



## TREASURY DEPARTMENT

WASHINGTON

June 23, 1941

OFFICE OF THE ADMINISTRATIVE  
ASSISTANT TO THE SECRETARYMEMORANDUM FOR THE SECRETARY:-

During the first 18 days of the "Voluntary Purchase" campaign, employees of the Treasury Department have pledged to purchase Defense Savings Bonds and Stamps as follows:

IN THE DISTRICT OF COLUMBIA:

Of the 19,900 employees of the Treasury Department in the District of Columbia, 16,241 employees, or nearly 82 percent, have pledged to buy \$78,320 in bonds or stamps each month.

IN THE FIELD:

Reports from 5 of the Treasury field services show that 1888 field employees pledged to purchase \$14,270 in bonds or stamps each month. Reports from some of the larger Treasury field services have not yet been received.

TOTAL FOR THE DEPARTMENT:

Reports for the entire Department (District of Columbia and Field Service) show that up to June 19th the Treasury's employees have pledged to purchase \$92,000 in Defense Savings bonds or stamps each month, or a total of about \$1,104,000 a year.

In addition to bonds and stamps which are being purchased from their banks or through post-offices, Treasury employees have already actually purchased over \$92,000 of these securities from the volunteer "Group Agents" designated by the bureau heads to handle sales in the various offices.

*Handwritten signature*

# SEMI-MONTHLY REPORT OF PLEDGES AND PURCHASES

## TREASURY EMPLOYEES' VOLUNTARY PURCHASE PLAN

### DEFENSE SAVINGS CAMPAIGN

JUNE 10, 1941.

REPORT FOR PERIOD ENDING

OFFICE OF COLUMBIA PERSONNEL

BUREAU OR DIVISION	PERSONNEL EMPLOYED	PLEDGES				PLEGDED TO BE PURCHASED EACH MONTH									ACTUALLY PURCHASED THROUGH GROUP AGENTS									
		PERSONNEL EMPLOYED	AMOUNT PLEDGED	PERCENTAGE OF MONTHLY SALARY	PERCENTAGE OF ANNUAL SALARY	BONDS			STAMPS			TOTAL BONDS AND STAMPS			BONDS			STAMPS			TOTAL BONDS AND STAMPS			
						PERSONNEL EMPLOYED	AMOUNT PLEDGED	PERCENTAGE OF MONTHLY SALARY	PERSONNEL EMPLOYED	AMOUNT PURCHASED	PERCENTAGE OF MONTHLY SALARY	PERSONNEL EMPLOYED	AMOUNT PURCHASED	PERCENTAGE OF MONTHLY SALARY	PERSONNEL EMPLOYED	AMOUNT PURCHASED	PERCENTAGE OF MONTHLY SALARY	PERSONNEL EMPLOYED	AMOUNT PURCHASED	PERCENTAGE OF MONTHLY SALARY	PERSONNEL EMPLOYED	AMOUNT PURCHASED	PERCENTAGE OF MONTHLY SALARY	
DEPARTMENT OF TAX REVENUE	24	24	—	24	100%	350	—	350	71	—	71	521	—	521	—	25	—	25	9	22	31	9	47	56
DEPARTMENT OF COMMERCE	5	5	—	5	100%	150	—	150	12	—	12	162	—	162	—	—	—	—	—	—	—	—	—	
GENERAL DIVISION	73	65	5	70	91%	200	—	200	84	8	92	284	8	292	75	200	275	17	16	33	92	216	308	
OFFICE OF INTERNAL REVENUE	4619	4068	248	4316	93%	12,350	1,475	13,825	10,088	1,188	11,277	22,438	2,663	25,102	2,250	12,500	12,500	732	5,207	5,940	2,972	15,457	18,429	
DEFENSE SAVINGS STAFF	82	59	16	75	91%	1,775	128	1,903	124	35	159	1,899	94	1,993	75	225	300	5	42	47	80	268	348	
NEW YORK OFFICE	160	130	17	147	91%	100	—	100	283	18	301	383	18	401	100	550	650	77	157	234	177	707	884	
TREASURY OFFICE	165	140	8	148	90%	710	25	735	417	40	457	1,187	65	1,253	200	625	825	14	141	155	214	766	980	
INVESTMENT DIVISION	808	596	128	724	90%	1,525	300	1,825	1,562	222	1,784	3,087	522	3,609	400	1,425	1,825	503	915	1,418	903	2,340	3,243	
U.S. DEPT. OF COMMERCE	2256	1839	157	1996	88%	2,487	333	2,820	3,545	826	4,371	6,032	1,160	7,192	5,625	5,150	12,775	1,918	2,909	4,527	7,543	2,559	15,102	
BOARD OF THE MINT	25	20	2	22	88%	291	25	316	41	4	45	332	29	361	50	50	100	15	21	36	65	136	201	
OFFICE OF THE MINT	53	43	3	46	86%	75	—	75	76	1	77	152	—	152	—	18	18	35	45	100	35	83	118	
OFFICE OF THE MINT	1416	1122	82	1214	86%	1,627	300	1,927	1,977	44	2,023	3,604	746	4,350	1,500	1,725	12,775	485	1,415	2,370	11,805	3,340	15,145	
GENERAL COUNSEL	137	92	25	117	85%	1,050	81	1,131	190	54	244	1,240	135	1,375	275	412	687	28	75	123	304	507	611	
OFFICE OF MANUFACTURES	95	73	7	80	84%	325	—25	300	173	53	226	498	28	526	150	300	450	58	119	177	208	419	627	
CONTROLLER OF CURRENCY	373	273	36	309	83%	1,667	187	1,854	868	72	940	2,524	260	2,784	175	525	700	235	350	585	410	875	1,285	
OFFICE OF PRINTING	42	31	2	33	79%	50	—	50	63	14	77	113	4	127	50	—	50	22	39	61	72	39	111	
PRINTING & FINISHING	4307	3023	1797	4814	76%	3,125	2,650	5,775	2,808	9,278	12,086	5,933	11,228	7,861	—	8,700	8,700	—	5,364	5,364	—	10,664	14,064	
DEFENSE FINANCE CONTROL	188	141	—	141	75%	750	—	750	727	—	727	1,477	—	1,477	150	337	487	216	349	565	366	686	1,052	
POST OFFICE SERVICE	380	38	239	277	73%	100	—	100	101	327	209	219	427	550	275	825	—	40	271	317	390	552	1,142	
OFFICE OF CUSTOMS	202	135	10	145	72%	637	—	637	462	85	547	1,099	86	1,185	400	1,275	1,875	190	297	487	570	772	2,362	
OFFICE OF ACCOUNTS	1552	814	199	1013	65%	1,150	125	1,275	1,860	411	2,251	2,786	336	3,522	1,500	3,000	3,300	442	1,194	1,836	2,142	2,994	5,136	
UNIT STATES DEPARTMENT OF TREASURY	545	231	87	318	57%	1,154	750	1,904	599	181	780	1,753	931	2,684	650	2,525	—	53	344	447	1,928	1,027	2,955	
OFFICE OF TREASURY	244	136	—	136	56%	125	—	125	106	—	106	231	—	231	125	—	125	79	—	79	204	—	204	
STATISTICS	124	—	66	66	53%	—	608	608	—	145	145	—	753	753	—	75	75	—	32	32	—	107	107	

