (hereinafter referred to as "United"), party of the first part and \_\_\_\_\_, a corporation organized and existing under the laws of the state of \_\_\_\_\_, (hereinafter referred to as "Licensee"), party of the second part.

In consideration of the payments to be made by Licensee to United in the amounts and manner hereinafter provided, and of the mutual promises herein set forth, the parties hereto hereby agree as follows:

Article I. Definitions

The following definitions shall apply to the terms employed in this agreement wherever such terms are so employed, respectively, unless a different meaning be clearly indicated by the context:

(a) The term "licensed engines" shall mean

(b) The term "licensed parts" shall mean any spare or replacement part for licensed engines.

(c) The term "affiliated company" shall mean (1) any corporation of which a majority of the outstanding share capital shall, from time to time, be owned or controlled, directly or indirectly, by United or by a

corporation of which a majority of the outstanding share capital shall, from time to time, be owned or controlled, directly or indirectly by United, and shall also mean (2) any corporation of which a majority of the outstanding share capital shall, from time to time, be owned or controlled, directly or indirectly, by another corporation which contemporaneously shall own or control a majority of the outstanding share capital of United, and shall also mean (3) any corporation which, from time to time, shall own or control, directly or indirectly, a majority of the outstanding share capital of United.

(d) The words "United States" shall include the Government of the United States or any of its departments, agencies or instrumentalities.

#### Article II. Rights Granted

Section 1. United hereby grants to Licensee, upon the terms and conditions and subject to the limitations and right of termination herein set forth, a non-exclusive right or license to manufacture, assemble, use and sell to the United States licensed engines and licensed parts for the term or period beginning as of the date of this Agreement and continuing for three years and thereafter until Licensee shall have made final delivery to the United States of all licensed engines and licensed parts required to be delivered under all contracts entered into between the United States and the Licensee therefor in carrying out the national defense program in relation to the procurement of aircraft as contemplated by the message of the President of the United States to the Congress on May 16, 1940, (House Document No. 751, 76th Congress, 3d Session) or any extension of such program having continuity therewith.

Section 2. The right or license granted by Section 1 hereof includes the right at all times during the term or period of this Agreement to use (but only in connection with the exercise of said right or license) any and all inventions relating to the licensed engines or any part or portion thereof or to any licensed parts which may from time to time be covered by United States letters patent, or applications therefor, owned or controlled by United or any affiliated company.



Article III. Drawings, Specifications, Manufacturing  
Equipment, Etc.

Section 1. Within \_\_\_\_\_ ( ) days from the day and year first above written, United shall deliver to Licensee, f.o.b. East Hartford, Connecticut, two (2) complete sets of Van Dyke prints (capable of reproduction), or, if Van Dyke prints are not available, two (2) complete sets of blueprints of all detailed-part drawings, bills of material, specifications and measurements covering the licensed engines and licensed parts; two (2) complete sets of operation sheets for the manufacture of the licensed engines and licensed parts; and two (2) complete sets of blueprint drawings of changes in the licensed engines or licensed parts, additional specifications and the like; Provided, that nothing herein shall be construed to obligate United to furnish any details of construction, specifications or manufacturing process of any parts purchased by United for use in licensed engines and not manufactured by United or an affiliated company or under license granted by United or an affiliated company.

Section 2. Whenever requested by Licensee, United shall deliver to it, within \_\_\_\_\_ ( ) days after such request is made, two (2) complete sets of drawings and specifications of any and all special manufacturing equipment (including patterns, dies, machines, tools, jigs, fixtures, gages and the like) for which drawings or specifications are owned or controlled by United on the day and year first above written.

Article IV. Improvements

Section 1. Whenever during the term or period of this Agreement, United shall make any improvement or change in the design, or construction of licensed engines, United shall give prompt written notice thereof to Licensee, and, within \_\_\_\_\_ ( ) days thereafter, shall furnish to Licensee f.o.b. East Hartford, Connecticut, full particulars of



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such improvement, together with drawings and specifications completely disclosing the same.

Section 2. Nothing in this article shall be construed to require United to disclose to Licensee any improvement or change in design or construction which when applied to licensed engines creates an engine of a model substantially different from licensed engines.

Section 3. The right or license granted by this Agreement shall for all purposes be deemed to extend to and to cover, without any other act by either of the parties hereto, all improvements in the design or construction of licensed engines which, when applied to licensed engines, do not create a model of engine substantially different from licensed engines.

Article V. Special Agreements of United

Section 1. So far as it reasonably can, United agrees to make available to Licensee at the plant of Licensee such of its engineers, production experts, and technical personnel as may be necessary and which Licensee may request from time to time to assist Licensee in the manufacture of licensed engines, including the production, assembly, testing and servicing thereof upon the condition that the Licensee will pay the salaries and expenses of such engineers, experts, and other technical personnel, including their travelling expenses in each direction between the plant of United at East Hartford, Connecticut, and the plant or plants of Licensee.

Section 2. United agrees to permit Licensee to cause \_\_\_\_\_ ( ) engineers and \_\_\_\_\_ ( ) production experts to visit the plant of United at East Hartford, Connecticut, for the purpose of observing or studying the methods of manufacture and assembly of licensed engines at all times during the term or period of this Agreement: Provided, That (1) such engineers and experts shall not receive any compensation or salary

from United, (2) none of the expenses of such engineers and experts shall be upon United and (3) Licensee will save United harmless from any claim or claims on account of the death of or any injury or accident to any such engineer or expert while present at the plant of United.

Section 3. United warrants that all drawings, Van Dyke and blueprints, bills of material, specifications and engineering data furnished by it pursuant to the provisions of this Agreement shall accord with its current practice in the United States of America and shall accurately reflect its best judgment in the premises, but no other warranty of any nature shall extend thereto or be implied therefrom.

Section 4. So far as it reasonably can, United agrees to assist Licensee in developing its sources of materials entering into the manufacture of licensed engines and in the procurement of such standard manufacturing equipment as may be required by Licensee for use in the manufacture of licensed engines.

Section 5. United agrees to grant to vendors of all raw, semi-fabricated and fabricated materials used in or applicable to the manufacture of licensed engines the right to use all patterns, dies, jigs and fixtures owned or controlled by United or any affiliated company, at the plant of the vendor where the same are usually located, and which are needed to fabricate such materials whenever Licensee desires to have such materials fabricated: Provided, such use by Licensee does not conflict with the use by United of such patterns, dies, jigs and fixtures.

#### Article VI. Payments

Section 1. Licensee agrees to make payments to United at East Hartford, Connecticut, United States of America, as follows:

- (1) The sum of \_\_\_\_\_ upon delivery to the authorized representative or representatives of Licensee at the plant of



United at East Hartford, Connecticut, of the design drawings, bills of material, specifications, measurements and other information which United agreed to deliver in Article III hereof.

- (2) The sum of \_\_\_\_\_ upon delivery to the authorized representative or representatives of Licensee at the plant of United at East Hartford, Connecticut, of the drawings and specifications which United has agreed to deliver in Article IV hereof.
- (3) A sum equal to the salaries paid by United to any and all of its officers and employees for the period or periods in which they may respectively be occupied in assisting the Licensee, its agents and employees, in the manufacture of licensed engines hereunder, as provided in section 1 of Article V of this Agreement, whether such time is spent at United's plant, or in Licensee's plant, or elsewhere.
- (4) A sum equal to the amounts expended by United for postage, telegrams, telephone calls, express and similar miscellaneous office expenses.
- (5) A sum equal to royalties which United is required to pay in amounts and in the manner shown on Schedule A hereto attached.

Section 2. The reimbursement of United for expenditures included under paragraphs (3), (4) and (5) of Section 1 shall be made in the following manner:



Article VII. Special Agreements of the Licensee

Section 1. Licensee recognizes the validity of any and all United States patents and patent rights now or at any time hereafter owned or controlled by United covering licensed engines or licensed parts, and Licensee shall not at any time during the continuance of this Agreement dispute, or cause to be disputed, the validity of said patents.

Section 2. Licensee shall comply with all of United's reasonable requirements as to marking engines manufactured, used, sold or otherwise disposed of under the right granted by this Agreement, and among other things shall attach to each licensed engine so manufactured by it such appropriate legend to the effect that such engine was manufactured under license from United as may be necessary in order to protect the validity of the patents involved. Licensee shall not, however, employ any of United's trademarks or any colorable imitation thereof on any engines or parts thereof without the prior written consent of United.

Section 3. Licensee shall not make, manufacture, license, sell, lease or otherwise dispose of, during the term of this Agreement or at any time after its termination, any type, model or design of aeronautical engine or part thereof embodying any one or more of the basic principles of design or manufacture employed in and peculiar to the design or manufacture of licensed engines or licensed parts, other than such engines or parts thereof as may be manufactured either under this Agreement or pursuant to other rights, if any, expressly granted in writing to Licensee by United.

Section 4. Whenever Licensee shall make any changes in the design or construction of licensed engines or licensed parts, Licensee shall, as soon as practicable thereafter, furnish to United, without cost to it, full particulars of such changes, together with drawings and specifications completely disclosing the same. When such disclosure shall

- 8 -

have been made all rights in and to such changes shall, subject to the rights granted by this Agreement, but without any other act of either of the parties hereto, pass to and vest in United to the same extent for all intents and purposes as if such changes had been made by United. Nevertheless, if deemed necessary by United to protect its interests therein, Licensee shall, upon United's request, make prompt and due applications for United States patents covering any such changes and shall diligently prosecute such applications to a conclusion, and upon the granting of any such patents shall (unless they be granted directly to United or its nominee) duly assign the same to United or its nominee without requiring the payment of any fee or royalty with respect thereto: Provided, that the cost of obtaining such patents shall be for account of United.

Section 5. Licensee shall not at any time disclose to any person any design data, technical information or other information of any character relating to the design or manufacture of licensed engines or parts thereof, whether such information be received from United or any of its officers, agents or employees or shall be information derived from experience gained by Licensee in manufacturing licensed engines or parts thereof; and Licensee shall not at any time disclose any such information to any person other than officers or departments of the Government acting in discharge of their legal duties.

Section 6. Licensee shall furnish United one set of all drawings made by Licensee relative to the licensed engines and parts thereof as and when such drawings are completed.



VIII. Miscellaneous Provisions

Section 1. If at any time the licensee shall be in default in making any payment hereunder at the time and in the manner herein provided therefor, and any such default shall continue for a period of sixty (60) days after notice thereof shall have been given by United to Licensee in the manner herein provided, then United shall have the right, at its option if it has complied with its obligations under this Agreement, to terminate the same by giving notice of such termination to Licensee. Upon the giving of such notice, this Agreement and all rights of Licensee hereunder shall immediately terminate, except as hereinafter provided.

Section 2. Upon the termination of this Agreement, either at the expiration of the term or period of the license hereby granted, or upon notice as provided in section 1 of this Article VIII, all rights to manufacture licensed engines, or licensed parts, shall immediately cease, except that Licensee may thereafter ship, sell, or otherwise dispose of to the United States any licensed engines or licensed parts manufactured or in course of manufacture by it at the date of termination. No such termination shall relieve United or Licensee of their respective obligations existing on the date of such termination. Upon any termination of this Agreement, Licensee shall forthwith return to United any and all drawings, blueprints, bills of materials, specifications, operation sheets, and engineering data then in its possession with respect to licensed engines and licensed parts: Provided, That Licensee shall have the right to retain two sets of drawings, one set for the United States and one set for overhaul and maintenance purposes.

Section 3. In case any dispute, disagreement, or misunderstanding shall arise between the parties hereto in connection with this Agreement, such dispute, disagreement, or misunderstanding shall be referred to

arbitration in the State of Connecticut, in the following manner:

Each party hereto shall promptly appoint one arbitrator, and the two arbitrators so appointed shall promptly appoint a third arbitrator; and the parties hereto agree to accept, abide by, and carry out any decision arrived at by a majority of the three arbitrators so appointed. The cost of any such arbitration shall be borne by the respective parties hereto in such proportions as a majority of the arbitrators may determine.

Section 4. Any notice or communication herein provided to be given by United to Licensee shall for all purposes be deemed to be duly given and received, if sent by registered mail, postage prepaid, addressed to Licensee at its principal place of business in \_\_\_\_\_.

Any notice or communication herein provided to be given by Licensee to United shall for all purposes be deemed to be duly given and received, if sent by registered mail, postage prepaid, addressed to United at its principal place of business in East Hartford, Connecticut.

Section 5. This Agreement shall be interpreted in accordance with the plain English meaning of its terms, and the construction thereof shall be governed by the laws of the State of Connecticut.

Section 6. All promises and covenants herein contained by or in behalf of either of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of such parties; Provided, That the rights of Licensee hereunder shall not be assignable without the prior written consent of United, except to the United States.

IN WITNESS WHEREOF the parties hereto have caused this instrument to be executed, in duplicate, by their duly authorized officers or representatives, as of the day and year first above written.

UNITED AIRCRAFT CORPORATION

ATTEST:

By \_\_\_\_\_

LICENSEE

ATTEST:

By \_\_\_\_\_



1 photostated given <sup>25</sup>  
to Mr Young 6/15/40  
for him to give  
to Mr Baker.  
or Mr Purchasing  
Com.

June 15, 1940  
Wright Field, Dayton, Ohio.

I hereby certify that I have received from Lieut. Colonel E. R. Page, Air Corps, stationed at Wright Field, one complete copy (C) of an inventory of certain parcels shipped to Wright Field by the Secretary of the Treasury. I personally assisted in preparing this inventory in company with Lieut. Colonel Page, Air Corps, and Capt. R. J. O'Keefe, Air Corps, the only persons to observe the contents of the above packages.

W. J. KOSSLER  
Lieut. Comdr., U.S.C.G.

COPY C

CONTENTS OF CRATE NO. 1.'P' SECTION - Complete.'Q' SECTION

Drawings Nos. 5702 - 5748. - Complete.

'L' SECTION

Drawings Nos.	5701	-	57100
"	"	57101	- 57200
"	"	57201	- 57300
"	"	57301	- 57400
"	"	57401	- 57500
"	"	57501	- 57600
"	"	57601	- 57700
"	"	57701	- 57707 and Subsidiary Drawings.

'D' SECTION

Drawings Nos. 5701 - 5790. - Complete.

'E' SECTION

Drawings Nos.	5702	-	57100.
"	"	57101	- 57200.
"	"	57201	- 57298.

and Miscellaneous.

'H' SECTION

Drawings Nos.	5701	-	57100
"	"	57101	- 57198
"	"	57203	- 57299
"	"	57300	- 57411.



CONTENTS OF CRATE NO. 2.'B' SECTION

Drawings Nos.	5701	-	5750.
"	"		5751 - 57100.
"	"		57100 - 57150.
"	"		57151 - 57200.
"	"		57201 - 57275.
"	"		57276 - 57350.
"	"		57351 - 57400.
"	"		57401 - 57450.
"	"		57451 - 57500.
"	"		57501 - 57575.
"	"		57576 - 57650.
"	"		57651 - 57731.

Miscellaneous.

'F' SECTION

Drawings Nos.	5701	-	5750.
"	"		5751 - 57124.

Miscellaneous Replacements.

'A' SECTION

Drawings Nos. 5701 - 5740.

STANDARD DRAWN SECTIONS - '2'STANDARD EXTRUDED SECTIONS - 'Y''S' DRAWINGS. (Standards).

CONTENTS OF CRATE NO. 5

10<sup>0</sup> SECTION

- Drawings Nos. 5701 - 57100
- 57101 - 57200
- 57201 - 57309
- 57310 - 57422
- 57424 - 57569
- 57570 - 57746
- 57747 - 57948
- 57950 - 571124
- 571125 - 5713242.

4 parcels and Miscellaneous Drawings.



HALIFAX AIRCRAFTContents of Case No. 4.

Parcel No.	Description
1	Drawing Office System
2	Complete Drawing List
4	Appendix 'A' and accompanying amendments 1,2, and 3.
5	Schedules of Parts and Tools
6	Major Assembly 'B' Section
6	Major Assembly 'C' Section
6	Major Assembly 'D' Section, 'F' Section & 'H' Section
7	Photographs of 'B' Section
7	Photographs of 'F', 'H' and 'L' Sections
7	Photographs of 'C' Section (A)
7	Photographs of 'C' Section (B)
8	Jigs and Fixtures 'B' Section (Smalls)
8	Jigs and Fixtures 'B' Section (A)
8	Jigs and Fixtures 'B' Section (B)
8	Jigs and Fixtures 'B' Section (C)
8	Jigs and Fixtures 'C' Section (D)
8	Jigs and Fixtures 'C' Section (C)
8	Jigs and Fixtures 'C', 'D', 'E', 'F', 'H' (Smalls)
8	Jigs and Fixtures 'E' Section
8	Jigs and Fixtures 'H' Section
8	Jigs and Fixtures 'F' Section
8	Jigs and Fixtures H.P. Section (Castings)
9	Complete set of Buying Orders
10	Material Specifications
11	Data Sheets

The aircraft drawings are Handley-Page multi-motored airplanes.

The contents of the above four crates contain only aircraft drawings.

*Keep in custody*

**COPY C**  
COMPLETE LIST OF PRINTS IN  
CRAYS.

BATCH I. (Red Labels.)

CHASSIS PRINTS. (Drawings to make complete range as  
shown on P.L.199.)

Serial  
No:

1	PL. I - 119	schemes.
2	PL. 150 - 221	schemes.
3	PD. I - 199	schemes.
4	PD. 200 - 507	schemes.
5	R. 100 - 1216	details.
6	CD. 300 - 999	schemes.
7	CD. I - end.	schemes.
8	LEC. 5678 to end.	schemes.
9	CD. I - 999	schemes.
10	CD. 291 - 1529	schemes.
11	CD. I - 250	schemes.
12	CD. 550 - 799	schemes.
13	CD. 251 - 550	schemes.
14	N. 5174; 5192; & 5202.	schemes.
15	EB. 3772- 4691	details.
16	CD. 1000- 1300	details.
17	DB. 2000- 2625	details.
18	GB. 3576- 5400	details.
19	GB. 3502- 5383	details.
20	GW. 2102- 2289	details.
21	EB. 3750- 4400	details.
22	GB. 3500- 4486	details.
23	HW. 101 - 1817	details.
24	DB. 2063- 2569	details.
25	GW. 2157- 2277	details.
26	HW. 1911- 2310	details.
27	EB. 3754- 5256	details.
28	R. 105 - 995	details.
29	GB. 3501- 5391	details.
30	GD. 1300- 1338	schemes.
31	HW. 107 - 999	details.
32	HW. 4703- 5852	details.
33	FB. 3913- 5360	details.
34	EB. 3750- 5261	details.
35	DB. 2006- 2621	details.
36	FW. 1763- 2135	details.
37	PD. 404 - 515	schemes.
38	R. 119 - 1219	details.
39	GW. 2104- 2275	details.
40	HW. 1900- 2305	details.



ParcelNo:

41	FW. 1750 - 2150 details.
42	DE. 2004 - 2629 details.
43	GB. 3517 - 5386 details.
44	EB. 3762 - 5258 details.
45	DE. L.O.P's.
46	R. L.O.P's. 135 - 1217
47	FW. L.O.P's.
48	GW. L.O.P's.
49	EW. L.O.P's.
50	GB. L.O.P's. 3500 onwards.
51	DN. L.O.P's.
52	FB. L.O.P's.
53	EB. L.O.P's.
54	PD. schemes. all Size I's.
55	PL. L.O.P's.
56	FB. details. 5081 - 5357. Sizes IV and V.
57	FB. details. 4449 - 5080.
58	FB. details. 4010 - 5399.
59	FB. details. 3600 - 3997.
60	FB. details. 2904 - 3600.
61	FB. details. 2901 - 4910.
62	FB. details. 2900 - 5358.
63	EW. details. 1901 - 2306.
64	GW. details. 2100 - 2288.
65	DE. details. 2007 - 2591.
66	GB. details. 5016 - 5317.
67	Schemes. See attached list.
68	Details. See attached list. Miscellaneous.

TOTAL 68

Keep in safe custody? release

to Rolls Royce representative

AERO.Parcel

<u>No.</u>	<u>BATCH 2. (Buff Labels.)</u>	<u>DETAIL DRAWINGS TO PRODUCE:</u> <u>VULTURE, PEREGRINE &amp; EXE</u> <u>ENGINE. EXPERIMENTAL DRGS</u> <u>INCORPORATING VARIATIONS ON</u> <u>THESE 3 ENGINES AND ALSO</u> <u>MERLINS AND GRIFFONS. NO</u> <u>TOOL DRAWINGS.</u>
69	DES. 8514 - 8971.	
70	3001 - 3137.	
71	6165 - 7119.	
72	3000 - 4889.	
73	3901 - 4198.	
74	8110 - 8513.	
75	3004 - 6882.	
76	5155 - 5993.	
77	5891 - 8979.	
78	8181 - 8903. (unfinished schemes for Exe engine.)	
79	4890 - 5883.	
80	6909 - 8965.	
81	7168 - 8089.	
82	6011 - 6162.	
83	3138 - 3896.	
84	7115 - 7168.	
85	3011 - 8972.	
86	5000 - 5154.	
87	4199 - 4988.	
<u>TOTAL - 19.</u>		

2 Keep in custody

BATCH 2. Continued.

88	DC. schemes. Exe Engine.	4 - 298.
89	" " " "	305 - 554. (tag marked 305 - 503)

TOTAL - 2Miscellaneous L.O.P's.

90	LOP. E35666 - 49995
91	LOP. A50182 - 58138
92	LOP. A 483 - 5056
93	LOP. D.5267 - 11435

TOTAL - 4.Miscellaneous Details.

94	A.5112 - 397
95	A50072 - 55205
96	A50164 - 54457
97	A. 426 - 5113
98	A. 448 - 3522
99	A55010 - 56082
100	A56089 - 57291
101	A50033 - 5856

Keep in custody.



Parcel

Miscellaneous Details (Continued.)

<u>No:</u>	
I02	A57300 - 58603
I03	A55210 - 58109
I04	A. 87 - 58653
I05	A. 3525 - 4983
I06	A. 86 - 58654
I07	DI3058 - 11430
I08	D. 6175 - 11729
I09	DII730 - 12998
I10	D. 2283 - 11509
I11	D. 2072 - 11518
I12	D. 2037 - 11510
I13	D. 1128 - 11433
I14	E. 1100 - 101040
I15	(E30430 - 49997 )
	(E. 6259 - <del>86487</del> )
I16	(E29970 - 57122 )
	(26809E - 49980 )

TOTAL - 23.

BATCH 3. (Buff Labels.)

DETAIL DRAWINGS TO PRODUCE  
GRIFFONS. NO TOOL DRAWINGS.  
(SINCE THIS ENGINE IS STILL  
IN THE DEVELOPMENT STAGE, NO  
RELIABLE L.O.P'S ARE AVAILABLE.)

Parcel

<u>No:</u>	
I17	Griffon II.
I18	GN. I - 2960
I19	GN. 58 - 2981
I20	GN. sizes 1, 3, 4 and GN LOP's.

*Keep in Custody*

TOTAL - 4.

BATCH 4. (Buff Labels.)

SCHEMES & DETAILS IN CONNECTION  
WITH SLEEVE VALVE 2-STROKE UNITS.  
(SINCE NO COMPLETE MULTI-CYLINDER  
HAS BEEN MANUFACTURED, THESE ARE  
INCOMPLETE.)

Overleaf.

*Keep in custody*

BATCH 4. Continued. (Buff Labels.)

Parcel No:

- I21 M.drawings. (M.4 - 1678)  
(M.schemes 12 - 350)  
(N.LOP's 151 - 1562)
- I22 M.42 - 1680
- I23 M.5 - 1664
- I24 M.319 - 1616
- I25 M.schemes I - 352
- P.I.Schemes.
- I26 Petrol schemes I - 395
- Unfinished P.I. Schemes.
- I27 Not numbered.

TOTAL - 7.

BATCH 5. (Buff Labels.)

RS. SCHEMES.

- I28 (168 - 3586)  
(RS. LOP's 547 - 3508)

*Keep in custody.*

TOTAL - 1

BATCH 6. (Buff Labels.)

APD's.

SCHEME DRAWINGS FOR VARIOUS  
NEW TYPES OF ENGINE WHICH HAVE  
BEEN UNDER CONSIDERATION. NO  
DETAIL DRAW EGS.

- I29 401 - 500
- I30 301 - 400
- I31 501 - 561.

*Keep in custody*

BATCH 7. (Marve Labels.)

FUTURISTIC SCHEMES FOR I.C.T.  
WORK. ADVANCED RESEARCH.

- I32 I - 18

*Keep in custody*

TOTAL - 1

Continued Overleaf.



BATCH 8. (Buff Labels.)

DETAILS AND TOOL DRAWINGS  
NECESSARY TO PRODUCE MERLINS  
III's, X's and XX's.

Parcel  
Nos

Merlins III, X and XX.

- 133. Tool drawings for Merlin III, X and XX.
- 134. Tool drawings for Merlin III, X and XX.
- 135. Tool drawings for Merlin III, X and XX.
  
- 136. Parcels marked H; HB; HA; and DD.
- 137. " "
- 138. " "
- 139. " "
- 140. " "
- 141. " "
- 142. " "
- 143. " "
- 144. " "
- 145. " "

TOTAL - 13.

Merlin III, X and XX. production.

- 146. Merlin III.
  - 147. Merlin III and X.
  - 148. Merlin XX.
  - 149. Merlin X. 4160 - 4300
  - 150. Merlin X. 4000 - 4130
- TOTAL - 5.

Forgings and Castings.

- 151. I parcel.

Turnings.

- 152. I parcel

L.O.P's.

- 153 to 156. 4 parcels.

- 157. Remainder of details necessary to make this engine.

*Release,  
with bills  
present*

Note: The chassis prints in Batch I, parcels 1 to 68 inclusive are automotive documents.

June 15, 1940

On the phone from the Farm the Secretary spoke to Mr. Knudsen and then HM, Jr dictated the following:

What Knudsen wanted by Monday morning was a commitment from the Allies on how many Rolls Royce engines they want. He has a commitment for the Army for 3,000 and wants to try to get a commitment from the Allies for 6,000. I will give that order to Phil Young.



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE June 15, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

## STRICTLY CONFIDENTIAL

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

	<u>No. of Shares Sold</u>	<u>\$ Proceeds of Shares Sold</u>	<u>Nominal Value of Bonds Sold</u>	<u>\$ Proceeds of Bonds Sold</u>
June 3	Nil	Nil	29,000	33,529
4	Nil	Nil	75,000	80,753
5	Nil	Nil	Nil	Nil
6	Nil	Nil	Nil	Nil
7	1,300	4,683	Nil	Nil
8	Nil	Nil	Nil	Nil
<b>TOTAL FOR WEEK</b>	<b>1,300</b>	<b>4,683</b>	<b>104,000</b>	<b>114,282</b>
Sales from Feb. 22 to June 1, incl.	<u>1,312,630</u>	<u>45,946,097</u>	<u>1,407,500</u>	<u>1,173,286</u>
<b>TOTAL FEB. 22 TO JUNE 8, incl.</b>	<b>1,313,930</b>	<b>45,950,780</b>	<b>1,511,500</b>	<b>1,287,568</b>

The transaction of June 3 consisted of a redemption in New York of bonds possessed by the British authorities as a result of their vesting operation.

Mr. Gifford informed Mr. Pinsent that non-vested sales for the week ended June 1 amounted to \$500,000. It is my understanding that the securities which Mr. Gifford disposes of in New York ordinarily arrive via Canada, a shipment coming about every three weeks.

HSM

PLAIN

London

Dated June 15, 1940

Rec'd 7:06 a. m.

Secretary of State,  
Washington.

1670, Fifteenth.

FOR TREASURY FROM BUTTERWORTH.

1. The British Treasury has now obtained and passed on to me the final text of the Anglo-Belgian financial agreement which as reported in my No. 1575 of June 10th had undergone last minute minor changes in Paris before signature. These changes are as follows:

Article 1. "176-1/2" is changed to "176.625".

Article 3. Penultimate paragraph; "Belgian territory" is changed to "Belgium, the Belgian Congo and in territories under Belgian mandate". Last paragraph "4" is inserted before "5".

Article 4. The following paragraph is added at the end of this article: "Similar arrangements will apply as regards the investment of amounts in sterling held by the National Bank of Belgium in excess of the equivalent at the official rate of one milliard Belgian francs. There will be delivered to the National Bank of Belgium British Treasury

bills

hsm -2- No. 1670, June 15, from London

bills expresses in Belgian francs."

Article 6, Second paragraph; for "Belgian or Congo francs in Belgium or the Belgian Congo" the following is substituted: "Belgium or the Belgian Congo or in territories under Belgian mandate".

2. At the same time the British Treasury confirmed that the agreement with the Dutch which is along exactly similar lines was signed last night and stated that the text will be given me for transmission to you on Monday.

3. The British Treasury announced today that United Kingdom holdings of Canadian Government 4 per cent stock, 1940-60 are to be taken over at the price of £100 12 shillings and 6 pence per £100 stock. Returns are to be made by June 29th and payment for the acquired stock made on July 1st. The Canadian Government has exercised its option to redeem the whole of the outstanding stock amounting to £19,300,000 at par on October 1st.

4. The FINANCIAL NEWS today follows up its article quoted in my No. 1639 of June 13th with an editorial pointing out that the Allies will derive the fullest possible benefits from the quickening pace of rearmament expenditure in the United States, and stating "the United States Administration has shown clearly that Britain and France need no longer be deterred by consideration of available gold and exchange resources. They may buy every scrap of available



hsm -3- No. 1670, June 15, from London

available material, safe in the knowledge that a President and an administration which has taken every risk in assisting the Allies will not now be satisfied to abandon the European "frontier" merely because of inability to pay."

The editorial goes on to point out that there is a potential United States annual output of 80 million tons of steel available now, a present auto and truck capacity of 5 million units a year, an abundance of oil, cotton, chemical products, agricultural machinery and useful supplies of copper and other products.

KENNEDY

CSB

60 JUN 15 11 11 AM '45

AC

PLAIN

London

Dated June 15, 1940

Rec'd 8:10 a.m.

Secretary of State

Washington

RUSH

1671, fifteenth.

FOR THE SECRETARY OF THE TREASURY

In Dutterworth's telegram 1525, June 6 regarding the new British exchange control regulations he gave you the statement made to him by the British Treasury that they intended to set up a mechanism to deal with contracts made prior to the coming into force of the new regulations. It now transpires from their notice to exporters (No. 2) that only contracts made prior to June 8 and for which the purchaser of the goods has also prior to that date purchased the currency which is to be paid to the United Kingdom exporter are to be allowed to be satisfied in free market sterling. This situation was brought to the attention of the British Treasury in connection with their previous statement and the British Treasury reiterated that they had come to the conclusion that the test should be whether exchange had been covered prior to June 8 but

- 2 - #1671, June 15 from London

but they added that "our arrangements provide that any doubtful cases should be referred to the Bank of England who will no doubt give special consideration to any exceptional case."

Besides this general situation we have received particular complaints from American importers of the products affected by regulation 5B of the Defense Finance regulations which came into effect on March 25 (see telegram 594, March 9, 12 noon and statutory rules and orders 1940 No. 291 transmitted with despatch No. 4864 of March 14, 1940.) American importers of these products were by the notice to exporters (No. 1) dated March 8, 1940 assured in paragraph 6 that where exports are to be made on or after 25 March 1940 importers may obtain relief from the obligation to pay in dollars or official sterling. Furthermore, paragraph 7 set forth the procedure to be followed in effecting payments in this manner even after the passage of a six months' period. Accordingly, I called to the attention of the Chancellor of the Exchequer the justification of the complaints received pointing out that the British Treasury had voluntarily and unambiguously given an undertaking to American importers of these products with bona fide pre-March 9 contracts



- 3 - #1871, June 15 from London

contracts that they might continue to satisfy these contracts in free market sterling.

The British Treasury has now admitted the validity of these considerations at the same time pointing out its desire for technical reasons to get on with its program of restricting the free market and of getting payment at the higher official rate and has agreed to postpone the deadline in the case of these products to August 1. Before confirming that this is satisfactory with us I am sending this on to you. Does it meet with your approval?

It seems to me that it can be argued that American importers of other than 5B products should have covered their exchange on pre-June 8th contracts before that date if they wished to avoid taking a risk not only on the exchange rate but also on a possible change in the regulations such as was instituted in the case of 5B products in March, even though they were in fact indulging, by so doing, in another risk, namely that the British exporter in spite of the war could supply the goods and that the goods would safely cross the seas. Otherwise they would be left with the exchange on their hands. But it cannot be so argued in the case of 5B products whose only risks were the latter ones if they accepted the British Treasury at its word.

KENNEDY

(COPY:VN:88)  
(COMP:JSC)

File No. 857.00/326

TELEGRAM RECEIVED

From Stockholm  
Dated June 15, 1940  
Rec'd 6:06 a.m. June 16.

Secretary of State  
Washington

626, Fifteenth.  
FOLLOWING FROM OSLO  
399, Thirteenth.  
FROM KLATH

Economic and financial developments from April 9 to present when entire country occupied have been characterized by much uncertainty and rapidly changing conditions although considerable progress has been made toward order and stability particularly areas south of Trondheim, comprising over 90% population nearly all important cities, most agricultural districts, industry and commercial activity.

Basic factors determining Norwegian position are (1) complete cessation all overseas with five sixths merchant fleet (2) blocking Norwegian funds United States and some other countries (3) serious disruption economic life during period active military operations and on account of occupation (4) damage communications and destruction other property during hostilities and (5) numerous complications under contradictory decrees and orders as between Norwegian Government, German occupation authorities and local Norwegian administration. Additional problems involve presence estimated 150,000 German troops, rationing to conserve food and other supplies, unemployment and basic difficulties private and Government finances.

Paralysis of foreign commerce especially overseas trade resulted in almost complete stoppage export industries and forced dependence upon previously accumulated stores foreign foodstuffs, raw materials and manufactured goods. Shortened working hours and some reduction wage scales have occurred. Fortunately grain stocks and other essential foods exceptionally large and with rationing sufficient cover normal consumption one year or longer if as promised recent speech of commissioner not transported out of country and if requisitioning for feeding German troops does not reach too large proportions.



- 2 -

Normally Norway must import 75% of grain requirements. Serious situation developing account small stocks feedstuffs primarily oil cakes and maize with resultant reduction dairy production and meat supplies coming months use. Cellulose pulp and herring meal for feed being promoted. Not believed possible obtain sufficient feedstuffs eastern European sources. Edible fat stocks sufficient for present. Expert opinion being that necessary supplies available from fisheries. Energetic efforts made increase domestic production grain, potatoes and vegetables. Crop planting not interfered with by hostilities account late spring. Food prices have increased slightly. Real shortage most essential foods not anticipated within year with exceptions mentioned.

Gasoline stocks record levels prior April and under strict rationing now practised despite large consumption German motorized equipment may last another four five months. Bergen bombings by British reported have destroyed nearly 30,000 tons mineral oils. Railways have years coal but supplies industry dependent upon imports Germany while house heating will employ wood and peat oil. Fuel for ships being retained Germans probably for military reasons. Progress being made equipping essential motor vehicles, charcoal gas generators.

Most foreign industrial raw material stocks sufficient several months in some cases over year and will be supplemented larger domestic output and presumably German imports lowered demand many manufactured goods possibilities exchanging products Scandinavia Baltic countries and Russia being explored. Under prevailing conditions Germany has first call all local industrial and raw materials. Availability entire output electro metallurgical plants great military importance.

All imports and exports subject license system administered Foreign Trade Bureau Ministry Supplies and foreign exchange from exports must be delivered Norges Bank which also must grant permission settlement debts abroad growing out of imports. Norges Bank has final authority for directing all economic and financial matters.

Lack communication with large Norwegian merchant fleet although causing much hardship not of immediate importance under blockade conditions. Large freight balances accumulating abroad important asset to extent not used by Norwegian Government now London which seized all vessels outside Norway. Also freights and funds and controls gold reserves whaling fleet in same category. Estimated merchant gross tonnage in Norway 542,000 about one third oil burning that cannot be used. Germans have requisitioned many vessels while others in traffic Germany primarily coal transportation and some Baltic.

Blocking of Norwegian funds in United States causes many difficulties. Banks are unable send American drafts and checks for collection and are very reluctant exchange such paper for local currency also such remittances would be blocked upon arrival.



- 3 -

Wood pulp and paper producers seriously affected although large German purchases reported possibly for resale also lumber purchases. Unemployment being relieved by reconstruction activities cutting wood fuel and hiring by Germans at prevailing wage scales for increasing airports and other activities. Voluntary working corps being organized by administrative council for reconstruction work.

Communications south of Trondheim have been generally reestablished and coastwise steamers gradually resuming schedules despite serious mine risks along coast. Many railway and road bridges destroyed mostly by Norwegian troops during fighting being quickly rebuilt with full cooperation German military. Postal telegraph and telephone service almost normal although subject censorship which also applies communications foreign countries. Local food shortages in isolated districts have been overcome upon resumption transportation facilities. Total public damage mainly to communication facilities estimated hardly more than seventy million kroner while value destroyed private property in towns and on farms from bombings and fire difficult gauge although reported total war damage has exceeded Finland's. Most occurred districts where Allied troops operated. Damage to industrial plants unimportant. Material losses population six or more destroyed towns west coast have been great, involves much distress despite favorable season and considerable needs exist monetary and other assistance. Reconstruction difficult account poor communications.

General reduction house rents conforms with decline income but tax collections have been larger than anticipated.

Financial developments somewhat obscure and impossible predict future course. Strict limitation withdrawals from individual bank deposits continues and informed opinion is that trend has been deflationary accompanied stationary price level under existing control measures although possibilities later inflation exist. Several municipalities including Bergen have issued paper money small denominations meet urgent need exchange medium. These already have been largely redeemed.

Official discount rate reduced from 4.5 to 3 percent effective May 11 with corresponding reduction interest rates and forced reduction mortgage interest accompanied considerable loosening commercial bank credits. Oslo stock exchange closed upon occupation, reopened May 22 and regulated. Opening quotations were off average for bonds 10 and industrial 20 and shipping shares 25% as compared beginning April and turnover remains small. Foreign exchange quotations resumed May 28 with Norwegian kroner 177 kroner 100 German marks and the nominal relationship dollars unchanged. Principal turnover marks and lire.

Reliable sources estimate total Reichskreditkassenscheine put into circulation about 100 million kroner purchases with scheine now discontinued and those circulating being rapidly redeemed Norges Bank. Under new arrangement Norges Bank supplies kroner to German authorities. Scheine issue is not permitted to enter Norwegian German clearing agreement. Currency circulation according informed source increased 25 to 30% over figures beginning April.

German authorities have carefully respected American property interests. Many firms depending upon American products are liquidating.

Informed opinion that administrative council has been unusually successful meeting long series economic and political problems and acting through established Government departments and many special expert committees have been invaluable instrument for maintaining public confidence initiating and putting into operation measures required under existing circumstances. It has public support and continuation of this form of administration would be much preferable any presently possible political cabinet.

STERLING

COPY

~~SECRET~~

MR

PLAIN 14380

STOCKHOLM

48

Dated June 15, 1940

Rec'd 6:43 am 16th

Secretary of State,  
Washington.

631, Fifteenth.

Railway passenger and freight rates to be increased 10% effective July 1st next applies also to freight rates on export shipments from inland points. Commercial Bank loans and discounts contracted during May to 4885, deposits to 4138, cash on hand to 191, net foreign. Exchange reserved to 99 all millions. Coupons of Norwegian state 3 point 5 per cent Swedish loan due June 15th in Stockholm paid Finanstidnings wholesale index for May rose to new high 178. State coal board authorized to lower domestic selling price of coal and coke by 20 crowns per metric ton to February-March level.

STERLING

EMS



THE WHITE HOUSE  
WASHINGTON

June 15, 1940

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The for the  
need a  
copy.

My dear Mr. Secretary:

I am anxious to get in specific form from the several departments that are concerned with our economic relations with Latin America, the combined judgment of the Secretaries of the Departments of State, Treasury, Agriculture and Commerce relative to the action which this government should take. I am enclosing a copy of one of the many memoranda I have received relating to this subject.

Inasmuch as the matter is of great urgency I request that you report to me not later than Thursday, June 20.

I have asked the Secretary of State to take the initiative in calling this group together.

Very sincerely yours,



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

AMERICAN ECONOMIC POLICY

Regardless of whether the outcome of the war is a German or Allied victory, the United States must protect its international position through the use of economic measures that are competitively effective against totalitarian techniques.

If the United States is to maintain its security and its political and economic hemisphere position it must take economic measures at once to secure economic prosperity in Central and South America, and to establish this prosperity in the frame of hemisphere economic cooperation and dependence.

The scope and magnitude of the measures taken must be such as to be decisive with respect to the objective desired. Half measures would be worse than wanted; they would subject the United States to ridicule and contempt.

If it is the decision that such a program is necessary, the first step would be for our government to so resolve. The next step would be to acquaint the governments of all of the countries involved with this objective and endeavor to obtain their whole-hearted cooperation. We would have a great deal to consider regarding what changes we would be willing to institute with reference to our own domestic activities where some of them might of necessity have to be eliminated or altered in order to assist the plan as a whole. The principle of compensation to interests adversely affected in such readjustments should be applied.

The broad outlines of program are as follows:

I. Surplus commodities. Emergency measures should be taken to absorb surplus agricultural and mineral products affecting the prosperity of the countries of the hemisphere. These surpluses should be pooled and disposed of by single management. Concurrently, steps should be taken to reorganize production on a long-term basis.

II. Tariffs should be reduced and eliminated. Industrial and agricultural interests unfavorably affected should be compensated. The freest possible flow of trade should be established. Facilities for shipping, communication and insurance should be increased and costs be reduced to a minimum. Subsidies should be used when needed to gain essential objectives.

III. Investment in the hemisphere outside the United States is indispensable to develop sources of raw materials needed in the United States and to aid in maintaining balance of trade relationships. Action along these lines should be taken by private interests and by the federal government separately and in cooperation.

IV. The problem of external debts should be faced realistically and these debts should not stand in the way of constructive financial and trade assistance. Study should be given to the refunding of these debts, possibly converting them in part into obligations payable in domestic currency. The objective would be to obtain substantial sums available for local investment where expenditures would be largely for local labor and local materials, to reduce the transfer problem, to provide additional products for export and to eliminate the bad atmosphere that will exist as long as the defaulted debts remain outstanding. It would be possible for private interests to work out a program along these lines without government financial assistance other than that included under III above.



V. Government services. The personnel in the government service operating in the hemisphere is inadequate for the task. For example, in Central and South America there are only some 230 consular agents. This number should be substantially increased. Also the quality here and elsewhere in the service is inadequate for the job that now needs to be done. A comprehensive personnel program is urgently called for. Business personnel also needs strengthening to meet the necessities of the situation. Much can be done through the education of existing personnel to a new outlook. But in addition there must be improvement of quality and increase of numbers for the proper development of the program.

VI. Administration. The activities outlined above require organization in terms of common policy, program and timing. It is necessary that private interests be brought cooperatively into the program and it is also necessary that the activities of the various parts of the federal government be actively and harmoniously prosecuted. The suggestion is therefore made that the necessary integration and activation might be accomplished by the appointment by the President of a small advisory committee of private individuals with direct access to the President and a small inter-departmental committee. The broad program should be worked out jointly by the advisory committee and the inter-departmental committee.

The committees should be served by a proper executive. In view of the importance of the work to be done, it is suggested that this executive be appointed to one of the vacancies among the president's administrative assistants. This would not only reduce feelings of departmental rivalry, but would give the advisory committee direct access to the President when needed.

The foregoing memorandum does not deal with cultural, scientific or educational hemisphere relations. A vigorous program along these lines should be pursued concurrently with the economic program. The main lines of a cultural program are fairly obvious, but here again it is a question of personnel and the use, in a non-traditional way, of government funds where private agencies are unable or unwilling to act, or in matters where the activity of private agencies is less appropriate.

TREASURY DEPARTMENT

54

INTER-OFFICE COMMUNICATION

DATE June 15, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

The foreign exchange market was idle today. Sterling opened at 3.65, six cents lower than yesterday's final rate. It moved steadily upward, reaching a high of 3.68 at the close.

Sales of spot sterling by the six reporting banks and the Federal Reserve Bank of New York totaled £238,000, from the following sources:

By commercial concerns.....	£ 25,000
By foreign banks (Europe and South America).....	£193,000
By Federal Reserve Bank of New York (for B. I. S.).....	£ 20,000
Total.....	£238,000

Purchases of spot sterling amounted to £74,000, as indicated below:

By commercial concerns.....	£ 44,000
By foreign banks (Far-East, Europe and South America).....	£ 30,000
Total.....	£ 74,000

The Guaranty Trust Company reported that it had sold cotton bills totaling £9,000 to the British Control on the basis of the official rate of 4.02-1/2.

There were no reported purchases of sterling from the British Control at the official rate of 4.03-1/2.

French francs opened with a nominal rate of .0218, but even this type of quotation was discontinued later in the morning. One leading New York bank reported that it would be willing to supply francs at .0230, which is in the neighborhood of the official level for that currency.

The other currencies experienced little movement and closed as follows:

Swiss franc	.2242
Canadian dollar	18-3/4% discount
Lira	.0505
Reichsmark	.4000
Cuban peso	10-1/16% discount
Mexican peso	.1923 bid, .2000 offered.

CONFIDENTIAL



- 2 -

We purchased the following amounts of gold from the earmarked accounts of the banks indicated:

\$56,000,000	from the Bank of England
20,000,000	from the Bank of France
<u>50,000</u>	from the National Bank of Belgium
\$76,050,000	Total

The Federal Reserve Bank of New York reported that the following gold shipments were being consigned to it:

\$50,000,000	from Canada, shipped by the Bank of Canada, to be earmarked for account of the Bank of England.
20,563,000	from England, shipped by the Bank of England, to be earmarked for its account.
3,121,000	from England, shipped by the Bank of England for account of the National Bank of the Kingdom of Yugoslavia, disposition unknown.
384,000	from Mexico, shipped by the Bank of Mexico for its account, for sale to the U. S. Assay Office.
14,000	from England, shipped by the Bank of England for account of the Central Reserve Bank of El Salvador, disposition unknown.
<u>\$74,082,000</u>	Total

The State Department forwarded to us a cable stating that the following gold shipments would be made from England, all of which are for sale to the U. S. Assay Office at New York:

\$3,764,000	shipped by Morgan Grenfell, London, to J. P. Morgan, New York.
781,000	shipped by Lloyds and National Provincial Foreign Bank, London, to the Bank of London and South America, New York.
98,000	shipped by the Swiss Bank Corporation, London, to its New York agency.
28,000	shipped by the National City Bank, London, to its head office at New York.
<u>\$4,671,000</u>	Total

The Bombay gold price declined the equivalent of 66¢ to \$35.65.

Spot silver in Bombay was priced at the equivalent of 44.56¢, off 1/16¢.

**CONFIDENTIAL**

PARAPHRASE OF TELEGRAM RECEIVED

BORDEAUX

Dated June 16, 1940

Secretary of State,  
Washington.

6, June 16.

STRICTLY CONFIDENTIAL

With regard to Bullitt's earlier telegrams concerning the Hispana Suiza motors, I am now informed that the two complete engines with superchargers were sent by Mat Ford on June 14 on the S.S. Ile de Re addressed to the Ford Company and due in New York about the twenty-ninth of June. The engines are accompanied by two Mat Ford representatives. Please have the War and Treasury Departments notified.

BIDDLE

TO THE SECRETARY OF STATE  
RECEIVED AT WASHINGTON  
JUN 16 1940

JUN 16 11 41 AM '40

RECEIVED  
JUN 16 1940

\* Paraphrase also to H. I. D.

S:JFB:DMZ

ANGLO-FRENCH PURCHASING BOARD

*Young's  
com.*

57

NEW YORK:  
15 BROAD STREET

WASHINGTON:  
725 15th ST., N. W.

This letter from

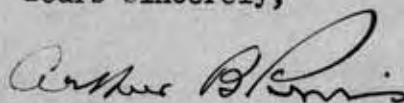
June 16, 1940

Dear Mr. Secretary,

I attach a list of the most pressing needs for war equipment.

Circumstances make the position very urgent, as you know. I will come to Washington at any time you call.

Yours sincerely,



Arthur B. Purvis  
Chairman

Henry Morgenthau Jr., Esq.,  
Secretary of The Treasury,  
Washington, D.C.



MEMORANDUM

The following represent the most vital needs of the Allied Governments at this time. The list has been made up in the order of importance as advised by cable today; except that items 1 and 2 are of equal importance:

1. Aeroplanes from existing stocks.

(i) Pursuit planes

As many as possible

(ii) Bombers (including dive bombers)

Boeing "Flying Fortress"  
four engine

Douglas Dive Bombers

Chance-Vought Dive Bombers

(iii) P.B.Y. flying boats ex Naval Service

100 are urgently required. They are of extreme importance for anti-invasion purposes.

2. Destroyers from existing stocks

48 are desired, 16 having good anti-aircraft armament, and 32 of the flush deck type.

Spare torpedoes; reserve equipment and ammunition, especially for anti-aircraft guns, are needed.

Maximum possible readiness for service and types with the maximum steaming endurance are the chief needs.

-2-

3. Aeroplane priorities from early future deliveries against U.S. Army and Navy orders.

Bombers

Glenn Martin B 26  
Douglas A 20

Pursuit

Lockheed P 38  
Bell P 39  
Curtiss P 40

4. Rifles and small arms ammunition ex stocks and/or ex priorities.
5. Additional bombs for the 93 Northrup bombers already released and for the 80 Northrups it has been indicated will be released.

Note: Normally a plane makes 150 sorties in its active life of 30 days. The bombs so far supplied with the 93 Northrups permit of only one and one half sorties.

6. Ammunition for guns on the Northrup bombers.

400,000 rounds are needed.

7. Any type of mosquito boat complete with engines ex stocks. For defence against invasion.
8. Douglas planes for troop transport use.

We would appreciate it greatly if re-consideration could be given to the possibilities of meeting these needs.



DEPARTMENT OF STATE  
WASHINGTON

In reply refer to  
Co 811.248/176

CONFIDENTIAL

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses, for his information, a paraphrase of a telegram from Ambassador Biddle, who is now at Bordeaux, regarding two Hispano Suiza motors which are being shipped to the Ford Company.

Enclosure:  
Paraphrase of telegram  
of June 16, 1940.

TO THE SECRETARY OF STATE  
DEPARTMENT OF STATE  
WASHINGTON, D. C.

60 700 ST W 3 40

RECEIVED

Handwritten initials, possibly 'J. H.' or similar, written in the bottom right corner of the page.



PARAPHRASE OF TELEGRAM RECEIVED

From: Bureau

To: Secretary of State

Date: June 16, 1940, 10 a.m.

No. 6

Strictly Confidential

Mat Ford has shipped two Hispano Sainz motors, complete with super chargers, addressed to the Ford Company, on the S.S. Ile de Reg on June 14. Arrival in New York about June 29 is expected. Accompanying the engines are two Mat Ford representatives. It is requested that the War and Treasury Departments be notified.

TO THE SECRETARY  
TECHNICAL ASSISTANT  
OFFICE OF THE

ON 9 MA 15 1940

TREASURY DEPARTMENT  
RECEIVED

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Bordeaux, France

DATE: June 16, 1940, 5 p.m.

NO.: 7

FOR THE TREASURY DEPARTMENT FROM MATTHEWS.

The Governor of the Bank of France, Fournier, and Rueff are here at Bordeaux; I understand that Couve de Murville and a small staff of the Ministry of Finance will stay on at Saumur to the end.

I was assured by Rueff that "practically all" the French gold which remained has been shipped out and is on the way to America now. Listing and preparing securities for future disposal is now busily occupying the Bank of France at Chatel Guyon and other banking institutions in the interior. In this regard I of course urged all possible speed. I stressed the importance from the point of view of the United States of preventing the ultimate utilization of such securities for purposes which the present lawful owners would not freely desire.

Mr. and Mrs. Rueff had lunch with me. They were, of course in a state of utmost despondency, and were shocked almost numb by the entirely unforeseen speed of military and political events. This state of mind is typical of the small but increasing number who are aware that there are to come events and decisions and military disaster of great magnitude.

BIDDLE.

EA:LWW

June 17, 1940

Major Smith came in to see me this morning. He reported that the 500 guns were going to France and he questioned the advisability of sending these to France now. He said that if they sent them to England they would only be able to give them enough ammunition to last a couple of days. I told him it was important enough to put it up to the President.



On Monday morning, June 17, 1940, at the request of Secretary Korgenthau, there was a meeting in the office of Secretary Hull attended by Messrs. Hull, Kellias, Berle, Grady, Fels, Dunn and Parslosky for the State Department and Messrs. Korgenthau, Ball, Dawson, Foley, Cochran, White, Stewart, Viner and Bernstein for the Treasury. Secretary Korgenthau indicated that the Treasury had been considering the extension of freezing control in a number of different situations such as (1) Europe and Asia; (2) Europe; (3) Europe, except Great Britain; and (4) France. Secretary Korgenthau then pointed out some of the factors to be considered in applying freezing control in any of the foregoing situations and asked Secretary Hull for his views as to what action should be taken.

Secretary Hull called on his staff for their views.

Parslosky stated that the control should be applied to France and possibly Switzerland.

Berle stated that the Order should be applied generally and that funds should be released on the basis of whether the release of such funds contribute to our national defense. Berle also stated that there might be a government in France dominated by Germany and that France would want their own funds and, therefore, if we blocked France it must be on a different basis than our past actions.

Fels said that the Order should be applied to France and that the Administration should obtain legislation to control the use of funds by foreign countries for propaganda purposes.

Grady stated that the freezing control should be applied to all of Europe and that we should issue a general license for Great Britain.

Dunn stated that we should apply the freezing control to all of Europe and that a general license should be issued for Great Britain. He stated that our purpose should be to protect our own interests and, in view of the free exchange situation, which he stated existed in England, we should grant England a general license. In reply to a question asked by Fels as to the political consequences of applying freezing control generally, Dunn stated that he did not think there would be adverse political consequences if we took such action.

Secretary Hull stated that Hitler and Mussolini might suddenly take stock of what this country has been doing and ask us whether we mean by such action to be waging war against them. He gave, as an example, the strong representations made to him by the Italian Ambassador during the Ethiopian War against action which this Government took.

Secretary Korgenthau suggested that he would try to make an appointment with the President to be attended by Secretary Hull as well as Secretary Korgenthau, in order to reach a final decision on the matter. Secretary Hull agreed to this.

Mr. Kellias was called out of the meeting shortly after it began.

June 17, 1940

HM, Jr went to see Mr. Hull at 10 a. m. this morning on freezing the assets of France and possibly all of Europe.

After returning from Mr. Hull's office, the Secretary asked the President for an appointment for himself, Hull, Berle and Bell to come over and see him on this matter. He told the President that they had met this morning and were now ready to talk to him. The President gave them a 12 o'clock appointment.

66  
**STRICTLY CONFIDENTIAL**

ALLISON ENGINEERING COMPANY

Deliveries of Airplane Engines

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: Actual : Estimated deliveries  
: deliveries : on existing orders

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1940

January.....	10	
May 1 - 23.....	10	
May 24 - June 1.....	5	
June 2 - 8.....	4	
June 9 - 15.....	8	✓
June 16 - 30.....		60
July.....		115
August.....		160
September.....		310
October.....		351
November.....		331
December.....		332

1941

January.....		362
February.....		416
March.....		416
April.....		414
May.....		408
June.....		437
July.....		320
August.....		294
September.....		431
October.....		45
November.....		45
December.....		45

1942

January.....		25
February.....		21

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

June 17, 1940.



CONFIDENTIAL

June 17, 1940

To: The Secretary

From: Mr. Young

GLENN MARTIN

Under date of June 9, 1940, the French contracted for 150 Model 167-F bombers. No capital commitment was involved and the total amount of the contract was not given. Delivery is to start October, 1941, and be completed February, 1942.

CONSOLIDATED AIRCRAFT

The French exercised option (a) June 14, 1940, under contract No. AF7, for 50 (plus 10 spares) LB 30 4-engine bombers. Total value of this option was \$12,300,000 and no capital commitment involved. Delivery is to start May, 1941, and be completed November, 1941.

Under date of June 14, 1940, the French exercised option (b) of the same contract for 50 (plus 10 spares) LB 30 4-engine bombers. Total amount of this option was \$12,000,000 with no capital commitment. Delivery is to start September, 1941, and continue through December, 1941.

*F.Y.*

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE June 17, 1940.

TO Secretary Morgenthau  
FROM E. H. Foley, Jr. and Philip Young

Subject: Shipment to Canada of Planes Purchased by British and French

On Friday afternoon, June 14, 1940, after you returned from the Cabinet meeting and told of the discussion in regard to the plight of the traded-in Navy bombers which were bogged down at the Houlton, Maine airfield, we had a meeting in Mr. Foley's office.

Mr. Young was reluctant to have any additional planes flown to Houlton as they would doubtless become mired also. He pointed out that there were more than 50 planes now at Mitchell Field and the Anglo-French Purchasing Board was asking if something couldn't be done so that they might be flown direct to Halifax. Mr. Foley pointed out that in his opinion the State Department ruling requiring planes purchased by the Allies to be pushed across the Canadian border was incorrect.

Mr. Foley telephoned Mr. A. A. Berle to tell him his views on the subject and called to Berle's attention a memorandum discussing the problem from the standpoint of International Law and the Neutrality Act which had been prepared on October 27, 1939 by the Treasury lawyers and concluding that planes purchased by the Allies could be flown to Canada by American pilots. Mr. Berle asked Mr. Foley to send him a copy of the memorandum and stated that he would call right back on the matter. Mr. Foley sent the memorandum over to Mr. Berle.

Mr. Berle telephoned later and said that if the contract between the Allied governments and the aircraft companies provided that title to the planes passed in the air as they crossed the Canadian border that would be satisfactory to the State Department and it would not be necessary for the balance of the planes to be flown to Houlton and be pushed across the border.

Mr. Foley then suggested to the British that the pending contract between the British Government and Douglas for the traded-in Army planes have such a provision inserted. This was also done and arrangements were completed late last Friday evening to fly the planes non-stop from Mitchell Field to Halifax.

*E.H.Fh.  
P.Y.*

June 17, 1949.

Dear Mr. Compton

I beg to acknowledge receipt of  
your letter of June 15th.

Frankly, I am puzzled why you  
sent me this list of proposed contracts.  
In what way can I be helpful?

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable Lewis Compton,  
Assistant Secretary of the Navy,  
Washington, D. C.



THE ASSISTANT SECRETARY OF THE NAVY  
WASHINGTON

15 June 1940

rec'd  
6/14  
12:15 pm

70

MEMORANDUM FOR MR. MORGENTHAU.

There is transmitted, herewith, for your advance information, pending the enactment of legislation authorizing negotiation of contracts, the following summary of preliminary negotiations, which have been conducted by the Navy Department, with private interests, for the construction of naval vessels. The summary also indicates the proposed allocations of vessels to U. S. Navy Yards for constructions:-

**AIRCRAFT CARRIERS, 26,500 tons:** Plans to be developed by Newport News Shipbuilding and Dry Dock Company.

3 tentatively negotiated with Newport News Co. at \$48,100,000 each  
1 proposed to be allocated to Norfolk Navy Yard

**SUBMARINES:** Plans to be developed by Electric Boat Company

13 tentatively negotiated with Electric Boat Company (exclusive of propulsion machinery) at 2,857,000 each  
5 proposed to be allocated to Portsmouth Navy Yard  
4 proposed to be allocated to Mare Island Navy Yard

**HEAVY CRUISERS, 13,000 tons, 8" guns:** Plans to be developed by Bethlehem Steel Company

4 tentatively negotiated with Bethlehem Steel Company at 23,900,000 each

**LIGHT CRUISERS, 10,000 tons, 6" guns:** Plans to be developed by New York Shipbuilding Corporation

3 tentatively negotiated with New York Ship at 19,071,700 each  
4 tentatively negotiated with Bethlehem Steel Company at 18,795,000 each  
2 tentatively negotiated with Newport News S.B. & D.D. Company at 19,700,000 each

- 2 -

15 June 1940

## DESTROYERS:

(DD437 class, 1700 tons)

2 tentatively negotiated with Federal Shipbuilding and  
Dry Dock Company at \$ 5,277,000 each

(DD421 class, 1700 tons)

2 tentatively negotiated with Bethlehem Steel  
Company (Union Iron Works Plant) at 6,048,000 each

(2100-ton, new design) Plans to be developed by Federal  
Shipbuilding & Dry Dock Company.

6 tentatively negotiated with Bath Iron Works at 6,800,000 each

6 tentatively negotiated with Federal Ship at 7,318,500 each

2 tentatively negotiated with Bethlehem Steel  
Company (Staten Island Plant) at 7,520,000 each

5 proposed to be allocated to Boston Navy Yard

3 proposed to be allocated to Charleston Navy Yard

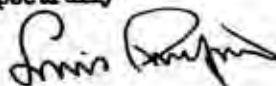
2 proposed to be allocated to Puget Sound Navy Yard

(Advanced design, 1 with 1200 pounds steam, 1 with Diesel  
engines) Plans to be developed by Federal Shipbuilding  
and Dry Dock Company.

2 tentatively negotiated with Federal Ship at 8,500,000 each

The object in providing you with this advance information, is to save all the  
time possible, upon the enactment of the pending enabling legislation. Identical  
memoranda are being addressed to the President and Mr. Knudsen.

Respectfully



100-112 12 18 5 31

71-A

PERSONAL AND SECRET

BRITISH EMBASSY,  
WASHINGTON, D.C.

June 15th, 1940

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,

*L. Hurin*

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington.



Telegram despatched from London  
on afternoon of June 14th, 1940

SECRET

French line now believed to run approximately Montmedy-just west of Verdun-Vitry La Francois-just south of Chalons-Spernay-Montairail-La Porte Gaucher-La Porte Sous Riarre-Rouvres-Senlis, thence along Oise to Fontaine, thence along the Seine to south east of Vernon, thence Dreux-Dampierre Sur Avre-Verneuil-Elbeuf-River Seine to the sea. Heavy enemy pressure in last thirty-six hours caused French to withdraw some 25 miles south east between Montmedy and Chalons. Germans have four armoured and one motorized division in this area and will probably now attack south east towards Verdun and rear of Maginot Line. Between Spernay and La Senlis Sous Riarre, French have been forced back from Marne some fifteen miles to Montairail, and enemy attack expected to be directed south west towards Paris. No change in area between La Porte and Montes. Situation of German bridge-head between Vernon Elbeuf is very obscure, though bridge-head appears to have been considerably enlarged. There are indications of further German attack across upper Rhein.

2. One brigade of British 52nd Division is in Evreux area and one brigade at Le Mans.

Beuzan/

Beauman division still holding reduced line on River Hille east of Bernay, with three armoured brigades in reserve.

3. Last night Wellingtons, Hampdens and Whitleys attacked river crossings and general lines of communication in rear of the Front. One aircraft missing. Blenheims took off to attack enemy in Vernon-Elbeuf bridge-head early today. Woods south of Chateau Thierry successfully attacked and set on fire by Blenheims yesterday evening. Four Blenheims missing. No reports received of combat by our fighters over northern France yesterday.

4. German aircraft identified yesterday over Shetlands and Scapa and last night over the Channel between Start Point and Lizard Bay.

5. 37 survivors from H.M.S. "Glorious" and H.M. Destroyer "Acasta" landed from merchant vessel. Norwegian tanker torpedoed in Eastern Mediterranean on June 12th and British tanker mined and subsequently beached in home waters yesterday. Two attacks by aircraft on enemy submarines in home waters yesterday. One thought to be successful.

6. Yesterday Blenheims attacked Assab aerodrome with success. Italian aircraft made four attacks on Aden without causing serious damage. Gladiators shot down one and severely damaged another. One Gladiator missing. Basala bombed on June 12th: caused nine civilian casualties. Suakin bombed on June 13th, but only slight damage caused.

7. Three enemy raids over Malta yesterday caused little damage. Military casualties 2 killed, 2 wounded, 2 civilians wounded.

8. On June 12th Italian aircraft twice bombed British Moyale on northern frontier of Kenya. No casualties or damage caused. On June 13th Wajir aerodrome attacked. Sixteen military casualties caused and aviation petrol stores destroyed.



71-E

BRITISH EMBASSY,  
WASHINGTON, D. C.

June 16th, 1940

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,

*W. L. Sullivan*

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.

SECRET

Telegram despatched from London  
in the evening of June 14th, 1940

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Germans claim to have entered Paris today.

2. Germans have bridge-head at Chalons Sur Marne but do not seem to have crossed Marne between Epernay and Vernon, German progress was slowed though they advanced maximum distance of five miles beyond Marne by late evening. Position in German bridge-head on Vernon-Elbeuf is confused but enemy appear to be pressing southward. Indications that next attack across Seine may come in Mantee-Vernon sector or direction south-eastwards towards Chartres. Believed that up to the end of May enemy casualties were between 400,000 and 500,000 and that further 200,000 may have occurred since then approximately.

3. Blenheims attacked enemy columns and aerodromes in rear of battle-line today, reports not yet received. Attacks by our heavy bombers on enemy communications last night reported generally successful and most of aircraft reached and effectively bombed their objectives. Attacks by Blenheims early today hampered by clouds and smoke.

4. In addition to German air operations in support of land forces attacks were made on shipping and other objectives as far west as

Havre/

Regraded Unclassified

Have. Mine-laying units also operating in Channel. Reported that some German long range bombers are carrying on practices in Baltic in conjunction with HFEs. Enemy bomber reconnaissance aircraft very active principally over Northern France. In addition to usual daily meteorological flight up to Shetlands similar flight was carried out on June 15th [sic] as far west as Lands End. Estimated between 800 and 900 enemy fighters have been operating in occupied areas of Northern France and Southern Belgium. No decrease in transport activity between Western Germany and occupied areas.

5. Up to eleven hours on June 13th no units of Italian main naval forces encountered in Mediterranean. On June 12th "Gloucester" and "Liverpool" encountered enemy small craft probably mine-sweepers off Tobruk. These were engaged and thought to have been hit. Shore batteries opened fire but our ships were not hit. Both our ships cut mines with paravanes. Air Force cooperated with bombing attacks. South African aircraft have bombed Italian Moyale on northern frontier of Kenya Colony and scored hits on enemy transports, no aircraft missing.

6. Enemy submarine sunk by naval action in Western approaches today.



71-H

BRITISH EMBASSY,  
WASHINGTON, D. C.

June 17th, 1940

SECRET


Dear Mr. Secretary,

I enclose herein for your  
personal and secret information copies  
of the latest reports 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 despatched from London  
on the evening of June 15th.

Following is latest information regarding French lines, but it is thought probable there are gaps in it. Longueven-Verdun-Vitry is Francoise-Chalons-Spernay-Montmirail. Situation in Paris area not yet known. West of Paris line runs approximately Nantes-Breux-Couches, thence along River Rille to the sea. Position obscure in Verdun-Chalons area, where yesterday reports indicated French preparing position facing west and east of Chaumont-sur-Aire and Void (west of Toul). Germans appear to have made considerable progress east and southwest of St. Dixier and towards Troyes. Beauman Division and brigade of British 52nd Division are in the line on River Rille. Armoured brigade is in reserve in rear. Group of four reconstituted French Divisions reported in line on River Dives from Argentan to the sea.

Number of troops evacuated from St. Valery now reported to be 2230.

Following details of loss of "Glorious", "Acasta" and "Ardent" now available. On June 5th, two enemy ships, thought to be one 8 in. and one 6 in. cruisers, were sighted about 200 miles west of Vest Fjord. At 16.00 hours, the enemy opened fire at 20,000 yards and hit "Glorious" with third salvo, thereby preventing aircraft being flown off.

"Glorious"/

"Glorious" was out-ganged and sunk at 17.30 hours. "Ardent" was sunk while attacking enemy. "Acasta" laid smoke screen and attacked enemy with torpedoes after "Glorious" had been sunk. One torpedo believed to have hit. During this attack "Acasta" was sunk.

Mine sweeping trawler "Myrtle" mined and sunk in home waters on June 14th. It is feared there are no survivors. On June 14th, one ship of about 6000 tons, which was straggler from convey was torpedoed 70 miles south south-west of Cape Clear, Ireland. One small Dutch ship of 300 tons was mined and sunk off Poole on June 13th. Two Norwegian ships sunk by German aircraft while on passage from Norway to Faroe Islands, with large number of passengers on board. No further details available.

Last night Whitleys attacked enemy communication centres and river crossings at Soissons-Font de l'Arche-Les Andelys-Vernon-Leon-Chateau Thierry. Whitleys and Hampdens also attacked marshalling yards or railway centres at Essen, Cologne, Duren with very satisfactory results. Similar attacks also carried out with success in Hirson area. Wellingtons and Whitleys also attacked military objectives in Black Forest and on Rhine. Reports not yet received. One Whitley and one Wellington missing. Enemy columns were successfully attacked yesterday afternoon by Blenheims in Avreux-Louviers area, although observation was hampered by clouds./



cloud. Two aircraft missing. Blenheims which recently attacked Merville aerodrome observed approximately 30 twin-engined aircraft and some Messerschmitt 109s. These targets were attacked and bombs were seen to explode amongst enemy aircraft. Seventy-five enemy aircraft of similar types were observed at Aire and 13 at St. Omer. One of our aircraft missing. Yesterday 240 fighter sorties were flown overseas and on home defence. No enemy aircraft shot down. One of our fighters missing.

Little enemy air activity over British Isles during last 24 hours but during yesterday flights were recorded off Sumburgh Head and Seepa Flow and after dark off Orkneys, Aberdeen and Harwich.

Malta was raided again yesterday morning resulting in some damage to civilian property but no casualties.

Yesterday Italian aircraft raided Berbera (British Somaliland) but contrary to press reports no damage was done and there were no casualties.

Telegram despatched from London on the evening of June 16th.

1. Situation east of Paris obscure, and nothing to add to information contained in my immediately preceding telegram. Little enemy pressure reported on allied forces west of Paris. Germans have advanced west of Seine to line Dreux-Elbeuf, and there are indications of likelihood of further advance towards the coast of Brittany.

2. No bombing operations carried out in France during period under review. Attack by Blenheims reported in my immediately preceding telegram abandoned owing to lack of cloud cover, and adverse weather. Conditions prevented bombing operations last night. Fighter patrols operated in northern France yesterday, but no combats reported.

3. Enemy aircraft reported yesterday afternoon and last night on both sides of the English Channel as far west as Cherbourg and Weymouth, but no enemy aircraft sighted by our fighter patrols sent to investigate.

4. NORWAY. Air reconnaissance over Trondjheim yesterday afternoon reported one cruiser beached and Scharnhorst, three destroyers and two merchant vessels in the harbour.

5. Two Italian aircraft bombed Malta on

June/

June 14th and made two further attacks on June 15th. Few casualties and negligible material damage caused, in the last attack Italian bombers intercepted by Gladiators and after dropping bombs in the sea turned back before reaching Malta. Very few Italian aircraft reported over Mediterranean.

6. EGYPT. Italian Aircraft attack already reported on Sollum damaged a barracks and stores of Egyptian Frontier Force and caused casualties consisting of two officers and 20 other ranks. Prisoners taken in Fort Capusa was total 8 officers and 200 other ranks.

7. Two aircraft bombed buildings and hangars of Aden Aerodrome yesterday. Blunheim bombed Direidawn aerodrome causing number of fires.

8. Successful attack made by South African air force on Bardera (Juba River) yesterday. Two aircraft missing.

9. Australian destroyer sank Italian submarine in Eastern Mediterranean on June 15th. On June 14th Australian destroyer, in company with other destroyers, made further attack in same area and thought to have damaged second enemy submarine. Enemy submarine sunk by Royal Air Force in home waters on June 15th.

10. Two British steamers and one Norwegian steamer torpedoed in home waters. British armed merchant cruiser torpedoed in northern waters last night.



Telegram despatched from London on the  
evening of June 16th, 1940.

Germans claim yesterday capture of Verdun and piercing of Maginot line South of Saarbrucken. These reports unconfirmed, but German thrust on axis Chalons-sur-Marne to Chatillon-sur-Seine constitutes threat to French frontier defences in Rhine-Voages-Barre sector. German armoured and motorized formations appear to be fanning out from area Bar-le-Duc-Saint Dizier-Vitry le Francois towards Vesoul, Langres and Avalon. South of Paris the enemy infantry appear to be on the line Nançay-Chevreuse. South of lower Seine enemy have reached Conches. Little pressure in this area, but indications of South-Westerly thrust towards Montagne in near future.

2. No reports of Royal Air Force activities received.

3. German air operations yesterday chiefly in support of ground forces and to deny-ing crossings on Loire to French forces. Aircraft also active against harbours and shipping and carrying out operational training in Baltic. Mine-laying, probably in Channel also took place. Definite information that Germans have withdrawn number JU.52 type aircraft from advanced training schools for employment in transport work to and

from occupied areas, and it is noted that training has decreased during past week. Employment of these advanced school aircraft in this work may, however, be adopted by Germans as form of general training.

4. Australian troop convey arrived safely in United Kingdom to-day.

SECRET

Telegram despatched from London  
on the morning of June 16th, 1940

Force consisting of Beauman force of 157th infantry brigade and one composite armoured regiment is being placed under command of General Marshall-Cornwall who will establish his headquarters with General Altmeyer commanding French X Army. Situation in area of St. Mihiel-Joinville-Bar sur Seine-Sens-Montmirail-Chalons sur Marne is not clear but estimated that there may be at least four armoured, two motorized and eight infantry divisions which are making considerable progress exploring east, south and south-west. Advance elements of forces from Epernay and Montmirail have reached Seine at Romilly and believed that A.F.Vs. are pushing up River towards Troyes. In lower Seine area Germans have advanced to line Evreux and Elbeuf.

3. This evening Blenheims were despatched to attack enemy concentrations in area of lower Seine, no reports yet received. Only two of Whitleys which attacked military objectives on Rhine last night were able to locate targets. Success of Wellingtons' attacks on objectives in Black Forest reduced by heavy rain.

4. Number of German aircraft carrying out operations yesterday appears to have been small.

Several/

Regraded Unclassified



-2-

Several Geschwader are probably refitting. Large number of transport aircraft possibly 100 made flights to Brussels on June 14th.

5. Yesterday combined British military and air operations took place on Libyan border resulting in capture of Fort Capasso (west of Solun). Four officers and one other ranks captured. Fort Maddalena (50 miles south south west of Solun) also captured but no details available.

6. Yesterday Italian aircraft bombed Solun also frontier posts of Shegga and Dobhka causing three Egyptian casualties.

7. It is believed that seven enemy aircraft were destroyed on ground during air raid on Assab June 14th.

8. An Italian raid on Franco-Italian frontier south west of Aosta was repulsed with losses.

9. Fleet air arm which attacked docks at Bergen believed to have obtained six hits and to have destroyed ammunition dump and several warehouses.

June 17, 1940.  
8:30 a.m.

## GROUP MEETING

Present: Mr. Graves  
Mr. Stewart  
Mr. Bell  
Mr. White  
Mr. Young  
Mr. Nelson  
Mr. Thompson  
Mr. Foley  
Mr. Cochran  
Mr. Haas  
Mr. Gaston  
Mr. Schwarz  
Mrs. Klotz  
Mr. Sullivan

H.M.Jr: Well, I guess we all know the news, that France quit last night, and I think as far as the Treasury is concerned there is nothing for me to do definitely today any more than Friday, because we are ready for any emergency but unfortunately we have a refunding to do in December. We may have to raise a little money. Five hundred million, is that all?

Bell: Maybe not that much.

H.M.Jr: We are in beautiful shape so far as I am concerned. There is nothing to go scattering around today, "What shall we do about the Treasury," because it has all been done. I don't know why - this is very peculiar - I got a letter dated June 14 from Lowell Mellett telling me to cooperate with Justice on the various press releases that the President has gotten out. Make a note of this, Mrs. Klotz, will you? I am giving it to Gaston. I wish you (Gaston) would call up Lowell, why from Lowell Mellett, why at this time, and if we are not cooperating, whose fault is it, on law enforcement. You know Lowell. You went to school with him, didn't you? It is most peculiar. And when

- 2 -

I get in last night at the airport, a secret service man hands me this document. "The minute you arrive, you must have this document." For two years - they first started - the story is this. Two years ago they started with the now ambassador to Cuba as the great coordinator of all police agencies. Right?

Gaston: Yes.

H.M.Jr: That was two years ago, wasn't it?

Gaston: I don't know when it was.

H.M.Jr: Well anyway - now wait a minute. Before that, it was - Jimmie Dunn first. First came Jimmie Dunn, right Harold?

Graves: Yes sir.

H.M.Jr: Then came Messersmith. Each one made a complete flop of it, took no interest in it, and then who followed Messersmith?

Cochran: Berle has it.

H.M.Jr: Berle has it now. I am just refreshing your memory. Berle has it now? That shows how much - I thought Francis Biddle had it.

Gaston: I think the State Department must have given up on it. I don't know if anybody has it now.

H.M.Jr: But there is Jimmie Dunn, Messersmith, Berle and I thought Francis Biddle had it. Then the other - I mean, my hair is - the little hair I have got is full of coordinators. I have to brush them out all the time. The latest one is Colonel Maxwell who is coming here at eleven. He has been assigned, I gather - I don't know who Colonel Maxwell is - as chief coordinator of all raw materials. Have you heard that one?

Nelson: No, sir, I haven't.



- 3 -

H.M.Jr: See if I've got it straight. You (Nelson) might find out, will you, who is Colonel Maxwell? Will you be here?

Nelson: Yes, sir.

H.M.Jr: I mean to say, I have got all these coordinators buzzing around me, but that is --

Young: I talked to him over at the War Department.

H.M.Jr: Who is he?

Young: He is a second-rate colonel in the line over there who operates on the ordinance end, primarily.

H.M.Jr: Did you say second line?

Ball: Second grade.

Young: I said second rate. His office is down in the back corridor. Ordinance materiel is what he handles under General Moore and General Weason.

H.M.Jr: We have got new initials. It is W.O.W. I will let him explain it to you.

Klotz: That sounds terrible, wow!

H.M.Jr: Wow, that is right. It is W.O.W. now. Incidentally, Chick, thanks to Phil Young, I gather - going mad Friday with these Navy planes bogging down at this port, not being able to be shoved across the line. We got hold of Ed Foley and Oscar Cox and in a half an hour they decided they could pass in the air so the planes are being flown through. As cooperation of the Treasury with the Allied Purchasing Commission, I want that story given out and I don't care whose corns are stepped on. Is that about the correct version of it?

Foley: Yes.

- 4 -

- H.M.Jr: You can tell State Department you are going to give it out, but that is part of the program. The President said, "Keep a record." All right, Friday night by forcing the State Department, we, in our capacity as on the receiving end for the Allied Purchasing Commission, got them that ruling through Friday night and now the titles pass in the air, is that correct?
- Foley: Yes, according to a clause in the contract. I called Berle Friday afternoon and I told him that we had looked up the law last October and we didn't think that either the international law or the neutrality law required these things to be shoved across the line and that it was in the discretion of the Secretary of State to give permission to fly an airplane of a foreign power across our territory and that it was also within his power to permit an American citizen to ride in a vessel of a foreign power, so we talked a little bit and he asked me where the planes were and whether title had passed and I told him it hadn't passed yet but it would in an hour or so, as soon as the contract was signed.
- H.M.Jr: What contract was that?
- Foley: That was the contract with the Douglass people for the planes at Mitchell Field.
- H.M.Jr: That had nothing to do with the fifty.
- Foley: No, fifty-two of them were bogged down up at Houlton and I told him we didn't want to send any more of them up there and have them get stuck in the mud and so far as the residus of the ships were concerned, I didn't see why they couldn't fly them directly into Halifax without coming down at all and we agreed to put a clause in the contract so the title would pass in the air. He said to let them go and not ask any more questions.
- H.M.Jr: Give me a joint Foley-Young memorandum on that so I can send it over to the President, will you, and also I want the details on

- 5 -

the ninety-three ships so I can tell him that.

- Young: Mrs. Klotz has a memorandum on the nine thirty ships.
- H.M.Jr: As of Friday?
- Young: Yes.
- H.M.Jr: Is it finished?
- Young: As far as the War Department is concerned, the contract between Douglass and the Purchasing Board wasn't signed until Saturday, which is after that memorandum was written.
- H.M.Jr: Well, bring me - give me an all-inclusive memorandum, will you?
- Young: Yes.
- H.M.Jr: Please, this morning. That is nice work, but I would force it out, see, and don't douse the Treasury's lights.
- Schwartz: It was an artifice anyway to set them down.
- H.M.Jr: The fifty planes had bogged down up there and everybody knows it and Hopkins was talking about at the Cabinet, something about getting a W. P. A. project to cut the trees down. Well, this is the way I would do it.
- Foley: Berle said it would probably be a good thing anyway, because these planes would never reach their destination and he thought France was going to quit over the weekend. I told him we had the same problem if we transferred title to the British, we had to get them up there.
- H.M.Jr: Look, Bell, there is no reason why you shouldn't call up Mr. White of the Banking Commission - Bank Commission of New York and tell him that we would be glad to see him today and give Jugoslavia a chance to have a branch bank in New York State.



Bell: You would like to see Mr. White, did you say?

H.M.Jr: No, call Mr. White on the telephone. Yugoslavia wants to have a branch bank in New York State so they don't have to go through the Deutscher Bank and if you call up White, the Banking Commissioner of New York State, and say - tell him to. If he won't do it, I will call up Governor Lehman. Tell him to do it. If he won't do it, I will call up Governor Lehman.

Bell: All right.

H.M.Jr: I didn't have to put anybody on the street. They have already been put on the street.

Stewart: That is fine.

H.M.Jr: Harold?

Graves: Nothing.

H.M.Jr: Look, Nelson, you and Harold, Young has been checking with the Harvard Business School and they say this Professor Lewis is the outstanding man in the United States for a reorganization job on purchasing. Now, the head of the Harvard Business School is in town today. Wouldn't you like to talk to him?

Nelson: Yes, sir.

H.M.Jr: There is nobody as capable as this person and knows as much about it, so if you and Graves might talk about it --

Nelson: Certainly, sir, we will.

H.M.Jr: You are not overstaffed on that end, are you?

Nelson: No, sir, we are not.

H.M.Jr: You don't - I mean, have they made any progress last week on the report on central purchasing?

Nelson: Yes, sir, they have made considerable progress. We will probably have a meeting today before the big committee. The subcommittee is ready to report over the weekend.

H.M.Jr: I see. Well, irrespective - -

Nelson: Irrespective of that, I would like to have him in on it. You see, Dr. Yntema over there is going to help write it. I would like to have Lewis look at it before we do it.

H.M.Jr: Well, I don't know. He has no training along these lines and Lewis, from what I heard about him - this Harvard Business School seems to be definitely specializing in that - even though I don't know - I would try to get this fellow Lewis down.

Nelson: We will do it, sir.

H.M.Jr: How are we coming over now in our own procurement, our own regular work?

Nelson: I think very good, sir. The one thing that was charged as our responsibility was these strategic materials and that is moving as rapidly as it can.

H.M.Jr: Well, maybe Colonel Maxwell will tell us how to do it. But you will be here?

Nelson: Yes, sir, I shall be here.

H.M.Jr: Harold, anything?

Graves: I have nothing.

H.M.Jr: Harry?

White: The bill to control the export of strategic commodities will probably pass today or tomorrow. I don't know what action will be called upon for the Treasury to take but there are some - any amount of stuff that has been or is being loaded, so that I am wondering whether we follow that very closely and the minute it is passed, there may be need for action to be taken with the customs authority.

H.M.Jr: As soon as Basil Harris comes in, somebody ought to bring that to his attention. I thought he was going to be here this weekend.

- 8 -

Gaston: I think he went up to New York Saturday afternoon. I don't know when he will be back.

H.M.Jr: He was away for four days last week.

White: Are we to wait to hear from the State Department before doing anything on any of the foreign exchange matters?

H.M.Jr: What can we do?

White: I don't know where the decision was going to be made.

Foley: We can get out an order.

White: The order is ready.

Foley: Freezing everything except Great Britain. I think we ought to do it, Mr. Secretary.

White: Or at least possibly you ought to reraise the question this morning. My understanding was that if France were --

H.M.Jr: I tell you what let's do. As soon as this meeting is over, let's go into that discussion, shall we?

Foley: Berle mentioned it on Friday when I was talking to him about the airplanes. He thought we ought to put one on France and Switzerland as soon as the news came out that France had stopped fighting but I think we ought to go farther than that and do it for all Europe except Great Britain now.

H.M.Jr: Wasn't the peace of Switzerland invaded?

Cochran: There was one rumor that troops had gone across, but no confirmation.

H.M.Jr: I think we ought to do them all except Great Britain. That is the thing I asked you down for, Walter. Let's talk about it immediately after this.

White: All right.



H.M.Jr: I see that Saturday they got your bill out all right.

Sullivan: You would never recognize it.

H.M.Jr: No? Did it raise a billion dollars?

Sullivan: A little better than that. They took out the tobacco tax and lowered admissions to ten cents and put in a rectifying tax, taxed on the Byrd amendment calling for a ten percent reduction, and put on the Townsend amendment.

H.M.Jr: What did that?

Sullivan: It has to do with silver purchases, of which he did not approve.

H.M.Jr: What else? How about the Bell tax?

Sullivan: The Bell tax is cracked. They cracked that.

H.M.Jr: What else?

White: It is like the Liberty Bell right now.

H.M.Jr: What else?

Sullivan: Cigarette papers. They did a pretty good stunt on the tobacco tax. They took it all off but they provided in the event the House didn't concur, they would impose a floor stocks tax on retailers which the house hadn't done.

H.M.Jr: Anything on mail orders?

Sullivan: Not yet. Are you interested?

H.M.Jr: What about a one cent tax on every catalog?

Sullivan: That would go along with the manufacturing sales tax pretty well, wouldn't it?

Nelson: I thought I was among friends.

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Sullivan: La Follette is introducing an amendment for an excess profits tax and Clark is bringing in the Bone bill.

H.M.Jr: What is the Bone bill?

Sullivan: The Bone bill is to provide for a higher rate of taxes all along the line to go into effect the day war is declared. I think there will be any number of amendments. I anticipate Mr. Harris will accept them all and eliminate them in conference.

H.M.Jr: Is he acting all right?

Sullivan: Beautifully.

H.M.Jr: Did anybody hear his speech last night?

Foley: I heard part of it.

H.M.Jr: Get me a copy of it and put in blue pencil what I ought to read. How did it sound?

Foley: It sounded a little tired. He didn't sound as though he had his heart in it.

Sullivan: Everybody on the committee wanted to prolong these committees and he said, "Since there is no objection, we will report it out." I thought they were going to lynch him.

H.M.Jr: George, when you get word how many engines they made at Indianapolis, let me know, will you?

Haas: Yes.

Nelson: I have nothing this morning.

Schwarz: I have nothing.

H.M.Jr: Phil? Phil, this air Commodore Baker will be here at nine fifteen. Will you be here then?

Young: Yes, sir.

H.M.Jr: Air Commodore Baker.

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Cochran: I have one question I ought to take up some-  
time during the day, perhaps in the early  
afternoon.

H.M.Jr: What is it? Say it now.

Cochran: You said to settle it today.

H.M.Jr: Oh. Well, say three o'clock.

Cochran: That is a little late for New York.

H.M.Jr: All right. One o'clock Washington time?

Cochran: That is your lunch time, isn't it?

H.M.Jr: What have I got to do?

Cochran: One of us has got to telephone New York and  
get Danny in on it, too.

H.M.Jr: Twelve o'clock Washington time.

Cochran: Fine.

H.M.Jr: Sold?

Cochran: Sold.

H.M.Jr: I am glad you said one o'clock is my lunch  
time. I gather no one else eats around  
here.

Bell: We don't have time to.

H.M.Jr: We have got to stay a little cheerful. I  
am not going to go around here with my  
chin on my chest. After all, the Treasury  
is in good shape. It is up to some other  
fellows to do something in this town.

Gaston: There is one rather interesting thing -

H.M.Jr: Excuse me, send for Bernstein, will you  
please?

Foley: Yes.



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Gaston: One other interesting thing about this communication of Lowell Mellett's. It encloses a statement of the President on September 6, 1939. It doesn't enclose any official orders of any kind. That statement of the President was drafted, we know, in the Federal Bureau of Investigation and it says that the Attorney General is requested to instruct the P.B.I. to take charge of investigative work in matters relating to espionage and sabotage and violation of neutrality regulations. We noticed at that time that that was in conflict with official orders of the President which charges the Department of Commerce under Treasury Department with certain specific responsibility with respect to neutrality.

H.M.Jr: Herbert, you handle this.

Gaston: I just wanted to tell you about another feature of that.

H.M.Jr: No, I don't want it. It is your baby.

Gaston: Right. We have no coordinator on this sort of thing now.

H.M.Jr: Well, you know Lowell well enough to tell him that. I would like to write him a good stiff letter for the record. Will you handle it?

Gaston: Yes, sir, I will.

H.M.Jr: I would like to write him a good stiff letter for the record.

Gaston: This is apparently a routine thing going to all departments the same way.

H.M.Jr: Well, it is the bunk.

Now, I need Bell and White and Mr. Stewart and Cochran and these two fellows (Foley and Gaston).

June 17, 1940.  
9:05 a.m.

RE FREEZING ORDER

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

H.M.Jr: Well now, let's argue this way. Why shouldn't we put on all exchange control today except Britain?

Bell: Has France actually given up everything? That wasn't clear this morning.

H.M.Jr: Well, I gathered from the 7 o'clock radio that the new Prime Minister sent word that they had quit during the night. He made a speech to the French people saying that they should lay down their arms and he would ask the Germans for peace. That is what came over one - it was picked up from the short wave, this message of Petain's to the French.

White: That was the 5 o'clock broadcast.

Bell: There was some indication that they were going to turn over their fleet.

H.M.Jr: Well that, in the room here, according to Mr. Hull - I talked to him last night. There have been serious negotiations for the last few days. We are going to do everything possible to get them to turn their fleet over to England.

Foley: Are they going to give the British a chance to get their troops out?

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

White: The Germans claim, according to the broadcast, that they will not accept this peace unless it is unconditional, which means that they will probably demand the Navy and a lot of other things.

H.M.Jr: Here is Bordeaux. Well, let's go on the assumption she has. That is 8:51 (referring to teletype message).

White: This introduces - the whole of Europe introduces that new principle, that you are applying this control to the invaders as well as to the invaded countries. I think there would be no question about the application of France and it becomes essential to do it to Switzerland now because Switzerland not only is completely surrounded and can't get out except that any mail or anything else - except with Germany's approval, but she is so - naturally so overwhelmed with the circumstances, that she would adapt her policy to Germany's wishes when and if they get around it, so I should imagine that France and Switzerland represent no new - but Italy and Germany represent a different character of a case and it would have to be a decision of policy.

H.M.Jr: Well, what are the arguments - what is the difference? Let me put it this way. If we put on exchange control, we will control money that is leaving this country.

White: We do, of those countries that we impose the control on now.

H.M.Jr: Does anybody know, for instance, what is the volume of money orders which has been going to Germany and Italy?

Foley: Do you know, Bernie?

Bernstein: The dollar volume of money going to Italy?

H.M.Jr: And Germany.

Bernstein: No, I don't know.



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- H.M.Jr: Can somebody find out what it would amount to? Let's say from June 1st.
- Bell: You probably couldn't get that close, could you, Harry?
- White: I doubt it, but there is a possibility that they may keep track of the - hitherto we have only kept track - not track, but have estimated the overall remittances, but they are very rough figures. They probably run to both countries and my judgment would be in the neighborhood of somewhere near five million dollars in that period, but that is an estimate.
- Foley: Ben Cohen might know. He is the fellow that has been needling Ickes with this.
- White: We can get whatever information there is.
- Foley: Didn't you say Ickes brought it up at the Cabinet meeting on Friday?
- H.M.Jr: Yes.
- Foley: That is Ben. He has called me a few times about it.
- White: In any case, it would be necessary to stop other things besides remittances, because if you did that they would use other devices, ordinary checks or drafts, etc., but this would give you an idea of how many passed through the Post Office.
- H.M.Jr: Well, following the theory that the President wants us here to do everything we can to encourage the English and French, you see, I should think if we put this thing on and excluded the British Empire, it would be an encouragement at this time, some encouragement anyway to the British.
- White: The British have asked us to do that.
- H.M.Jr: No, they did not.
- White: Yes, they asked us to freeze German balances here.

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- Cochran: To freeze balances, not to block the French accounts.
- White: I am speaking of Germany. They asked us to freeze German balances.
- Cochran: But the act is a pretty big thing considering the sums involved, Mr. Secretary.
- H.M.Jr: Well, ever since I have been Secretary of the Treasury I always say I put my hand over the last six digits, so I don't bother about the size of the transaction. It is the principal, whether it is a billion or a hundred million or a million, I don't care.
- White: The sums are low. They have drawn them down very considerably as far as Germany is concerned, but they have direct investments here which may be substantial.
- H.M.Jr: Well, the other thing which to me is terrifically important is two things; one, if this idea is correct, that we are talking very, very confidentially, that the Germans will form a sort of an overall trading corporation and they will say, "Yes, we need wheat and so forth and so on," and it is the whole question of money and what are we going to do about cotton and wheat and that will leave the people like Wallace who will be bringing pressure on us to do business with Germany and get rid of this cotton. You can just see the thing. But if we are going to do that, we have got to have as part of the trading program these monies, which are here, which belong to other countries. Does that make sense to you all or not?
- Stewart: At the moment I am just trying to absorb some background.
- H.M.Jr: All right. And then the other thing which I think is terribly important, if we don't freeze this thing, we can't stop these millions of dollars which are going to these various consulates for propaganda purposes and there are millions which are going into these various consular offices for propaganda.



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Personally, I would be willing to do it on that basis alone.

Bell: The State Department wanted to try to work that out. They wanted to work out something which would control that end of it. I think that would be very difficult.

H.M.Jr: What happened to that bill?

White: They are working with Justice on it. There is a somewhat larger question raised of what is going to happen to the assets of Switzerland or France, particularly in the general subsequent arrangements. Now, without knowing what is going to happen, it seems to me there is some advantage in freezing them. You can always unfreeze them.

H.M.Jr: Sure.

White: And until it is clear as to what sort of arrangements Germany is going to impose in the way of indemnities or other things, I am wondering whether we may even be helping France, although that may be rather dubious, but in any case I am wondering whether the wise thing to do isn't to hold it and then any arrangements that have to be made, it seems to me that we have something to do with it, some say in it.

H.M.Jr: Well, the way I look at this thing is this: Last week pressure was put on me by the State Department. They wanted me just to take Switzerland and freeze it, you see, and I said no, it was like trying to plug one hole in a sieve, and I wouldn't do it, and I am glad I haven't done it as of today because if we decide today to do it, it would plug the whole thing but just the Swiss thing didn't and the Swiss didn't want it.

White: There are outstanding contracts which the French have, and they must run into very substantial money and the French government contracts, whether you would want to freeze them for that, is another problem. However,



it is true that there are political considerations involved in freezing Italian and German balances now, that raised rather big issues and we certainly oughtn't to take that responsibility, Mr. Secretary.

Bell: That is a question of high policy.

White: High policy, yes, for Italian and German balances to be frozen at this stage of the game. I should think that would be a matter for the Cabinet.

H.M.Jr: Aw, Hell.

Bell: Is there any question --

H.M.Jr: Why not take it up with - what is it, the "Question Hour", is that what they have?

Bell: Is there any question in your mind about Switzerland at this time in view of your conference on Friday with Dr. Somary?

H.M.Jr: I didn't say a word to him, did I?

Cochran: No.

Bell: He seemed to be so emphatic that nothing be done in this connection.

Cochran: The Counselor was in the next day and saw Mr. Bernstein and asked that we shouldn't do it when they are not invaded. If they were invaded, okay, and if they were surrounded, to consult.

H.M.Jr: And incidentally, when we have these meetings from now on, Jerome Frank does not come because every time he goes out and tells the whole story to the press. I am not going to invite him to any more meetings.

Cochran: There is a question as to whether we should consult the French.

H.M.Jr: It is a matter of courtesy.

Cochran: Yes.

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H.M.Jr: Jerome Frank doesn't contribute anything, anyway.

Foley: He is a bright fellow.

H.M.Jr: Yes, but he talks too much.

Bell: He is in favor of freezing Switzerland. There must be something else in the Swiss situation that we don't know because the State Department is so much in favor of freezing Switzerland and insisted that there wouldn't be any difficulty from a political angle. Feis said that Switzerland was all right and he would go along and now we get this strong protest from the Swiss representative. I don't understand.

Cochran: Well, Feis hadn't consulted them and Frank brought it up first.

H.M.Jr: Have you got your orders?

Foley: Yes.

Bell: Ten or eleven different orders, haven't we, Bernie?

Stewart: Would you think of the British at this time? They have got some sort of a working arrangement, of course.

White: Working arrangement for - you mean with respect to sharing the expenses of the war?

Stewart: Making exchange rates between themselves which may be abandoned if France leaves.

White: What relation would that have to this thing?

Stewart: It is on the theory, I thought, that you were doing something which was for the benefit of the British and it may or may not be of benefit to them to freeze at this time.

White: Benefit to whom?

Stewart: The British.

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- White: To freeze the French? What thought do you have in mind that it might not benefit them.
- Stewart: We don't know whether there will be a division of government in France; we don't know who may assert the right to manage these balances; we don't know whether there are joint agreements about covering these expenses which will make French balances available in part to the British.
- White: There may be those things, but even if they are, the process of freezing need not in any way disturb any arrangements that we don't wish to disturb after we learn about them. All you are doing is holding as is and then as you - as new things develop or as it becomes clear that you want to use funds for this purpose or the other purpose, all you do is grant licenses which vary anywhere from a specific license to a general license which may cancel most of the effect of the first one so far as you want to.
- Stewart: I was asking a question, I wasn't making an argument.
- White: No, I am merely examining your question.
- Stewart: My own feeling is that the President ought to examine it. The question I raised is, is it appropriate to ask the British.
- H.M.Jr: I think we ought to ask both of them.
- Stewart: You are still free to act as you please?
- H.M.Jr: If we can get to them. If we can get to them, I think that --
- Stewart: I would a little rather have the record show that you made the effort and that you had to act promptly and put the question and didn't get an answer or you got an answer and acted anyway.
- Cochran: We can get hold of Pinsent any time and he can telephone or get a cable over.



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H.M.Jr: Who is Minister of Finance in England today?

Stewart: It is Wood.

Bell: On this overall freezing, Mr. Secretary, I wonder if it wouldn't be better to freeze all of our - including the British Empire, and then grant general licenses back to the British, like we did the Dutch East Indies. I wonder if it wouldn't have a little better flavor.

Gaston: It would be worthwhile asking the British that. That was my idea, too, Dan.

Stewart: It might fit their program exactly. They might be very happy to have it.

H.M.Jr: I think it is a good argument. It is like the Germans still trying to prove that they didn't start the war in 1914. Who cares? They are still trying to prove it, but evidently some people do care and it is just as well - we have made such a careful record up to now. Then you would favor doing the whole thing and then issuing general licenses? Incidentally, about a month ago - in a month or so somebody is going to ask for a deficiency appropriation to pay for all this.

Bell: We have asked for \$400,000.00.

H.M.Jr: Why not ask for a million dollars? Is that enough?

Bell: We don't know. We asked for \$400,000.00 to last us to next Session.

H.M.Jr: What committee?

Bell: Appropriations.

H.M.Jr: Who is the chairman?

Foley: Taylor is the chairman.

Bell: Ludlow is the sub-chairman, I think.

H.M.Jr: Will you call him up when you leave this room and tell him I want a million dollars? You had better move - if you have any trouble at all, will you let me know? Would that take care of paying the expenses of the Federal of New York, too?

Bell: Oh yes, we have included everything up to that time.

White: This will increase the work easily by ten times, I think, more than ten times.

Foley: That 400 million estimate, Dan, was on the basis of Denmark, Norway, Belgium and Holland.

Bell: No, it was 300 thousand on the basis of Denmark and Norway and at the time the estimate was ready to go, we brought in Holland and Belgium and said, "Just add a hundred thousand. It will take us to January." That is what happened.

Foley: If you are going to add Switzerland and France --

White: Switzerland and France will increase the work more than ten times.

H.M.Jr: Well, ask as much as you want. Do you want five million dollars?

Bell: No, I don't think we know enough about it.

H.M.Jr: A million dollars?

Bell: That is plenty to take us to January. I am wondering if there is any of this money the President is going to get which will be blocked, this hundred million.

H.M.Jr: Dan, would you carry it? If you need any help, let me speak to him about it, will you? Will you carry that?

Bell: Yes.

H.M.Jr: I would like all of you to go over with me who are in the room here, to Mr. Hull's.

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We leave at ten minutes of ten. Walter, if you see Viner, will you tell him? I would like you to go, too.

Stewart: Fine.

H.M.Jr: I think all of us could go.

Foley: There is another suggestion, Mr. Secretary, that we include France, Switzerland, Italy, Albania, Czechoslovakia, Poland, Danzig and Germany, rather than trying to do the whole job.

White: Leaving out the Balkans?

Foley: Yes.

H.M.Jr: My own feeling is that I would do it 100% or do it exclusive of the British Empire.

Bell: Or France alone.

H.M.Jr: No.

Foley: They will want to do France and Switzerland in the State Department, I gather, from the way Berle talked on Friday and Berle has some idea that we ought to get back on a peace basis now until September or something like that and that this was a war measure and we ought to draw in our shell a little bit and get ready.

H.M.Jr: This is what I consider getting ready. I consider this part of national defense. I don't understand what he is talking about.

Foley: I think he considers it kind of an offensive gesture rather than a defensive gesture.

White: It is an announcement to Germany and Italy of some kind or other.

Bell: That is right. It is an unneutral act.

White: It is unneutral.



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- Bell: It is distinctly unneutral, more than what we have done in the past.
- H.M.Jr: Not if we do it for the whole world.
- Bell: Do it for the whole world and then you have got an exchange control that applies to everybody.
- H.M.Jr: I would do it for the whole world, Harry.
- Gaston: That is the clear way do to it.
- White: Then the granting of general licenses would in turn make clear the invidious comparisons.
- Gaston: You wouldn't need the general licenses, Harry. You could add instructions down the line so those things would go through automatically.
- Foley: You could do it in Asia and Europe. That would pick up all of Africa.
- Cochran: But you will find it leaks through South America a lot.
- H.M.Jr: The more I talk - last week I said do it for all of Europe, didn't I.
- Bell: That is what we were prepared to do last week when we went to the State Department.
- H.M.Jr: Now I say the whole world and issue general licenses.
- Foley: Well, you wouldn't want to do it for South America and Central America and this Hemisphere, would you?
- H.M.Jr: Yes, because some of the transactions I have seen going through South America are of highly suspicious nature.
- White: If you issued a general license you wouldn't catch those.
- H.M.Jr: Listen, President Vargas one day makes a speech and somebody raps him over the head and he says,

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"I didn't mean it." Of course he meant what he said.

Gaston: If you make it general, that is a domestic matter. It has the standpoint of protection of our own economy whereas if you select out nations that can be --

White: I think the objective has to be clear. If you do it with - so as to include Italy and Germany in such way that they don't get a general license, it is a definite, specific indication that you are taking an act - not an important one but an act which you couldn't justify on grounds other than that you want to help England and restrict them. Now --

H.M.Jr: Well, what did the President say, what did he mean in his speech in Virginia?

White: That is what he said. It would be in accordance with that. That is what the step would mean.

H.M.Jr: I take it he meant what he said, and as an appointive officer, it is my job to carry out the policy he laid down. He said we would give them all material aid, and then he backed it up - did he change - I didn't see - the message that he sent to Reynaud, was that the identical message in his speech or was it a different one?

Gaston: Differently worded, but it promised all aid we could give short of any military commitments.

Foley: That is right, but the tone wasn't the same.

H.M.Jr: And I want it distinctly understood that I haven't got anything in my mind towards getting ourselves in a war. I am simply moving as a defensive measure.

Cochran: But to prove that it is defending our economy is not the easiest thing in the world, Mr. Secretary.

- H.M.Jr: I don't see why not. Are you going to let these fellows operate on us with their hobnailed boots and bayonets?
- Cochran: Their balances here are not big to start with.
- H.M.Jr: Everybody else has got it. You can't get a dollar in or a dollar out. If Germany hollers, all right, let General Motors take its dividends out from the Opel Works, the General Electric.
- White: But can General Motors get its Opel dividends out?
- Cochran: Not altogether.
- White: They have been getting some out.
- Cochran: The standstill agreement is working. Italy has been paying interest on her loans here and so on and our investments there are many times bigger than their investments here.
- White: Well, this is a small prototype, I think, Mr. Secretary, of the larger issue of - I don't know what you want to call it. It is a question of an appeasement policy but it is the other that is a small prototype of that and if that larger policy is determined, this would fall right in line. If the intent is from now on to try to restore as much as possible the normal relations between Germany, Italy, and United States, I don't think we should do this.
- H.M.Jr: Granted.
- White: If, on the other hand, the intent is to go in the opposite course for the larger political purposes, not for the immediate things, then it would seem this is one of the numerous steps, though a small one, in that direction.
- H.M.Jr: Nobody can settle that but the President.
- White: That is right.



June 17, 1940  
9:30 a.m.

RE ALLIED PURCHASING PROGRAM

Present: Mr. Young  
Air Commodore Baker  
Lieut. Commander Kossler

H.M.Jr: I have taken a very quick look at this list and I thought you might go back into Mr. Young's office and look at the list also. Offhand, it would seem to be perfectly safe to turn over the drawings of the Merlin 20 engine, but there are a lot of other things there which I should think that you would want to have a much better look at before you let anybody see them because there are plans for experimental engines and the advanced engines and the bomber, isn't it?

Kossler: Yes, sir, the Handley-Paige.

H.M.Jr: The Handley-Paige bomber and all of that, so I'm awfully glad I have surrounded this with all the protection possible; but if you could go in and look at the list and then I'll see if I can get Mr. Woodring and ask him if he could send someone over here at 11:15 and then you can have a talk with the man from the Air Corps and besides that you do these other things, you see.

Baker: Yes.

H.M.Jr: You may or may not want them to be shown to the manufacturers with the possibility of manufacturing Handley-Paige. In the cable they kept referring to the Halifax bomber.

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Baker: That is the Handley-Palge.

H.M.Jr: And they call it the Halifax?

Baker: Yes.

H.M.Jr: Do you suppose this is the most recent?

Baker: Yes sir, the one of the bombers that is just coming out of production or about to come out of production now.

H.M.Jr: Is it a two engine or a four engine?

Baker: Speaking offhand, I think it is a two engine. There are three of that class, the Merlin, the Halifax, and the Manchester. That is a four engine, I am pretty certain.

H.M.Jr: Then it is something quite new?

Baker: Yes.

H.M.Jr: Did you see any of these?

Kossler: We didn't examine the plans specifically. We looked into some of the packages to be sure that the plans corresponded to what was on the outside.

Baker: I should say in principle --

H.M.Jr: Excuse me a moment. I should think this is important enough that Arnold and Brett ought to come themselves so you could see them about it and let them have a look at it and have a talk about it.

Baker: Yes.

Young: They have their copy of the list. They must know what is in it.

H.M.Jr: I will ask Mr. Woodring to tell them.

Young: The question to be decided is how much of that to turn out.

H.M.Jr: Yes. It is perfectly safe now - only one of the officers has been allowed access to it.

Baker: Yes.

H.M.Jr: And it is perfectly safe, but if you begin to let manufacturers have a look at this thing, it doesn't take very long before everybody knows it.

Baker: I think we should release to the manufacturers as little as possible. The Merlin 20, of course, and maybe the Griffen.

H.M.Jr: But as of today it is the Merlin 20.

Baker: Yes.

(Telephone conversation with Woodring follows.)



June 17, 1940  
9:27 a.m.

H.M.Jr: Hello.

Operator: Secretary Woodring.

H.M.Jr: Hello.

Secretary Woodring: Yes.

H.M.Jr: Harry?

W: Yes.

H.M.Jr: I have in my office now Air Commodore Baker, of the Allied Purchasing Mission, and he's going over this list which we're just giving him now of these drawings that have come.

W: Yes.

H.M.Jr: I wondered whether you could possibly receive him and Philip Young and maybe have General Arnold and General Brett present at your office.

W: Have them present, what?

H.M.Jr: I mean, if you could have General Arnold and General Brett come to your office and also receive Air Commodore Baker and Philip Young and at that time he could say before these gentlemen just what he'd like us to release and what he'd like the Army to keep secret.

W: Yes, all right.

H.M.Jr: See?

W: Yes. What time do you want them?

H.M.Jr: Well, you set the time.

W: Well, now, I think Arnold and Brett are both out at Dayton.

H.M.Jr: Oh, so?

W: Yes. Let me check on that right here. I know they are because they told me they were both going.

H.M.Jr: Oh.

W: So -- and they won't be back until morning. What do you suggest, that we wait until -- I'd rather they'd hear this.

H.M.Jr: All right. Well, you set the time. I think this is important. What time tomorrow .....

W: Let's put it at 9:30 in the morning at my office and if there's any change, I'll call you in the next hour.

H.M.Jr: Right. And if after he's taken the list so in order to save time, if he says it's all right to release the plans on the Merlin 20, I'll get in touch with you and you can have somebody notify Arnold out there, because I don't want them to say, well, we held them up one day unnecessarily. You see?

W: Yeah. That's right.

H.M.Jr: So I'll get word to you, and while I have you on the wire, I've got this Colonel Maxwell coming to my office at 11:00. Do you know about that?

W: No, I don't know about it.

H.M.Jr: I see. Well, he said he had a new assignment from the President.

W: Colonel Maxwell has?

H.M.Jr: Yes.

W: Oh, yes. I think that's to, well, it's something to do with this Council -- defense. I saw something about it but I forget just what he's to do.

- 3 -

H.M.Jr : Well, anyway, they asked me to see him so I'm seeing him. Well, then, 9:30 at your office .....

W: In the morning. Now, if I find that Brett and Arnold were flying back here and be here this afternoon, would they want to change?

H.M.Jr: Oh, yes, yes.

W: Your people?

H.M.Jr: He'll stay here until he sees them because it's .....

W: All right, so as not to delay it, if I find they'll be back here this afternoon, I'll call you.

H.M.Jr: Yes, if you'd just call my office.

W: All right.



- 4 -

H.M.Jr: I think it is important, don't you? That is the Secretary of War. Arnold and Brett are out at Dayton so I think if after you look it over, Phil, and you find that we can release the Merlin 20, then I think I will get word to Mr. Woodring and we can write him a little note for my signature that Commodore Baker is here from the British Government and says to release the plans for the Merlin 20. Will you please release General Marshall at once. I don't want him to tell me afterward that I held him up today.

Young: Kraus is out there too.

H.M.Jr: All right. So I think if he knows that - well, we can release the Merlin 20, I take it, as of today, these planes, and hold everything else. I mean subject to your --

Baker: Yes.

H.M.Jr: Thank you, I am very glad to have met you.

June 17, 1940

105  
6/16

My dear Mr. Secretary:

Air Commodore G.B.A. Baker of the Anglo-French Purchasing Board has advised me that there is no objection to the release of the details and tool drawings necessary to produce Merlin III's, K's, and XV's. These plans are listed on page 6 and include parcel numbers 133 through 157, inclusive, as noted on the inventory list compiled by Lt. Col. E. R. Page of the Air Corps, and Lt. Comdr. Kessler, United States Coast Guard, at Wright Field, Dayton, Ohio, June 15, 1940.

Air Commodore Baker has requested that all other plans included in this shipment be kept in custody pending instructions for disposal.

Sincerely,

The Honorable,

The Secretary of War.

PT:bj

June 17, 1940

My dear Mr. Secretary:

Air Commodore G.B.A. Baker of the Anglo-French Purchasing Board has advised me that there is no objection to the release of the details and tool drawings necessary to produce Merlin III's, I's, and XI's. These plans are listed on page 8 and include parcel numbers 133 through 157, inclusive, as noted on the inventory list compiled by Lt. Col. E. R. Page of the Air Corps, and Lt. Comdr. Kessler, United States Coast Guard, at Wright Field, Dayton, Ohio, June 15, 1940.

Air Commodore Baker has requested that all other plans included in this shipment be kept in custody pending instructions for disposal.

Sincerely,

The Honorable,

The Secretary of War.

PY:bj

*P.Y.*



miss Hagler 107

285

Signed by Secretary Morgenthau  
and delivered in person by Mr. Young.

MR. YOUNG

June 17, 1940

Dear Mr. Knudsen:

I enclose herewith a letter which I have received from Mr. Arthur B. Purvis, Chairman of the Anglo-French Purchasing Board, together with a letter addressed to you, concerning the intention of the Allies to join in the effort to produce Rolls Royce engines in the United States.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable William S. Knudsen,  
Commission Member,  
The Advisory Commission to the  
Council of National Defense,  
Federal Reserve Building,  
Washington, D. C.

FT:bj

*PL*

*Delivered in person by Mrs. Young.*

June 17, 1940

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(Signed) H. Morgenthau, Jr.

Honorable William S. Knudsen,  
Commission Member,  
The Advisory Commission to the  
Council of National Defense,  
Federal Reserve Building,  
Washington, D. C.

PT:bj



June 17, 1940

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Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable William S. Knudsen,  
Commission Member,  
The Advisory Commission to the  
Council of National Defense,  
Federal Reserve Building,  
Washington, D. C.

FT:bj

ANGLO-FRENCH PURCHASING BOARD

NEW YORK:  
15 BROAD STREET

WASHINGTON:  
725 15th ST., N. W.

This letter from

June 16, 1940

Dear Mr. Secretary,

I enclose a letter to Mr. Knudsen notifying the Allied intantion to join in the complementary effort to produce Rolls Royce engines in the United States. I think you will find this covers the situation satisfactorily but if not, we can cover any further points in a supplementary letter.

Yours sincerely,



Arthur B. Purvis  
Chairman.

Henry Morgenthau Jr., Esq.,  
Secretary of The Treasury,  
Washington, D.C.

# ANGLO-FRENCH PURCHASING BOARD

NEW YORK:  
15 BROAD STREET

WASHINGTON:  
725 15th ST., N. W.

This letter from

June 17, 1942.

Dear Mr. Knudsen:

Following on the discussions which have taken place with Mr. Secretary Morgenthau, yourself and Dr. Mead concerning the proposed scheme for the production by the Ford Motor Company of 9,000 Rolls-Royce Merlin IX engines, I am happy to be able to state that the Allied Governments will be prepared to participate in this scheme to the extent of taking delivery of 6,000 of the total proposed for production.

This notification of the position of the Allied Governments is subject to final confirmation from the French Government as regards their share, totalling 2,700 engines out of the total of 6,000 indicated above. I have every expectation that this confirmation will be received in the immediate future.

Sir Henry Self has had discussions with Dr. Mead, Capt. Kraus and Col. Volandt, and I understand that detailed procedure has been agreed whereby the formulation of the final proposals will be undertaken by the U. S. Administration, and the Anglo-French Purchasing Board will take all necessary action in accordance therewith to ensure that the contract terms and arrangements for attaining the plan into effective operation shall be fully co-ordinated. I understand that the present position is that the U. S. Administration are in negotiation with the Ford Company for formulation of definite proposals, and that the Anglo-French Purchasing Board will be notified as soon as it is desired that they should enter into definite commitments. In the meantime, the legal representatives of the U. S. Army Department and of the Anglo-French Purchasing Board are, I believe, in close consultation as to the form of documents suitable for implementing the scheme.

I trust that this notification of our readiness to co-operate in this venture will meet the immediate needs of the situation.

Yours very truly,

*Arthur B. Brown*  
Chairman.

William S. Knudsen, Esq.,  
The Advisory Commission to the  
Council of National Defense,  
Washington, D. C.





DEPARTMENT OF STATE  
WASHINGTON

June 17, 1940.

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury, and encloses one copy of paraphrase of telegram No. 255 of June 14 from the American Legation, Belgrade.

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Belgrade, Yugoslavia

DATE: June 14, 1940, 5 p.m.

NO.: 255

STRICTLY CONFIDENTIAL.

A reliable American source has given us information that this morning 10 Swiss airplanes arrived at Zemun and a shipment of gold was unloaded; the planes returned to Switzerland to bring another load, it is understood. An attempt is being made by the Legation to find out the gold's ultimate destination (omission) planes.

LANE.

10 LINE ENCL. USA  
LEGATION BELGRADE  
JUNE 14 1940

DWO \*TIN 13 144 + 04

AMERICAN LEGATION  
RECEIVED

EA:LWW

PAP

PLAIN

LONDON

Dated June 17, 1940

Rec'd 3:15 p.m.

Secretary of State

Washington

1700 seventeenth.

FOR TREASURY FROM BUTTERWORTH.

The following is the text of the Anglo-Netherlands financial agreement:

"The Government of the United Kingdom of Great Britain and Northern Ireland and the Royal Netherlands Government, considering that it is in their common interest to establish and maintain an official rate of exchange between the Netherlands Indies guilder and the pound sterling, have agreed as follows.

Article 1. The official rate of exchange between the Netherlands Indies guilder (as defined in article 12 and hereinafter referred to as the guilder) and the pound sterling shall be 7.60 guilders to the pound based on the last officially quoted rate in London for the guilder.

No change in such rate will be made without prior agreement between the two contracting Governments.

Article 2. The contracting Governments will be  
solely



PAP -2- 1700, June 17 from London

solely responsible as regards the quotation of their respective currencies in markets of third countries. But they will always consult together on the policy to be followed in regard to this question and on any intervention which may seem necessary.

Article 3. The Bank of England and the Javasche Bank will sell to one another sterling for guilders and guilders for sterling at the official rate.

Article 4. (1) No limit will be fixed to the amounts of sterling or guilders to be purchased in accordance with the preceding article.

(2) If the Javasche Bank should at any time hold sterling in excess of pounds 5 millions, the excess shall be applied to the purchase of United Kingdom treasury bills, to be denominated in guilders, calculated at the official rate of the day of purchase, and to be issued in amounts of guilders equivalent to pounds 50,000 or multiples thereof.

(3) Similar arrangements shall apply as regards the investment of amounts in guilders held by the Bank of England in excess of 38 million guilders. These amounts shall be applied to the purchase of treasury bills of the Netherlands Indies Government, to be denominated in  
pounds

JR -S- #1700, June 17 from London.

pounds sterling calculated at the official guilder-sterling rate of the day of purchase, and to be issued in amounts of pounds sterling equivalent to 350,000 guilders or multiples thereof.

(4) Both the guilder and the sterling bills shall bear interest at 3% per annum and shall be repayable one year after the conclusion of the war: provided that the issuing Government may, at its option, ask for their renewal for two further periods of one year each.

(5) Should the total amount of the pounds sterling or guilders held by the Javasche Bank or the Bank of England respectively fall below pounds 5 million or 38 million guilders such balance shall be reconstituted as far as possible by the sale of Treasury bills held in the other currency. For this purpose the guilder Treasury bills shall be repurchased for sterling by the Bank of England and the sterling Treasury bills for guilders by the Javasche Bank. Both central banks acting for account of their respective Governments. These operations shall be effected at the official rate of the day of repurchase.

(6) The pounds sterling and the guilders held by the Javasche Bank and the Bank of England respectively up to the limit of pounds 5 million and 38 million guilders shall

JR -4- 1700, June 17 from London.

shall be invested by either central bank in agreement with and through the other central bank.

(7) Should the Treasury bills purchased by the Javasche Bank in accordance with paragraph (2) of this article exceed the equivalent of pounds 5 millions in any one year, the Javasche Bank is authorized to sell the excess of such bills to the Netherlands Government in its capacity as owner of the claims transferred to it under the Royal Decree dated 24th May, 1940, insofar as these claims are denominated in guilders as defined by this agreement, in order to enable that Government to cover its liabilities to the owner. Bills so sold to the Netherlands Government will not be repurchasable under paragraph (5) of this article and the first amount of bills so sold to the equivalent of pounds 5 millions in any one year will be exempted from renewal under paragraph 4 of this article.

Article 5. (1) Neither Government will ask for a gold security nor for any specific security for the currency obtained by the Bank of England or the Javasche Bank as laid down above. Nor will any request be made for the conversion of these currencies into gold.

(2) If the two contracting parties should agree to change the official rate of exchange between the guilder and the pound sterling, the amount of guilders to be paid

by



JR -5- #1700, June 17 from London.

by the Bank of England in respect of the sterling held by the Javasche Bank would be calculated at the rate in force when the sterling was acquired. A similar arrangement would apply to guilders held by the Bank of England.

Article 6. (1) The sterling held by the Javasche Bank may be used to pay for all expenditure in sterling in the sterling area, that is to say, in any part of His Majesty's Dominions (except Canada, Newfoundland and Hong Kong), any territory in respect of which a mandate on behalf of the League of Nations has been accepted by His Majesty and is being exercised by His Majesty's Government in the United Kingdom or in any dominion, any British protectorate or protected state, Egypt, the Anglo-Egyptian Sudan and Iraq.

(2) The guilders held by the Bank of England may be used to pay for all expenditure in guilders in the Netherlands Indies (as defined in article 12).

(3) If either country wishes to make payments to a third country in the currency of the other country, this shall be done only after prior consultation and agreement between the two Governments.

Article 7. The Javasche Bank and the Bank of England will, if necessary, provide against pounds sterling or against guilders, the local currencies needed for all payments in the Netherlands Kingdom or in the sterling area respectively.

Article 8.

JR -6- #1700, June 17 from London.

Article 8. The United Kingdom and Netherlands Treasuries will consider and constantly watch over all questions relating to the equitable distribution of expenditure in dollars or in gold borne by each country, which are made necessary by the conduct of the war.

Article 9. The United Kingdom and Netherlands Treasuries will examine from time to time, and at least once every three months, the amount of and the reasons for movements in gold or foreign exchange, and will propose the measures of all kinds required to maintain the conditions of a lasting monetary equilibrium.

Article 10. (1) The two Governments will consult together before taking steps for the mobilization on the market of a third country of all or part of their holdings of foreign securities.

(2) Neither Government will sell securities payable in the currency of the other country without having obtained the prior agreement of the other Government.

Article 11. The two Governments will consult together with a view to obtaining as favorable arrangements as possible regarding payments for imports from and exports to third countries and as to the best use of their foreign assets.

Article 12. (1) By Netherlands Indies is understood the Netherlands Indian Archipelago in Asia.

(2) By

JR -7- #1700, June 17 from London.

(2) By Netherlands Indies guilder is understood the currency of the Netherlands Indies.

Article 13. The present agreement shall remain in force for the whole duration of the war and for a period of six months after the signature of the treaty of peace.

In witness whereof the undersigned, duly authorized thereto by their respective Governments have signed the present agreement.

Done in duplicate in London the 14th day of June, 1940 in English."

KENNEDY

CSE

RECEIVED  
JUN 17 1940



AC

PLAIN

London

Dated June 17, 1940

Rec'd

Secretary of State

Washington

1701, June 17.

FOR TREASURY FROM BUTTERWORTH.

(1.) The City is not so much stunned as lost - and without any measure of values, individual or national.

(2.) As was to be expected most British securities went to the minimum price levels but such is the efficacy of a closed capital circuit that war loan did not become frozen at minimum prices and it was still possible to deal in small amounts though against wide margins.

(3.) In the course of a conversation Rucinski, the Polish Financial Attache, stated in confidence that the Polish Government was en route to England but that he had no knowledge as to whether the Polish gold supply in France was being saved.

KENNEDY

ALC

June 17, 1940

Saw the President of the United States for  
10 or 15 minutes.

Told him that Arthur Purvis was coming for  
supper and wanted to know whether I should continue to  
give the English the same assistance that I have given  
the English and French up to now. He said absolutely!  
I said, for example, that they need 4-engine bombers.  
He said, "Haven't we got 8 or 9 obsolete ones that we  
could spare?" I said, "Well, I think we ought to be  
able to spare 10." He said, "That's fine." He said,  
"You have been doing grand work and continue to give  
the English the same help."

June 17, 1940  
10:40 a.m.

H.M.Jr: Hello.

Operator: Purvis.

Arthur  
Purvis: Hello.

H.M.Jr: Hello.

P: Good morning.

H.M.Jr: Hello, Arthur.

P: Bad days, aren't they?

H.M.Jr: Quite.

P: Very difficult. I wanted to tell you that in the interest of preventing anything going wrong, we have just taken -- we took the power, I took the power to take the French contract -- as you know, we have worked pretty much on an Anglo-French basis with one party taking what the other didn't want.

H.M.Jr: Right.

P: So those contracts are all potentially and actually, really, under the British Purchasing Commission.

H.M.Jr: So you're taking it all over?

P: Yeah.

H.M.Jr: And all the commitments.

P: Yes. Now, I haven't yet -- there's only one exception to that, and that is the question of the 2,700 in which I have asked Maurice Wilson in that he was brought in so closely into the picture to get immediately in touch with Lord B. and ask him whether those 2,700 will be taken by the British.



- 2 -

H.M.Jr: I see.

P: And I think that should come through very quickly.

H.M.Jr: Right.

P: Because I did that about an hour and a half ago. On all the rest of the thing, one has it in hand. I would rather like to -- at an early opportunity show you exactly what has been done, but I thought I'd just send you advice in order to prevent difficulties with manufacturers and all that kind of thing. I got the French to agree to that last night.

H.M.Jr: Well, the sooner you can give me the details, the better.

P: Is that so?

H.M.Jr: Yes.

P: Well, now, I think in that case I might have a short memorandum -- I may say there is an angle to it which we're trying to work out this morning that I think I'd like to mention to you.

H.M.Jr: Yeah.

P: In addition to taking assignments from them of the contracts of the various types, because in some cases I may say that, for instance, in the new aircraft program, they're intermingled. They have the contracts so arranged that parts of the machine were in one or other persons, you see, one or other Commission because -- so that they really have to be mated up, engines have to be mated with airplanes, and so on, because they were working on the basis that it was better for one party to sign a contract rather than to sign them jointly.

H.M.Jr: May I interrupt? I have to go to the White House, but I wanted to talk to you before because I wanted to hear if you had anything new.

- 3 -

P: I can't quite hear.

H.M.Jr: I have to go to the White House now.

P: Oh, I see.

H.M.Jr: But I'll be back this afternoon if you want to say anything more.

P: Yes, all right.

H.M.Jr: But I'm terribly glad you called me because it's very important that I know this at this moment.

P: There's a question of getting the money -- the gold -- to Canada.

H.M.Jr: I see.

P: Otherwise, if the American -- if the French pay us a sufficient sum to enable us to make payments on the balance of their contracts not yet paid, we might give them a credit in Canada to a corresponding extent.

H.M.Jr: Well, now the second that you see any daylight, it's terribly important that you and I get together on this.

P: Yes, I think I have sealed it up so that you have a perfectly good structure to support. I acted all day yesterday, as a matter of fact.

H.M.Jr: You wouldn't be ready tonight, would you?

P: To come down?

H.M.Jr: Yes.

P: I may be. My only difficulty is that the problems here are naturally simply enormous. May I answer you in the afternoon?

H.M.Jr: Yes. Well, here is my thought. If you want to come, come and have supper with me and then you could go back right after supper if you wanted to.

- 4 -

P: Yes. Yes, that might be a way.

H.M.Jr: See? Because we're moving fast here and it's terribly important that I know.

P: All right. I'll try and do that and let you know a little later.

H.M.Jr: Will you, please?

P: I'll have to cut out a rather important thing -- I'll let you know a little later. I think I can do it.

H.M.Jr: Well, either that or -- I think that at the speed that we're moving, I ought to know what you're doing.

P: I think so too. And frankly that was why I wanted to telephone you straight away, but I'd like to - I think it may be better for us to have the documents right in hand.

H.M.Jr: Right.

P: I'll bring them down with me.

H.M.Jr: Thank you.

P: Fine..



June 17, 1940  
3:40 p.m.

H.M.Jr: Hello.

Admiral  
Furlong: Mr. Secretary, this is Furlong.

H.M.Jr: Yes, sir.

F: The transportation company is about right now to pick up those articles, there're 5,300 and some and 565 of the others, and I wondered if there was anything that may have come up that might cause you to tell me not to let them take them.

H.M.Jr: Now, you've got to help me a little bit.

F: Sir?

H.M.Jr: You've got to help me a little bit. Are those for the 50 or for the 93?

F: Oh, those are for the 93, the 50 have gone long ago.

H.M.Jr: The 50 have gone.

F: And this is for the 93.

H.M.Jr: Well, where does the transportation company ship them to?

F: Well, I don't know positively, but I under -- well, I really couldn't say. They were for the 93; I know where they shipped the other ones to -- they went across the border.

H.M.Jr: Well, they're actually ready to go.

F: Actually ready to go and the transportation company -- I told them this morning, or one of my assistants told them this morning, that our people would hand them over to them and they're to call my people at Georgetown at 3:00 o'clock today and at Mare Island at 4:00 o'clock today.

- 2 -

H.M.Jr: Ah .....

F: And there are others at Hawthorne, three places -- almost -- about 6,000 bombs. But I can maybe find out where they're to go. I can and let you know, easily, I think. Maybe I'd better find that out.

H.M.Jr: It would make a little difference whether they were going to Canada or whether they were going to New York or -- see?

F: Yes. I'll find out.

H.M.Jr: Have the 93 planes gone?

F: Well, I don't know. Those were the Army planes, you know, and these were the ones we talked about getting the ammunition for when we were over at your office.

H.M.Jr: I'd let them go.

F: You remember, we said that we could give them this 5,000 and then Marshall said, well, he had 6,000 but he didn't want them to go. But I'm all ready to let them go.

H.M.Jr: I'd let them go.

F: All right.

H.M.Jr: I'd let them go.

F: All right, sir. I'll shoot them out.

H.M.Jr: Right.

F: Right. Good-bye.

June 17, 1940  
3:42 p.m.

Alfred Sloan: Mr. Secretary, this is Alfred Sloan, General Motors.

H.M.Jr: How are you?

S: Pretty good. In accordance with my promise I thought I'd send this message and tell you that I'd like to give you a little information and what's happened since our last talk.

H.M.Jr: I'm intensely interested.

S: Well, now, here's what happened. We have been carrying along the changes suggested by Mr. Mead and we've made very excellent progress.

H.M.Jr: Good.

S: We found accidentally last Friday that General Brett has set up five planes at Langley Field and has put them on a 10-hour endurance test in the air under the conditions that he thinks they would be normally subjected to in military practice.

H.M.Jr: Yes.

S: Those tests have been going on for about a week. He plans to carry them through for 150 hours.

H.M.Jr: In the air.

S: In the air, yes, sir. They've been through about half that time, and when they're completed I'm going to send some technicians down there and the General is going to have them taken apart and we will examine them very carefully and I will see that you're told exactly what their condition is.



H.M.Jr: Well, if you had the time and would call me up again next week, I'd like to know very much directly from you.

S: I'll do that. Don't think about the time -- I'll do anything.

H.M.Jr: Yes, because if you've got that thing straightened out it would be really a piece of cheerful news.

S: All I can say is, the General told Mr. Crane -- you remember Mr. Crane that Dr. Mead spoke about when I was in your office?

H.M.Jr: No, I don't, but that .....

S: ..... trifle. But Dr. Mead grew up under Harry Crane and he was the gentleman, and he's my technical assistant. He had a long talk with General Brett. As far as we can learn, the test so far was coming out very satisfactorily.

H.M.Jr: Fine. What are those? Are those the Curtis P-40's?

S: Now, Mr. Secretary, frankly, I can't answer that question.

H.M.Jr: Well, anyway, they have five of your engines on it.

S: Our engine and they're our planes at Langley Field.

H.M.Jr: Good.

S: Now you will recall when I last talked to you, I spoke to you about the importance of a correlation between -- a test on the ground and an air test.

H.M.Jr: I remember very well.

S: ..... weren't qualified and I said I wasn't and I didn't think anybody was. Well, without

- 3 -

any of us knowing it, the General took this in his hands and he certainly is likely to make an important contribution as to really what the engines can do under the conditions that they're supposed to operate.

H.M.Jr: Well, I'm delighted to hear it and I appreciate your calling.

S: Mr. Secretary, we've continued production at Indianapolis and we have quite a considerable number of engines all approved by the Government inspectors ready to be shipped.

H.M.Jr: Good.

S: And Mr. Vaughan has something like 75 planes at Buffalo waiting for engines.

H.M.Jr: Who has?

S: The Curtiss Company, Mr. Guy Vaughan.

H.M.Jr: Oh, yes. He's got 75 planes.

S: Just as soon as these tests are finished, we will ship all the engines we have. We have something like 30 or 35.

H.M.Jr: Good.

S: And so that our production is getting along nicely and these changes that Mr. Mead has recommended as I said before, they're under test now, and we're also trying to develop a test more compatible with what they would be in the air such as Rolls Royce uses and now I'm getting into technical details and I simply want to tell you that we're on the job and we working day and night, Sundays and every other to clear these points that Mr. Mead has raised.

H.M.Jr: Swell. Thank you so much.

S: All right. The news is awfully bad, isn't it?

- 4 -

H.M.Jr: I hope you call me up again next week.  
S: I will, certainly will, Mr. Secretary.  
H.M.Jr: Thank you.



June 17, 1940  
3:54 p.m.

H.M.Jr: Hello.

Edward  
Stettinius: Hello, Mr. Secretary.

H.M.Jr: How are you?

S: I'm fine. How are you?

H.M.Jr: Oh, wonderful.

S: (Laughs) Gosh. That schedule of delivery of those shells by sizes will not be completed nor even given to the War Department until Friday of this week.

H.M.Jr: Good gosh!

S: And I'm going to give you a copy as soon as it's -- they've got five engineers -- been working day and night to see what deliveries they can make and, you see, this order fell on them like a ton of bricks overnight.

H.M.Jr: Right.

S: So you'll see .....

H.M.Jr: I'll be amongst the first.

S: You will be before the first.

H.M.Jr: Before the first (Laughs). I see. All right.

S: Isn't the news from abroad terrible?

H.M.Jr: Yes, it couldn't be any worse.

S: What's -- is there anything on the Navy?

H.M.Jr: No.

S: French Navy?

- 2 -

H.M.Jr: No. There's -- I -- nobody knows where it is.

S: Gosh!

H.M.Jr: Nobody knows where it is.

S: Good Lord!

H.M.Jr: That's what they say.

S: Well, I'll have these figures for you Friday.

H.M.Jr: Thank you. How are you getting along?

S: Getting along -- much too much to do, but getting along fine.

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

S: Thank you. Good-bye.

## TREASURY DEPARTMENT

136

## INTER OFFICE COMMUNICATION

DATE June 17, 1940

TO Secretary Morgenthau

**CONFIDENTIAL**

FROM Mr. Cochran

Following reports that the French were seeking a basis for the cessation of hostilities, sterling opened at 3.61, seven cents lower than Saturday's close. It had a firm tone during the morning, which was attributed mainly to buying of pounds by the New York branches of Japanese banks. A high of 3.68 was recorded at noon-time. After moving down to 3.64-1/2 in mid-afternoon, sterling returned to 3.65 at the close.

Sales of spot sterling by the six reporting banks totaled £168,000, from the following sources:

By commercial concerns.....	£ 79,000
By foreign banks (South America and Europe).....	£ 89,000
Total.....	£168,000

Purchases of spot sterling amounted to £222,000, as indicated below:

By commercial concerns.....	£197,000
By foreign banks (Europe).....	£ 25,000
Total.....	£222,000

The Guaranty Trust Company reported that it had sold cotton bills totaling £2,000 to the British Control on the basis of the official rate of 4.02-1/2.

The Guaranty also stated that it had purchased £2,000 for spot delivery from the British Control at the official rate of 4.03-1/2. The funds will be used to pay for a shipment of whisky.

According to a Dow Jones despatch from London, the Bank of England announced the withdrawal of permission to transfer securities which were restricted under the order of August 26, 1939. The August order applied to securities in nine foreign currencies (including United States and Canadian dollars), the selling of which was subject to approval by the British authorities. Today's London news item stated that dealings in such securities are now discontinued, whether between residents or with residents and non-residents.

The French franc was not quoted in the New York market today. It was reported by the Dow Jones ticker that no trading was being carried on in this currency. The banks were described as unwilling to enter into commitments pending clarification of the situation in France. The Bank of England published its official daily quotations for the French franc early this morning, but later on, a news item from



London stated that the bank had suspended dealings in the French currency. It was also reported from Ottawa that Canadian Government officials had suspended the transfer of any funds from Canada to the occupied regions of France pending a formal declaration blocking French balances.

Developments in the other currencies were as follows:

The Swiss franc was steady all day at .2242.

The Canadian dollar weakened to a discount of 19-3/4% at the close, as compared with Saturday's final rate of 18-3/4%.

The lira and reichsmark were unchanged at .0505 and .4000 respectively.

The Cuban peso was again quoted at a discount of 10-1/16%.

The Mexican peso opened here at .1923 bid, .2000 offered. This afternoon, the bid rate fell to .1818 while the offered rate remained unchanged.

We sold the following amounts of gold, to be added to the earmarked accounts of the banks indicated:

\$1,800,000	to the Bank of Portugal.
200,000	to the Lithuanian Bank.
<u>\$2,000,000</u>	Total

We purchased the following amounts of gold from the earmarked accounts of the banks indicated:

\$5,000,000	from the Central Bank of the Argentine Republic.
700,000	from the Bank of the Colombian Republic.
<u>\$5,700,000</u>	Total

The Federal Reserve Bank of New York reported that the Bank of Canada, Ottawa, shipped \$4,937,000 in gold from Canada to the Federal for its own account, for sale to the U.S. Assay Office.

The State Department forwarded to us cables stating that the following gold shipments would be made:

From England, for sale to the U.S. Assay Office at New York:

\$3,159,000 shipped by the Midland Bank Overseas Branch, London, to the Credit Suisse, New York.  
99,000 shipped by the Midland Bank Overseas Branch, London, to the Chase National Bank, New York.  
61,000 shipped by the Midland Bank, London, to the National City Bank, New York.

From Hong Kong, for sale to the U. S. Mint at San Francisco:

282,000 shipped by the Chartered Bank of India, Australia and China, Hong Kong, to the Bank of California N. A., San Francisco.  
210,000 shipped by the National City Bank, Hong Kong, to the American Trust Company, San Francisco.  
150,000 shipped by the Chase Bank, Hong Kong, to the Chase National Bank, San Francisco.  
\$3,961,000 Total

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The report from the Federal Reserve Bank of New York listing deposits for the account of Asia as reported by the New York agencies of Japanese banks on June 12, showed that such deposits totaled \$40,892,000, a decrease of \$5,335,000 since the last report as of June 5. Included in this total were \$29,201,000 in deposits with the Yokohama Specie Bank, New York, made by its branches in China (about unchanged from June 5), and deposits of \$4,264,000 made by the head office and Japanese branches (off \$4,196,000). The overdraft of the head office and Japanese branches on the books of Yokohama's New York agency was \$79,216,000, a decrease of \$3,309,000 since June 5.

The Bombay gold price was equivalent to \$35.30, off 35¢.

Spot silver in Bombay declined the equivalent of 1/4¢ to 44.31¢. The Commerce Department's daily statement of June 14 covering silver exports and imports revealed that approximately 820,000 ounces of refined silver bullion were exported from the United States to Bombay. This silver was probably contracted for at some previous time. According to cable advice received from India, Bombay dealers, at the present time, are disinclined to import silver from America because of the increasing risk of shipment.

In London, spot silver was fixed at 23d, off 7/16d. The forward quotation was 21-11/16d, off 1/8d. The decline was attributed to Indian speculative selling.

Handy and Harman lowered its settlement price for foreign silver by 1/4¢ to 34-3/4¢ today. The Treasury's purchase price for foreign silver was unchanged at 35¢.

We made nine purchases of silver totaling 753,978 ounces of silver under the Silver Purchase Act. Of this amount, 301,000 ounces represented sales from inventory, 150,000 ounces were trading silver, and 45,784 ounces consisted of new production silver offered to us on a spot basis. The balance of 257,194 ounces represented new production from foreign countries, for forward delivery.

We also purchased 300,000 ounces of silver from the Bank of Canada under our regular monthly agreement.

**CONFIDENTIAL**



TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

DATE June 17, 1940.

TO Secretary Morgenthau  
FROM Mr. Cochran

**STRICTLY CONFIDENTIAL**

On Saturday morning, June 15, Messrs. Bernstein and I attended a meeting at the State Department, attended by representatives also from the Federal Reserve Bank of New York and the Board of Governors at Washington, in regard to the Bolivian gold question. The suggested solution mentioned in my memorandum of June 14 was discussed and a drafting committee worked on Saturday afternoon on letters to be signed by the Secretary of State and the Bolivian Minister. At the meeting, the Federal Reserve Board representatives presented the attached draft which they would like to lead to some legislation which might afford them protection. I was requested to bring this to the attention of the Secretary.

This noon Mr. Wyatt, General Counsel of the Board, telephoned me seeking early action on our part with respect to the draft legislation. I told him that we had not yet had time to study this, but would let him hear in due time. This afternoon Mr. Dreibilbis, Assistant General Counsel, telephoned me to state that the drafting of the letters had been improved today. He added that Vice President Logan of the Federal Reserve Bank of New York would deem it very helpful if the Treasury, upon receiving from the Secretary of State a copy of the letter addressed to him by the Minister of Bolivia and of the communication written by the Secretary of State to the Federal Reserve Bank of New York, would address a letter to the Federal Reserve Bank of New York stating "In view of the foregoing letters of the Bolivian Minister and the Secretary of State, it is apparent that the gold should be shipped to Bolivia, to the Banco Central de Bolivia. You are accordingly licensed to make such shipment."

I told Mr. Dreibilbis that this matter would be discussed with our Counsel and that he would hear from us later.





## .....A BILL.....

To safeguard the foreign relations of the United States, to amend section 14 of the Federal Reserve Act, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (e) of section 14 of the Federal Reserve Act, as amended, is amended by striking out at the end of the first sentence thereof the words "banking accounts for such foreign correspondents or agencies", and inserting in lieu thereof the words "accounts for foreign banks and bankers, and for foreign governments and officers, agencies, and instrumentalities thereof".

Sec. 2. Section 14 of the Federal Reserve Act, as amended, is amended by adding at the end thereof a new subsection reading as follows:

"(h) Whenever a Federal Reserve Bank has heretofore received, or shall hereafter receive, any property (including any gold, silver, currency, credit or other thing of value) from, or for the account of, any foreign government or any foreign bank or banker, as a deposit, for earmarking or for any other lawful purpose whatsoever, such Federal Reserve Bank may rely upon advice given by the Secretary of State or the Under Secretary of State of the United States as to who is entitled to receive or dispose of any such property; and, except with the consent of the Secretary of State or the Under

Secretary of State, such property shall not in any court be subject to, or affected by, any attachment, garnishment, injunction or other similar proceeding instituted by any third party. Whenever any Federal Reserve Bank, pursuant to a request of, or in reliance upon advice from, the Secretary of State or the Under Secretary of State, has or shall have, paid, delivered or otherwise disposed of any such property to, or upon the order or pursuant to the instructions of, (1) such foreign government or foreign bank or banker or (2) any other person or organization which has been duly certified by the Secretary of State or the Under Secretary of State to be the duly accredited representative or legal successor of such foreign government or foreign bank or banker or to be otherwise legally entitled to such property, such Federal Reserve Bank shall be conclusively presumed to have acted lawfully, shall be completely discharged and released from any and all liability and responsibility with reference thereto, and shall not be subject to any suit or other legal proceeding in any court as a consequence of such action or in respect to such property. Nothing in this subsection shall affect in any way the right of any Federal Reserve Bank to act upon its own responsibility with reference to any such

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property without obtaining the advice or consent of the Secretary of State, the Under Secretary of State or any other representative of the Department of State. For the purposes of this subsection, the term "property" shall include, without limitation, gold, silver, currency, credits, deposits, securities, obligations, accounts, claims, choses in action, and any other form of property whether tangible or intangible and of whatsoever nature, the proceeds thereof and any right, title or interest therein; and the term "foreign government" shall include, without limitation, any territory, dependency, possession, State, department, district, province, county, municipality, or other similar governmental organization or subdivision of a foreign government, and any officer, agency or instrumentality of any such foreign government or of any such organization."

WWeba  
5/14/40



COPY OF MEMORANDUM HANDED BY MR. PINSENT OF BRITISH EMBASSY  
TO MR. COCHRAN IN TREASURY AT 6:45 p.m., JUNE 17, 1940

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Secret.

Please inform United States Government that in view of obscurity of position and uncertainty whether French offer of armistice will be accepted we did not to-day take steps to block French gold [? balances] before banks closed. We shall consider what will be appropriate steps to take tomorrow.

2. We should be glad to know what steps would be contemplated by U. S. Government [to prevent French ?] gold in transit being handed over to Germany and French balances being used for benefit of Germany.

COPY

*[Handwritten signature]*

## TREASURY DEPARTMENT

144

## INTER OFFICE COMMUNICATION

DATE June 17, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

## STRICTLY CONFIDENTIAL

Mr. Irigoyen, of the Argentine Ministry of Finance telephoned me at 2:35 this afternoon from Buenos Aires. He reminded me that I had made an appointment for him to see Mr. Jesse Jones some weeks ago, in order that he might discuss the possibility of obtaining a credit for Argentina. Mr. Irigoyen said that he had at that time spoken of fifteen or twenty million dollars, although fifty million dollars could well be used. Irigoyen told me that with their exports now shut out from so many markets, it is necessary that foreign exchange be received. They are already cutting down their commitments, but will have to reduce their purchases further and perhaps reduce remittances if some outside help is not received. Mr. Irigoyen asked that I mention this subject to the Secretary and to Mr. Jones. He will call me back at 2:30 Wednesday afternoon. I told him that I would probably have to put him directly in touch with Mr. Jones.



## TREASURY DEPARTMENT

145

## INTER OFFICE COMMUNICATION

DATE June 17, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

**STRICTLY CONFIDENTIAL**

At 2:30 this afternoon Mr. Knoke telephoned me from the Federal Reserve Bank of New York. He stated that Mr. Marcial, the representative in New York of the Bank of France, had called on him to find what the attitude of the Federal Reserve Bank might be if the Bank of France representative should pose the following questions suggesting alternative policies: (1) That all gold of the Bank of France in New York be sold to the Treasury and the proceeds credited to the account of the Bank of Canada for the Bank of France; (2) that all French gold be shipped from New York to Canada for earmarking there; (3) that the gold earmarked here for the Bank of France be earmarked in the name of the Bank of Canada, for the Bank of France; (4) that all of the gold of the Bank of France in New York be sold to the Treasury; that the proceeds be transferred to the Bank of France Special Account; and then that Marcial draw a check thereon for the full amount payable to the order of the British Purchasing Commission.

Marcial did not request an immediate answer, but wanted the Federal Reserve Bank to be considering these possibilities. In answer to my question, Knoke stated that Marcial originally had authority only to draw on the Bank of France Special Account, but that since May 22 he has been authorized to draw on all accounts of the Bank of France or open or to be opened including bullion, and to dispose thereof.

It is obvious from the above that the French were interested in getting the gold out of the name of the Bank of France, or out of this country. Just as the telephone call was terminated, I saw the ticker report that we had frozen French balances. Transfers such as those above envisaged will now require our license.

Knoke told me that Leroy-Beaulieu was on the way to Washington from New York to discuss the above-mentioned gold question with us. I had had no conversation with him on this subject for several days, and was not aware of his contemplated trip.





TREASURY DEPARTMENT

146

INTER-OFFICE COMMUNICATION

DATE June 17, 1940.

TO Secretary Morgenthau  
FROM Mr. Haas *GA*

According to reports received from the Work Projects Administration, 1,859,000 persons were employed during the week ending June 5, 1940, a decrease of 66,000 persons from the 1,925,000 reported for the week ending May 29, 1940.

Attachments

..WORK PROJECTS ADMINISTRATION  
 Number of Workers Employed - Weekly  
 United States

Week Ending 1939-40	Number of Workers (In thousands)
November 1	1,901
November 8	1,929
November 15	1,961
November 22	1,987
November 29	2,024
December 6	2,075
December 13	2,123
December 20	2,144
December 27	2,152
January 3	2,160
January 10	2,190
January 17	2,222
January 24	2,244
January 31	2,266
February 7	2,288
February 14	2,306
February 21	2,319
February 28	2,324
March 6	2,324
March 13	2,319
March 20	2,312
March 27	2,288
April 3	2,204
April 10	2,162
April 17	2,118
April 24	2,092
May 1	2,059
May 8	2,008
May 15	1,970
May 22	1,945
May 29	1,925
June 5	1,859

Source: Work Projects Administration.

WORK PROJECTS ADMINISTRATION  
Number of Workers Employed - Monthly  
United States

	Number of Workers (In thousands)
1937	
July	1,569
August	1,480
September	1,448
October	1,476
November	1,520
December	1,671
1938	
January	1,901
February	2,075
March	2,445
April	2,582
May	2,678
June	2,807
July	3,053
August	3,171
September	3,228
October	3,346
November	3,287
December	3,094
1939	
January	2,986
February	3,043
March	2,980
April	2,751
May	2,600
June	2,551
July	2,200
August	1,842
September	1,790
October	1,902
November	2,024
December	2,152
1940	
January	2,266
February	2,324
March	2,288
April	2,092
May	1,925

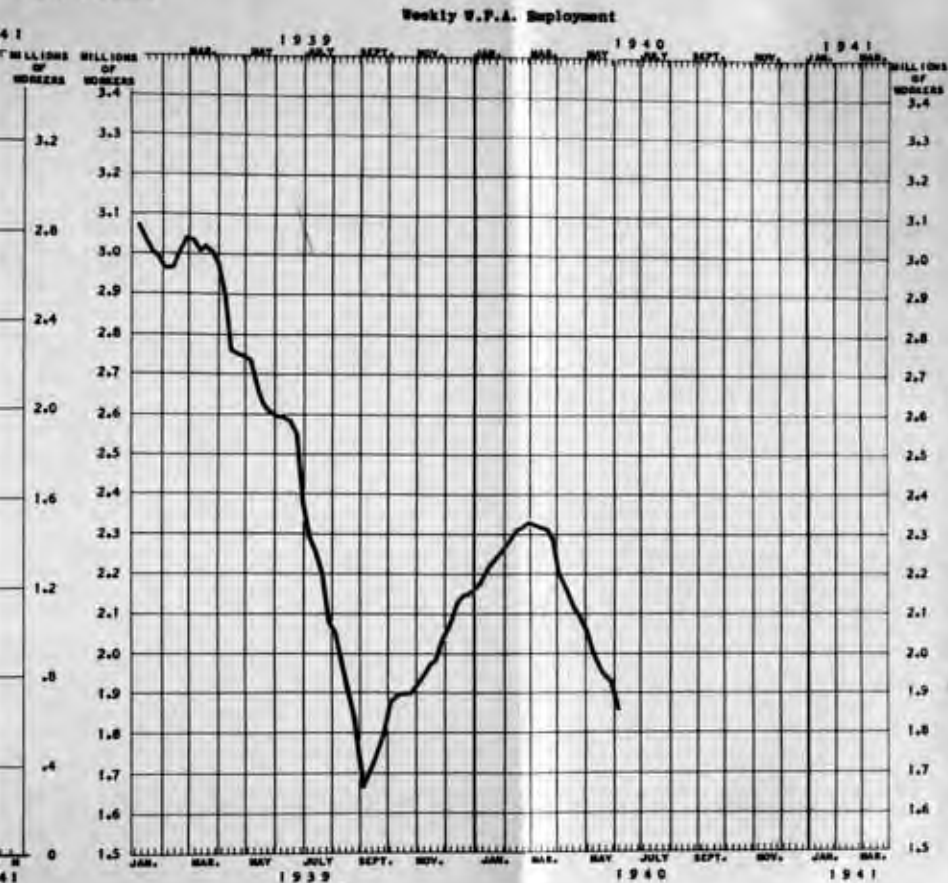
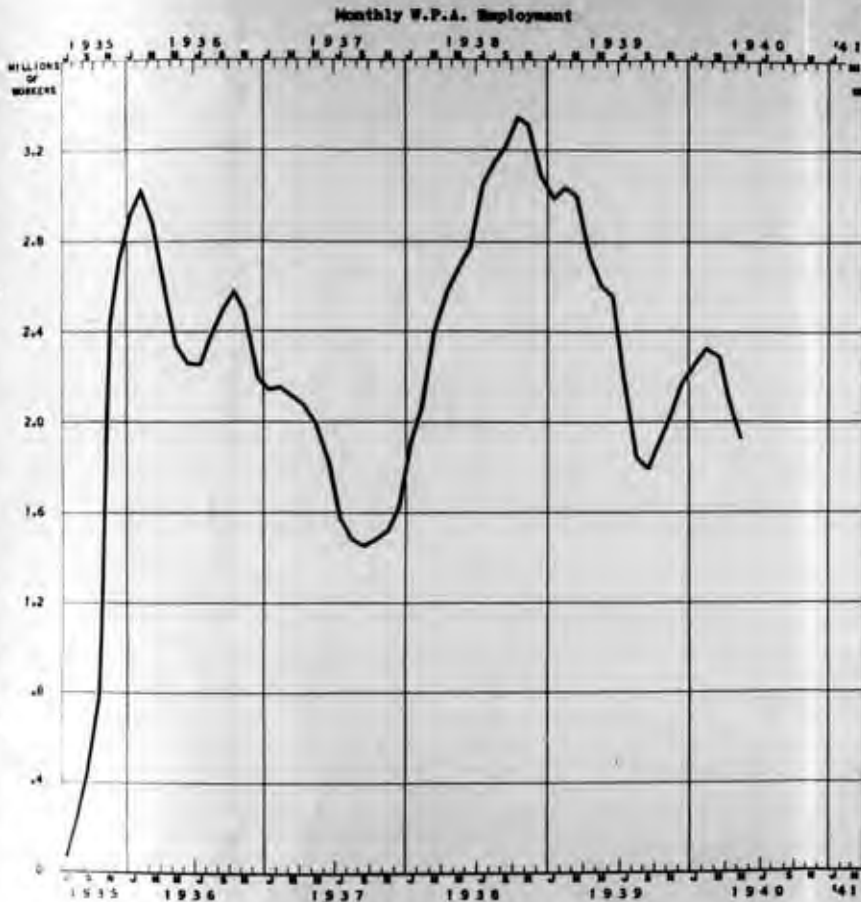
Source: Work Projects Administration.

Monthly figures are weekly figures for the latest week of the month.

They include certified and noncertified workers.



WORK PROJECTS ADMINISTRATION  
Number of Workers Employed  
United States



SOURCE: WORK PROJECTS ADMINISTRATION

## TREASURY DEPARTMENT

150

INTER-OFFICE COMMUNICATION

CONFIDENTIAL

DATE June 17, 1940

TO: Secretary Morgenthau  
FROM: Mr. Haas *HA*  
Subject: The Business Situation,  
Week ending June 15, 1940.

Conclusions

(1) The national armament program has begun to strengthen business confidence in this country and to increase business activity, in advance of any substantial placing of orders, thus serving to cushion our economy against the shock of the present adverse war news. While Allied buying has been an important strengthening factor, the duration of such buying has always been in question. Now businessmen have a more clear outlook ahead, based upon our national defense program. Evidence of its effect on business activity appears in various directions:

(a) An abrupt expansion in cotton goods buying last week, which on Wednesday reached the highest volume of any day since last September, was attributed to the prospect of heavy Government orders and increased civilian consumption.

(b) The rapidly increasing rate of steel activity in recent weeks, despite heavy inventories at mills, derives its strength in part from the prospect of heavy armament demands.

(c) With increasing employment and payrolls, the volume of retail trade is beginning to expand, which suggests that the consumer goods industries may soon share in the business upturn.

(d) Prices of industrial materials have advanced during the past week, influenced by increased industrial buying in advance of Government orders. Purchasing agents, less than a week after they had decided on a conservative buying policy, have jumped into the markets for protective supplies.



(e) The firmness of domestic security prices since announcement of the defense program, in the face of unfavorable war news, provides some evidence that the domestic outlook is overshadowing the war outlook as a business factor.

(2) An FRB index of 111 in the week ended June 5 is indicated by our calculations based on the New York Times index. A continued rise in new orders, as measured by our weekly index, foreshadows further business improvement. For the month of June, the Federal Reserve Board now looks for an FRB index of about 112.

(3) The business outlook now hinges on the development of a vigorous rearmament program. A noticeable tendency toward inventory accumulation in advance of Government buying has developed, particularly in the steel industry. This will become a weakening factor in case evidence of tardiness in developing our defense program should appear.

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Defense program cushions shock of war news

From many quarters, evidence is appearing that the national defense program has taken the center of the stage as a business factor and is providing an effective cushion against the shock of unfavorable war news. The firmness of stock and bond prices ever since the announcement of the national defense program, and their tendency to rise last week despite Italy's entry into the war and the fall of Paris, seems a rather clear indication that public confidence has become more resistant to foreign shocks. A concrete basis for the improved confidence is provided by visible evidence that industrial activity is rapidly increasing, which means increased employment and pay-rolls.

The rapidity of the current advance in industrial activity, with particular reference to the steel industry, is indicated by a 3-point rise in the FRB equivalent of the New York Times index during the week ended June 5, which has carried the index to 111. (See Chart 1, upper section.) The average of the weekly figures for May was 106, as compared with the Federal Reserve Board's preliminary estimate for that month of 105. (Lower section of chart.)



Secretary Morgenthau - 3

On the basis of present indications, according to the Federal Reserve Board, it seems likely that the FRB index of industrial production will be about 112 in June. The Journal of Commerce also looks for an index of 112 in that month, and believes that it may reach 120 in July, when a 4-point seasonal correction will be made. This would compare with the all-time peak of 128 reached last December.

The fact that the rise in industrial activity is occurring at a time of normal seasonal slackening will tend, of course, to make industrial activity (as measured by seasonally-adjusted indexes) appear higher than it really is, as was the case last December. Further improvement in actual industrial output will then be required to prevent some decline in the adjusted FRB index during the fall months.

#### New orders improve further

The basis for a further rise in business activity is provided by a continued expansion in new orders, as indicated by our weekly new orders index. (See Chart 2.) The combined index in the second week of June reached a new high since last October. New orders reported by the U. S. Steel Corporation for the week ended June 6 rose to 363,000 tons, equal to 107 per cent of weekly capacity. Textile orders and "other" orders, as shown on the chart, also improved.

The most recent new orders figures, furthermore, do not reflect last week's encouraging developments in the security and commodity markets. Buying of goods and commodities generally has been stimulated by a sharp upturn in security and commodity prices, which lifted the Dow-Jones index of industrial stock prices 14 points, and brought corresponding increases in prices of a number of commodities. The stock market situation had been strengthened by heavy liquidation of margin accounts during May, which had reduced brokers' loans to a lower total than in 1933. What effect the report of the capitulation of France may have on new buying, on the other hand, has yet to be determined.

Outstanding in the week's news was a marked expansion in textile buying, which has definitely improved the outlook for that industry. In this buying wave, the heaviest since last

Secretary Morgenthau - 4

September, about 150,000,000 yards of print cloths are estimated to have been sold in three days. While the stock market upturn doubtless had an influence in bringing buyers into the market, trade reports attributed the increased buying to the prospect of heavy Government orders and increased civilian consumption.

A recent increase in retail demand, which found retail inventories rather low, is reported to have been a factor in the expansion of textile buying. Department store sales during the week ended June 8 rose to 14.0 per cent over the corresponding sales in the previous year, as compared with an average decline of 4.5 per cent in the two previous weeks. Rising employment and payrolls will doubtless bring further expansion of retail buying in coming months, which will enable the consumer goods industries to share in the current business advance.

Prices of raw materials and products increasing

Prices of basic industrial materials are responding to the increase in industrial demand, and have risen further during the past week, while prices of food products have held about steady. (See Chart 3.) Because of the support provided by rising business activity and the prospective Government demand, prices did not decline on the severely unfavorable war news of the past week, as they did on the news of Allied reverses during May.

Purchasing agents, less than a week after they had decided on a conservative buying policy, have apparently jumped into the markets to cover their requirements for long periods ahead. This general buying for inventory purposes was one of the factors in the price rise.

Accompanying the rise in raw material prices, manufacturers have stepped up prices of various finished and semi-finished products during the past week. Steel-making costs, for example, have been increased not only by a further rise in scrap prices but also by increased prices for materials used in making alloy steels, which will assume an important part in the armament program. Ferromanganese (used to harden steel) has been advanced \$20 a ton to \$120. Spiegeleisen, a low-percentage ferromanganese alloy, has been raised \$4 a ton to \$36. Silicon ferro-alloys are to be raised \$5 or \$10 a ton.



Secretary Morgenthau - 5

These increases are attributed to higher costs of ore which is nearly all imported. The price of carbon black, an important industrial material, was raised  $\frac{1}{2}$  cent last week to  $2\frac{3}{4}$  cents a pound.

#### Steel activity continues to rise

A further increase of 3.1 points in the rate of steel operations, as scheduled for this week, carries the rate to 87.7 per cent of capacity. (See Chart 4) This compares with a peak of 94.4 per cent reached in the week beginning November 27 last year. Continued expansion is looked for in the trade until practical capacity is reached, with the possibility that some hand mills and obsolete plants and furnaces will be brought into operation.

Ingot output in the Buffalo district last week reached 100 per cent of capacity, and in the Wheeling district 99 per cent. (See lower section of chart.) Steel mills at Detroit are also operating at 100 per cent of capacity.

Allied orders for steel have increased sharply, but neutral countries are not buying steel as heavily as a month ago. Incoming business on the whole is said to be sufficient to support a production rate of at least 90 per cent of capacity. Specifications for sheet and strip steel contracted for at low prices last April have been coming in rapidly.

Steel scrap prices continue to advance. The Iron Age composite price of steel scrap rose to \$19.17 as of June 11, which was 59 cents a ton higher than the previous week. Sharpest advances were at Pittsburgh and Youngstown.

#### Inventories being accumulated

A movement toward building up inventories of goods and materials, in anticipation of price increases or difficulties in obtaining supplies after the armament program gets under way, is observable in various sections of industry. This will add further to stocks which had previously been carried somewhat higher than normal as an insurance against war uncertainties.



Secretary Morgenthau - 6

The accumulation of inventories provides an element of weakness in the current business situation, which may become a depressing influence in the event that public confidence in the development of a vigorous rearmament program should become disturbed. This would be particularly true, of course, if it should be accompanied by a reduction in foreign buying.

The steel mills have apparently been building up inventories for a number of months. Production of finished and semi-finished steel by the U. S. Steel Corporation, according to our estimates, sharply exceeded shipments of steel by this corporation during May, and has somewhat exceeded shipments in every month since December. (See Chart 5.) As a consequence, our estimate of inventories of steel products held by the U. S. Steel Corporation (lower section of chart) rose at the end of May to a level not far from the peak reached in November 1936. Current reports from the steel trade also indicate that steel mills have recently been building up their inventories of finished and semi-finished steel (particularly the latter).

Other industries also appear to be building up inventories. A survey conducted last week by the Wall Street Journal of manufacturing concerns in principal industrial centers indicated that stocking of materials is fairly widespread. Manufacturers of non-essential consumers goods, it is reported, are beginning to fear that allocation of machinery and semi-finished goods to armament companies may reduce their sources of supplies. As examples, it is mentioned that a candy company in Chicago has bought machinery six months ahead of time; and a refrigerator manufacturer is buying a year's supply of tin and rubber, and a two years' supply of special tool steel.

#### Private construction reaches new high

Privately-owned construction awards in May reached a new high since at least 1932, when figures were first available. The May total of \$217,000,000 exceeds the April figure by \$20,000,000. (See Chart 6.) Most of the gain was due to an increase in residential construction, which has been one of the brighter spots in the business picture for some time. As a matter of fact, total residential construction awards in May (including publicly owned projects) reached a new high since 1929. Private nonresidential construction (other than public works and utilities) increased only moderately from the previous month, but was up 53 per cent as compared with May 1939.

Secretary Morgenthau - 7

Publicly owned construction projects, which began to run consistently under year-earlier levels last August, increased 8 per cent in May but were still 17 per cent below May 1939. (Refer to Chart 6.) Despite the continued lag in public construction activity, total construction awards in May were carried above year-earlier levels for the first time since last September, due to the rise in private construction.

Weekly business indexes make rapid gain

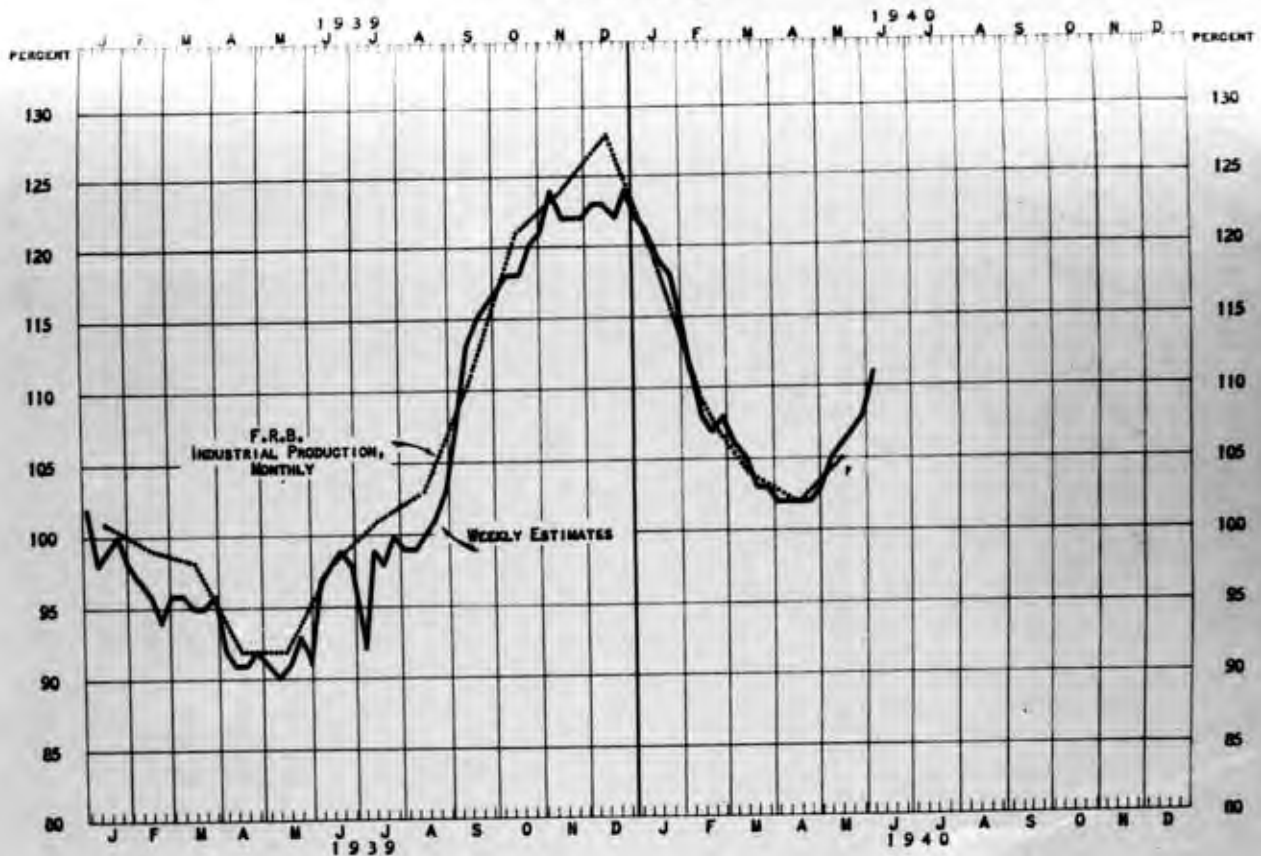
Continuing the trend which had been in evidence for the preceding five weeks, the New York Times index of business activity for the week ending June 8 moved ahead at a somewhat faster pace. As a result of a gain of 2.1 points, the index for that week stood at 98.8, or 6 points above the low point touched in the first week of April. Barron's index of business activity for the week ending June 8 likewise continued to rise, advancing to 108.6 from 105.4 in the previous week.

Except for a slight decline in electric power production, all components of the New York Times index showed gains. Again the principal factor in the rise was steel ingot production, which continued to expand substantially during a period when operations normally decline. Increases in both total and miscellaneous carloadings, to new highs for the year, were also important factors.

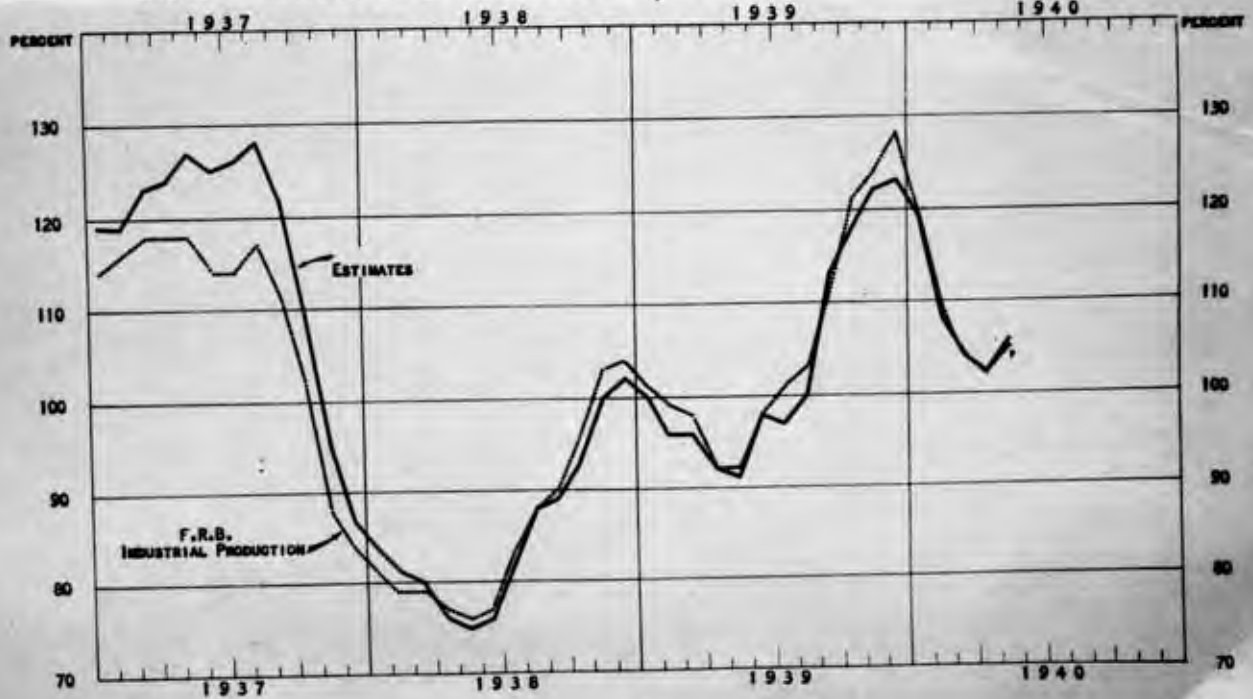
Preliminary data for the week ending June 15 show (1) a further substantial contra-seasonal gain in steel ingot operations, which will result in a gain of around 9 points in the adjusted index of steel production, and (2) a well maintained level of automobile production. The sharp increase in automobile production after the holiday shutdown, which raised the output to 95,560 units, has been nearly all retained. The decline last week was but slightly more than seasonal, and production was held at 93,635 units. Last year in that week only 78,305 units were produced.



**WEEKLY ESTIMATES OF F.R.B. INDEX OF INDUSTRIAL PRODUCTION BASED  
ON N.Y. TIMES INDEX**  
1923 - 25 = 100, Adj.

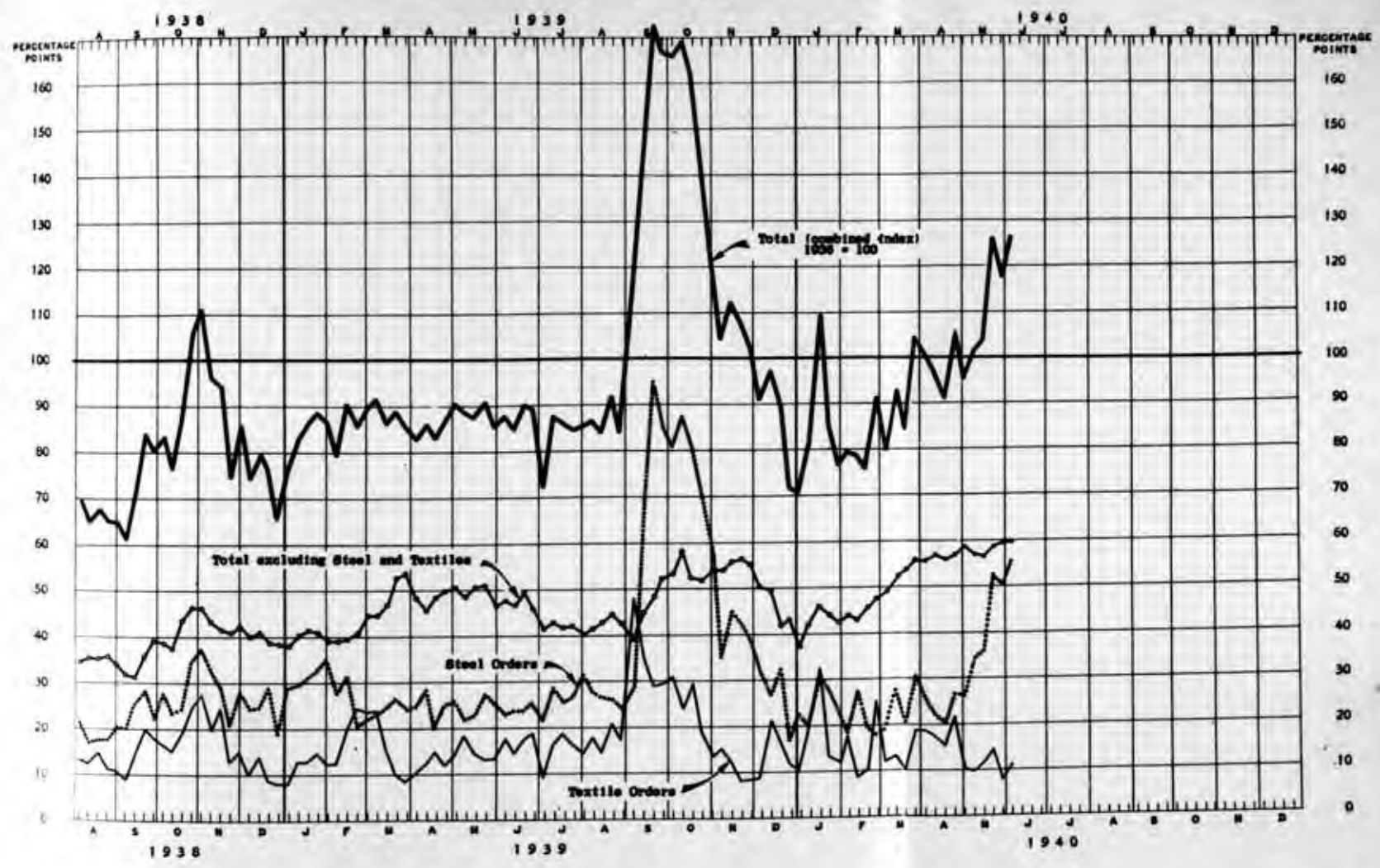


**MONTHLY ESTIMATES OF INDUSTRIAL PRODUCTION, BASED ON N.Y. TIMES**



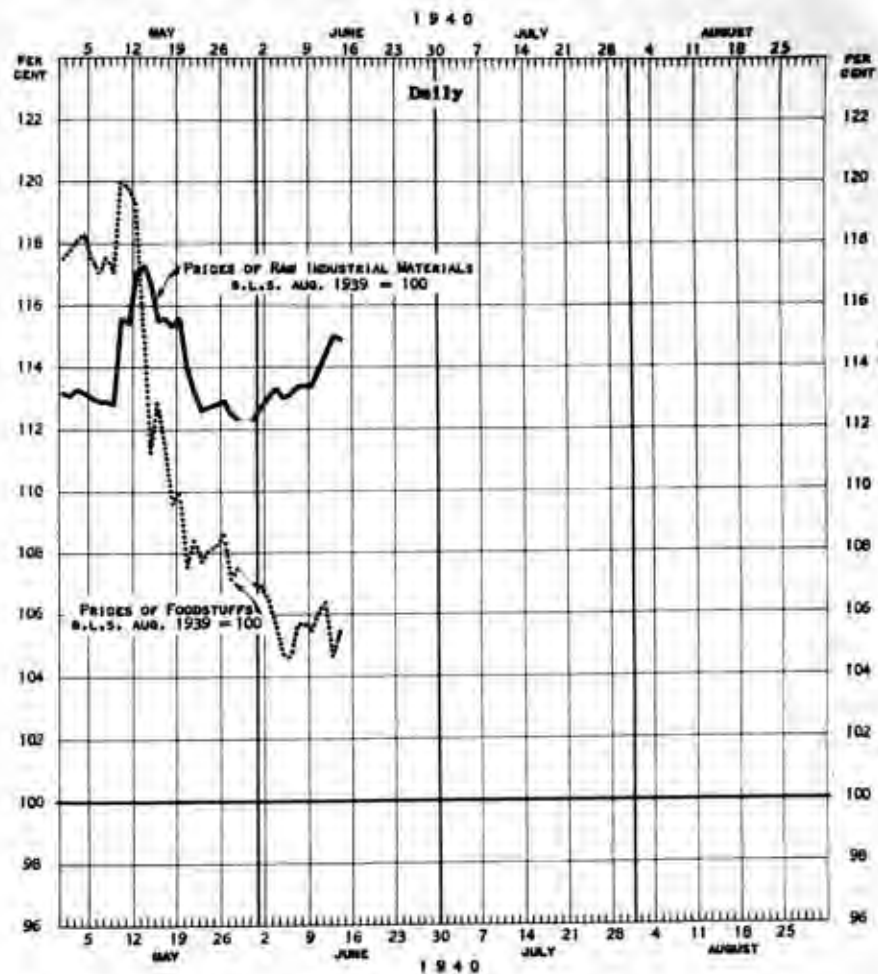
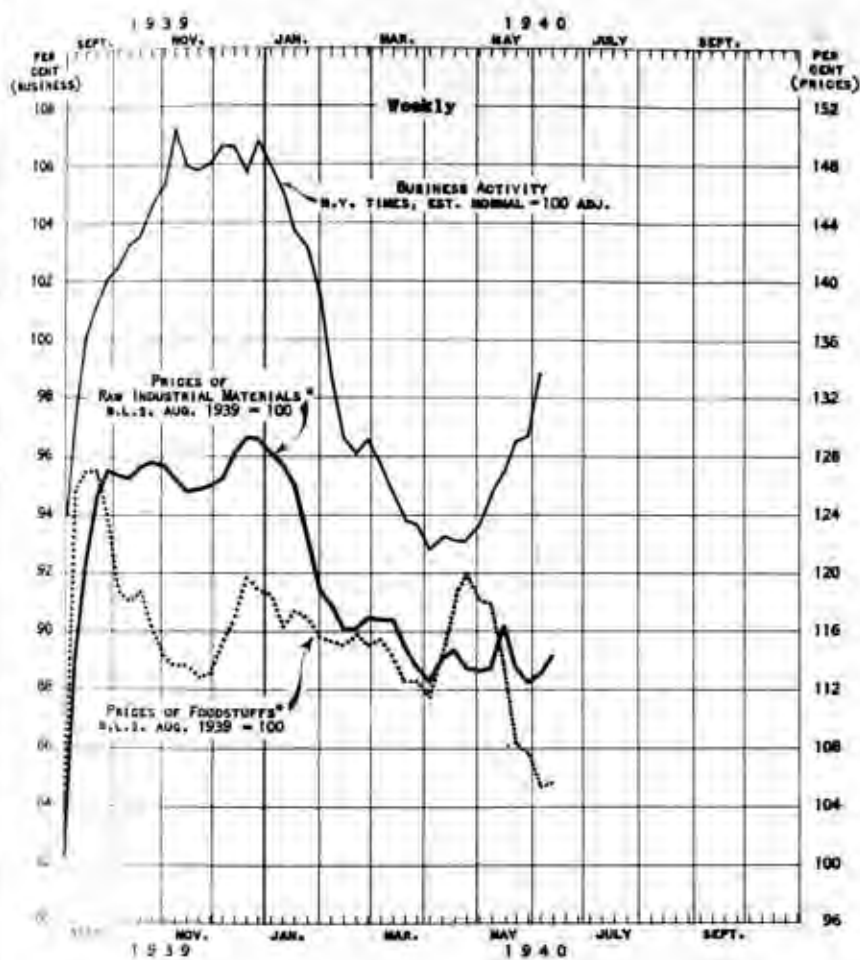


### INDICES OF NEW ORDERS Combined Index of New Orders and Selected Components



U.S. Secretary of the Treasury  
Bureau of Research and Statistics

# BUSINESS ACTIVITY AND PRICES OF RAW INDUSTRIAL MATERIALS AND FOODSTUFFS

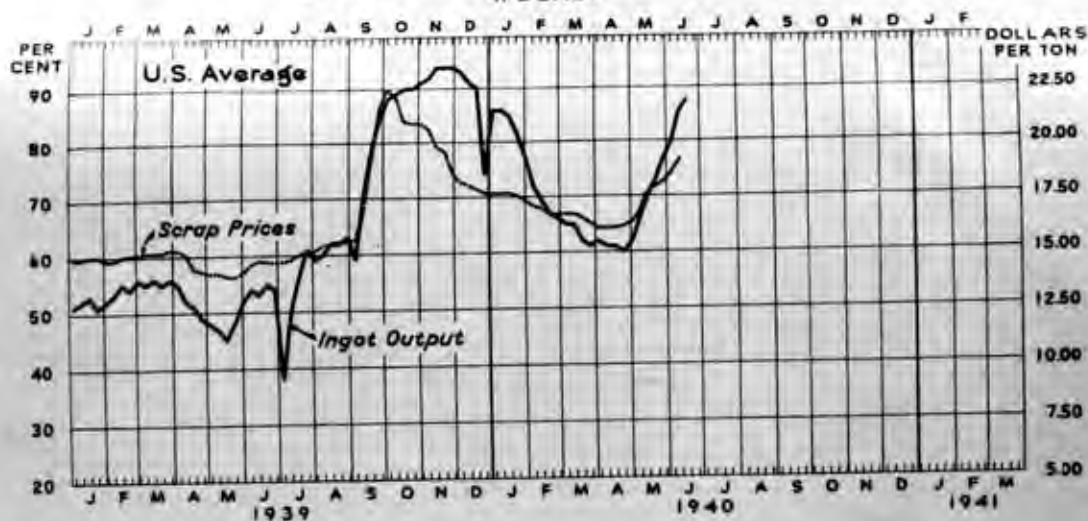


\* FIVE DAY AVERAGE FOR PRICES

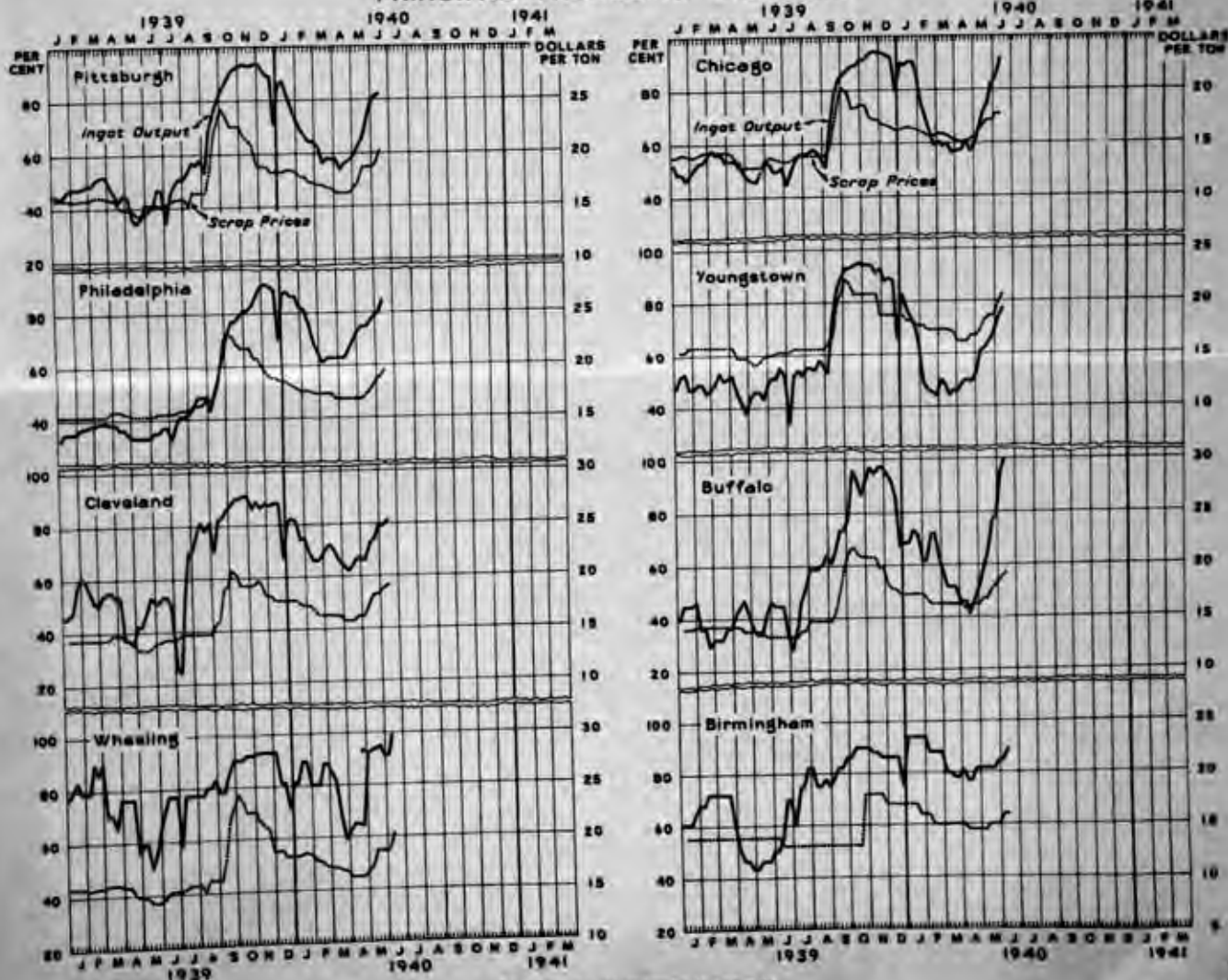


# STEEL OUTPUT AND SCRAP PRICES

Ingot Output in Percent Capacity  
WEEKLY



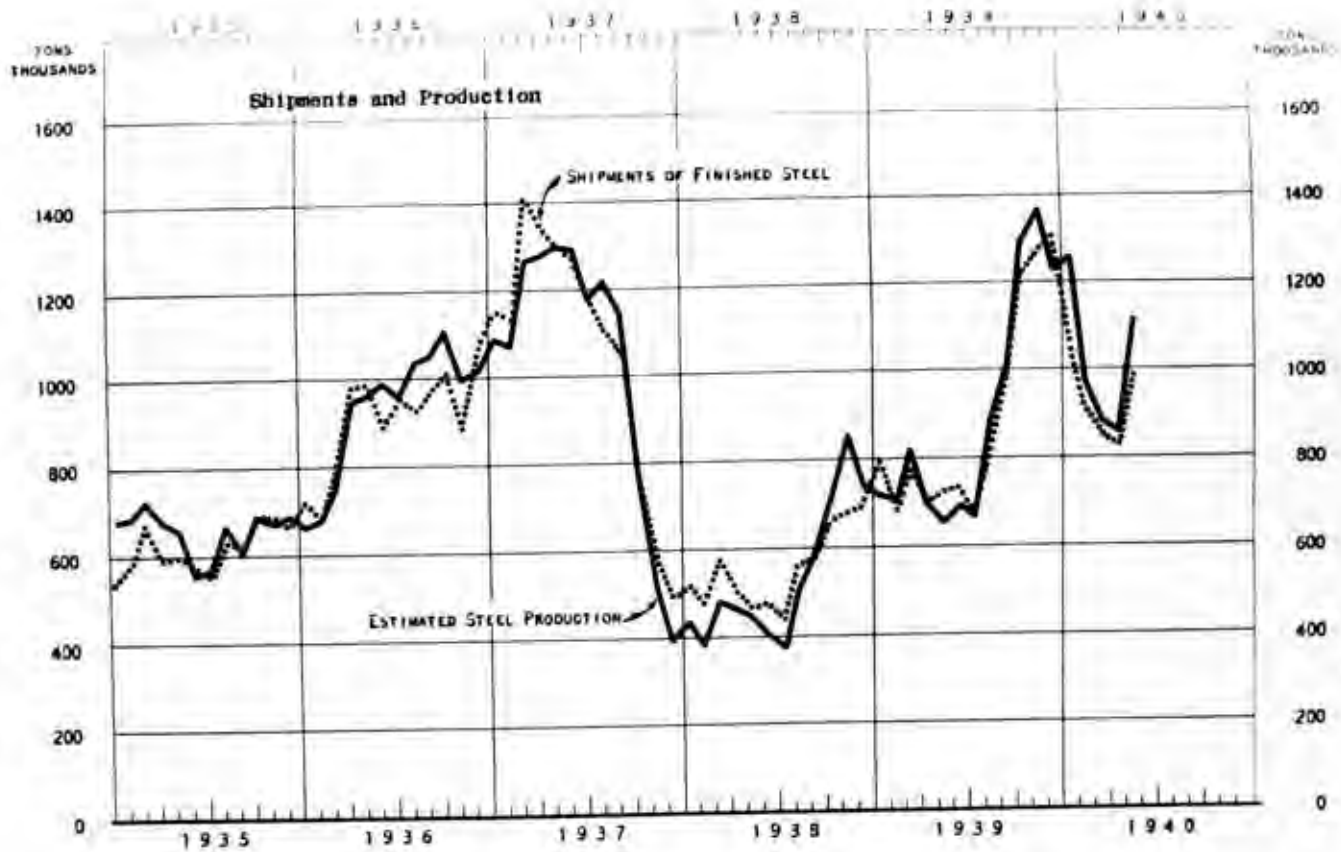
## PRINCIPAL PRODUCING DISTRICTS



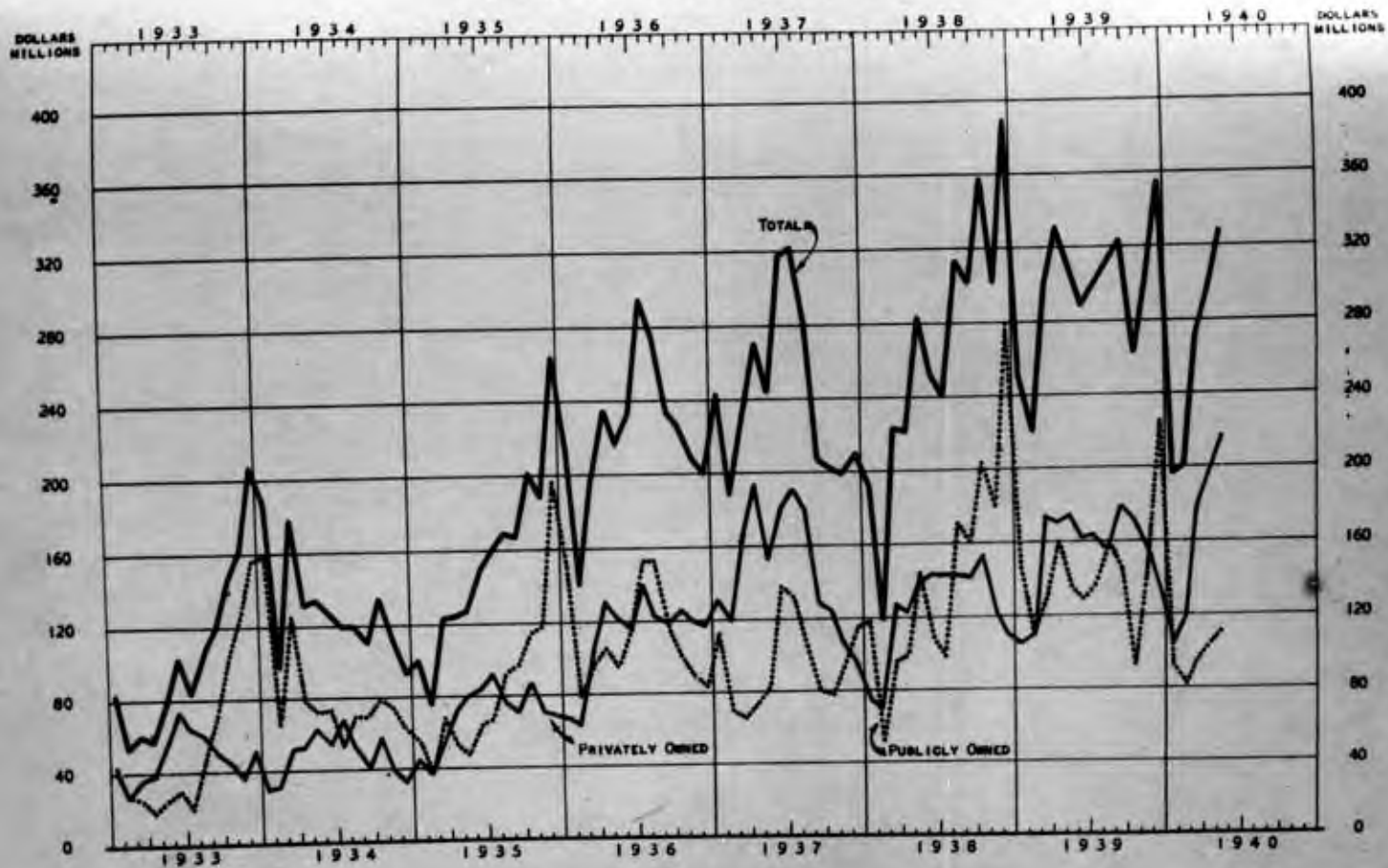
\* Largely due to reduction in capacity



ASSET. SHIPMENTS, PRODUCTION AND ESTIMATED INVENTORIES  
 U.S. Steel Corporation



CONSTRUCTION CONTRACT AWARDS CLASSIFIED BY OWNERSHIP OF PROJECTS  
 Monthly Totals, F. W. Dodge Corporation



TREASURY DEPARTMENT

163

INTER OFFICE COMMUNICATION

DATE June 17, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

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

	<u>No. of Shares Sold</u>	<u>\$ Proceeds of Shares Sold</u>	<u>Nominal Value of Bonds Sold</u>	<u>\$ Proceeds of Bonds Sold</u>
June 10	Nil	Nil	Nil	Nil
June 11	Nil	Nil	Nil	Nil
June 12	3,500	30,882	46,000	44,455
June 13	2,335	186,589	25,000	27,191
June 14	800	15,397	107,000	107,810
June 15	<u>300</u>	<u>13,383</u>	<u>25,000</u>	<u>26,063</u>
TOTAL FOR WEEK	6,935	246,251	203,000	205,519

Sales from February 22 to June 8, incl.	<u>1,313,930</u>	<u>45,950,780</u>	<u>1,511,500</u>	<u>1,287,568</u>
TOTAL FEBRUARY 22 TO JUNE 15	1,320,865	46,197,031	1,714,500	1,493,087

Sales of non-vested securities for the week ended June 8 totaled \$1,000,000.



TREASURY DEPARTMENT  
Washington

FOR IMMEDIATE RELEASE  
Monday, June 17, 1940.

Press Service  
No. 21-34

Secretary of the Treasury Morgenthau announced today that reports from the Federal Reserve banks indicate that \$279,334,900 of Treasury Bonds of 1940-43, called for redemption on June 15, 1940, have been exchanged for 1 percent Treasury Notes of Series C-1943.

Subscriptions and allotments were divided among the several Federal Reserve districts and the Treasury as follows:

<u>Federal Reserve District</u>	<u>Total Subscriptions Received and Allotted</u>
Boston	\$ 20,743,600
New York	159,855,300
Philadelphia	10,401,300
Cleveland	15,635,100
Richmond	6,345,300
Atlanta	819,300
Chicago	43,453,000
St. Louis	5,931,400
Minneapolis	1,285,400
Kansas City	3,716,100
Dallas	5,263,600
San Francisco	3,273,700
Treasury	<u>2,611,800</u>
Total	\$279,334,900

June 17, 1940

MEMORANDUM FOR THE SECRETARY:Pacific Coast Shipping Situation.

Italy's entrance into the war last week and the subsequent closing of the Mediterranean Sea to American flag shipping finished what little non-controlled business left to Europe.

The Italian move had the effect of the weakening the freight and charter market very considerably, although some business was being done. Following the thawing of the "freeze" of charters and sales, which gripped the market just before the Italian move, time charter rates slumped off to about \$5.50 to \$4. Futures were closed at \$3.75 and \$4. Voyage rates also took a tumble, but it was hard to determine the leveling point. In any case, trip charters were reported closed during the week anywhere from \$11.50 to as high as \$15.50. These rates were a considerable decline from the previous levels of between \$16 and \$17.50.

Business to the Orient did not change much, despite the upheavals in Europe. Rates moved to slightly lower levels, partly because of the war and partly because demands for various commodities had declined. No full cargoes of scrap were reported, and berth rates were off to \$15 for rails, \$16 for melting. General cargo offerings continued weak. A Greek vessel was taken from the North Pacific for Vladivostok and the Swedish steamer Herma Gorthon was taken for Hongkong. The terms were private.

The intercoastal trade eased off another notch, following the prediction of operators more than a month ago that the trade was in for a recession. General cargo was not particularly active, and lumber offerings were growing less each week.

Australian business remained dull because of the restrictions imposed by the Commonwealth government against imports from the United States.

An American vessel was taken for a voyage from British Columbia to South America, and another American vessel was taken for a trip to Lisbon at \$11.50. A Greek vessel was fixed for South Africa. American President Lines took the steamer Charles R. McCormick for a round-the-world voyage at a rate reported at about \$4.

*Barclay Harris*

G

165



DEPARTMENT OF STATE  
WASHINGTON

June 17, 1940.

The Secretary of State presents his compliments  
to the Honorable the Secretary of the Treasury, and  
encloses one copy of paraphrase of telegram No. 260  
of June 17 from Bucharest.



## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bucharest, Rumania

DATE: June 17, 1940, 2 p.m.

NO.: 260

STRICTLY CONFIDENTIAL.

The gold reserve of Rumania is still here; it had been the intention to send it via the Rumanian steamship TRANSYLVANIA through Suez to New York, but the gold did not get off in time.

GUNTHER.

TO THE DIRECTOR  
1940 JUN 17 11 51 AM  
RECEIVED

EA:LWW



DEPARTMENT OF STATE  
WASHINGTON

June 17, 1940.

In reply refer to  
EA 840.61 Frozen  
Credits/169/170

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copy of telegram no. 82 from the American Legation at Ankara, dated June 13, 6 p.m., regarding the request of a Dutch citizen to withdraw money from the United States, and copy of telegram no. 83, dated June 13, 7 p.m., from the same Legation, inquiring as to the preferable procedure for handling such inquiries.

Telegram 82 was sent at the expense of the party at interest, and such reply as the Secretary of the Treasury may suggest will be sent at the expense of the interested party.

Enclosures:

From Ankara, nos. 82 and 83,  
June 13, 1940.

1 copy rec'd.

**IS ANSWER NECESSARY:**  
**ANSWERED BY:**  
 Distribute to:

J Secretary	Capt. Puleston
Mr. Bell	Fed. Res. Bd.
Mr. Cochran	Mr. Harrison
Mr. Dietrich	Legal Div.
Mr. White	Card
Mr. Cotton	RETAIN

GRAY

ANKARA

Dated June 13, 1940

Rec'd 7:53 p.m.

Secretary of State,  
Washington.

83, June 13, 7 p.m.

Would the Department prefer that requests such as that in my No. 82, June 13, 6 p.m., be handled through the appropriate mission in Washington.

MACMURRAY

HTM

Request of Dutch citizen to withdraw money from United States.

TO THE SECRETARY  
 TECHNICAL ASSISTANT  
 DIVISION OF THE  
 DEPARTMENT OF STATE  
 RECEIVED  
 JUN 13 1940  
 42 E W 71 W

FILE COPY  
 E. H. Cochran



IS ANSWER NECESSARY:

ANSWERED BY:

Distribute to:

JT

Secretary

Mr. Bell

Mr. Cochran

Mr. Dietrich

Mr. White

Mr. Cotton

Capt. Puleston

Fed. Res. Bd.

Mr. Harrison

Legal Div.

Card

RETAIN

GRAY

ANKARA

Dated June 13, 1940

Rec'd 7:54 p.m.

copy  
169

Secretary of State,

Washington.

82, June 13, 6 p.m.

The Dutch Minister to Turkey requests that authorization be granted for Miss Nadine Van Lennep, a Dutch citizen, and guest in his household, to withdraw two hundred fifty dollars from her checking account in the National City Bank to defray living expenses. STCOR

MACHURRAY

HMM

RECEIVED  
JUN 13 1940  
H. M. COCHRAN  
FILE COPY

June 17, 1940.

Dear Mr. Keeshin:

The Secretary has received your letter of June 14th, which sends him a copy of a communication signed by Mr. Van Patter, together with tables of figures for his further information. We very much appreciate your sending this material, which will have very careful study and consideration.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,  
Private Secretary.

Mr. J. L. Keeshin,  
President, Keeshin Freight Lines,  
Incorporated,  
221 West Roosevelt Road,  
Chicago, Illinois.

GEF/dbs

June 14, 1940.

Dear Mr. Kuehlin:

The Secretary has received your letter of June 14th, which sends him a copy of a communication signed by Mr. Van Pelt, together with tables of figures for his further information. We very much appreciate your sending this material, which will have very careful study and consideration.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,  
Private Secretary.

Mr. J. L. Kuehlin,  
President, Kuehlin Freight Lines,  
Incorporated,  
221 West Roosevelt Road,  
Chicago, Illinois.

GHK/dbs



KEESHIN FREIGHT LINES, INC.

172

J. L. KEESHIN  
PRESIDENT

221 WEST ROOSEVELT ROAD  
CHICAGO

June 14, 1940

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

My dear Mr. Secretary:

Enclose herewith copies of correspondence received this morning from Andy Bassi, from Chungking, China written under date of May 24, and from C. W. Van Patter, from Kweiyang, China written under date of May 30, 1940.

Sincerely yours,

  
J. L. Keeshin

JLK:LR  
Encs.

RECEIVED  
JUN 15 1940  
U.S. DEPARTMENT OF THE TREASURY

RECEIVED  
JUN 15 1940  
U.S. DEPARTMENT OF THE TREASURY

COPY

173

C/o Ministry of Communications  
Chungking, China, May 24, 1940

Mr. J. L. Keeshin  
221 W. Roosevelt Road  
Chicago, Illinois  
U. S. A.

Dear Jack:

Just to let you know we have been operating on a constantly improving scale and the attached tonnage and revenue statements bear testimony to this fact. It is the first time I have felt optimistic since I left there and I am sure if things go along one half as well as we planned, I can leave here satisfied and happy.

The managing director has developed into an ace and I don't feel any resentment when he drops in - in the middle of the night and stays until morning, or comes in for breakfast, talking shop. I feel that any man that can get that enthusiastic about anything, is entitled to anyone's time whenever he wants it or needs it.

Van Patter is down in Kweiyang and won't be back here before the first of July. By that time he will have a tough situation pretty well licked and with a few touches here and there, the maintenance system should go along on its own.

I am going to cover the shops here, while Van is away and should be pretty well occupied for the few weeks we have left. Van is feeling much better than he has since we arrived and he is beginning to pick up a bit of weight which he most certainly can use nicely. He has certainly developed into quite a capable man and I am certainly glad that he was the man selected for the job. I can personally recommend him highly - if he only wouldn't splash water and soap suds all over the mirror. Well, so much for us.

The one thousand International tractor trailers you spoke about are not definitely decided upon but are being seriously contemplated. However, I don't feel that so many can be used on the few highways where articulated units are indicated. Probably five hundred will be nearer correct. I suppose you know the Southwest Transportation Company took our two hundred Internationals away from us on the Generalissimo's orders so we are almost exclusively on three ton units now. No doubt we will ask for at least one hundred duplicates of the D 50s out of those contemplated or in addition - time alone will tell.

There is not much else of interest at this time except that the rain of the last few days has stopped the air raids - and if the bad weather keeps up, the moon will fade and we will have relief for twenty days at least. The local boys knocked off seven of them this week which should slow them up for a while.

Sorry to have to close but I have callers again so I'll be seeing you soon.

If you see Mr. Wible, say hello for me and tell him I will write him as soon as it is propitious. Tell him Eichholzer is in the Hospital in Hongkong critically ill with typhoid and that I am double timing for the present.

Always

(signed)

Andy Bassi

Revenues of Passenger & Freight Transportation  
at following stations  
from May 14-20, 1940

<u>Date</u>	<u>Chungking Station</u>	<u>Kweiyang Station</u>	<u>Kunming Station</u>	<u>Liuchow Station</u>	<u>Hwanghsien Station</u>	<u>Luhsien Station</u>	<u>Total</u>
May 14	27,342.05	51,273.89	29,890.60	1,029.30	518.95	2,316.75	112,371.54
May 15	6,529.31	56,817.09	41,810.16	2,804.70	834.32	2,249.19	111,044.77
May 16	27,305.60	51,840.24	16,158.35	214.40	464.99	-	95,983.58
May 17	32,815.48	5,366.54	45,788.33	5,341.45	688.64	-	90,000.44
May 18	72,591.45	76,417.13	30,457.02	1,458.90	514.00	3.50	181,442.00
May 19	36,070.21	37,695.82	60,197.82	3,835.75	472.50	60.00	138,332.10
May 20	37,508.63	12,064.80	20,000.00	1,421.00	888.14	1,000.00	72,882.57
<b>Total</b>	<b>240,162.73</b>	<b>291,475.51</b>	<b>244,302.28</b>	<b>16,105.50</b>	<b>4,381.54</b>	<b>5,629.44</b>	<b>802,057.00</b>
<u>Average Daily</u>							<u>114,580.00</u>



Number of Trucks despatched & Tonnage hauled  
daily at the following stations  
from May 14-20, 1940

Date	Chungking Station	Eweiyang Station	Kunming Station	Liuohow Station	Huanghsien Station	Luhien Station	Total
May 14	W (9) 25,681 (42)	A.E. (14) 121,000	A.E. (14) 42,000	-	-	G (5) 15,000 (70)	204 tons
May 15	W (2) 3,000 (59)	A.W.E. (28) 174,000	A. (28) 76,000	-	-	- (90)	253 tons
May 16	W (8) 22,370 (32)	A.W. (29) 89,000	A.F. (29) 85,000	-	-	D. (1) 3,000 (70)	199 tons
May 17	W (10) 27,000 (32)	A.W.E. (26) 92,000	A.F. (2) 76,000	H. (2) 4,000	-	- (70)	199 tons
May 18	W (21) 63,000 (40)	A.E. (11) 119,000	A.E. (11) 32,000	-	-	G. (72)	214 tons
May 19	W (12) 36,000 (63)	W.A. (16) 127,000	A.E. (2) 48,000	A. (2) 4,000	-	G. (2) 6,000 (95)	201 tons
May 20	(11) 33,000 (16)	A.W. (14) 45,000	A.E. (1) 41,000	A.E. (1) 2,000	-	- (42)	121 tons
Total:	(84) 213 T. (284)	827 T. (138)	400 T. (5)	10 T.	-	(8) 24 T. (509)	1,471 T.
Average Daily	(12) 30 T. (41)	118 T. (20)	57 T. (.7)	1.4 T.	-	(1) 3 T. (73)	210 T.

Exported: Wood Oil 211 Tons, Ammunitions 793 Tons, Others 467 Tons

W = Wood Oil  
 H = Medicine

A = Ammunition  
 E = Etc.

F = Fuels

C = Cement

D = Diesel Oils