19,900
13,113
3,128
16,241
81.6%
31,833
6,962
38,795
26,226
13,299
39,525
58,059
29,261
78,320
25,150
34,717
59,867
5,844
18,910
24,764
30,994
53,637
84,631

Regraded Unclassified





## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 23, 1941

TO Secretary Morgenthau  
FROM Mr. Kuhn

Since the last press conference, scores of business firms, many of them nationally known, have indicated their willingness to adopt a salary allotment plan so that their employes can buy Defense Savings Bonds. The initiative in every case has come from the employes themselves, and through the unions wherever a company is unionized.

Here is a list of a few of the companies that have come in since last Thursday:

Pratt and Whitney  
United Aircraft Corporation  
Michigan Bell Telephone Company  
Federal Motor Truck Company  
Southwestern Bell Telephone Company  
Sheffield Steel Company  
Scullin Steel Company  
Public Service Corporation of New Jersey  
Pennsylvania Central Airlines

In addition, there are ten nationally known insurance companies and hundreds of other companies which are not nationally prominent.



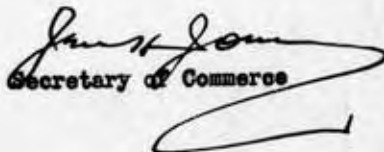
THE SECRETARY OF COMMERCE  
WASHINGTON

June 23, 1941

Dear Henry:

Many thanks for sending me the recordings by Irving Berlin. I am very glad to have them.

Sincerely yours,

  
Secretary of Commerce

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

June 23, 1941.

MEMORANDUM FOR THE SECRETARY'S FILES

A meeting relative to the administration of Executive Order 8389, as amended, was held in Mr. Foley's office at 3:00 p.m., June 23, 1941, attended from time to time by the following:

Messrs. Foley, Bernstein, Pehle, Coe and Aikin for the Treasury, Messrs. Acheson and Luthringer for State, Messrs. Shea and McNamara for Justice.

There was considerable discussion regarding the position of Russia. Mr. Bernstein read a proposed General License designating Russia as a "generally licensed country" and the relative press release. He explained the advantages of lifting Russia through the formula of a General License, as opposed to an Executive Order entirely freeing that country from the freezing regulations. Mr. Acheson, after telephoning the State Department, said that Mr. Welles agreed that action should be taken to lift the Russians from the freezing order by General License. It was decided that a General License should be issued, subject to check by the Department of Justice to determine what effect this action might have in respect to subversive activity investigations.

Mr. Pehle mentioned the cable received by the New York Federal from the State Bank of the U.S.S.R. concerning the sale by the latter of four million Swiss francs against dollars. He said that he thought this transaction was significant in view of the latest developments abroad.

Mr. Foley stated that the Associated Press, in order to repatriate their representatives located in Europe, had requested permission to pay \$10,000 in free funds to the DNB which will undertake to arrange the repatriation. Mr. Pehle expressed the opinion that to allow such a payment to the DNB would be establishing a very unfortunate precedent. Mr. Bernstein said that there should be some over-all statement of policy concerning repatriation of Americans from abroad. If Germany agrees to provide funds for Americans to leave Axis-dominated Europe, this Government will place an equivalent amount of free dollars at the disposal of

- 2 -

Germans who desire to leave this country, though the latter would not be an implied permission to let the Germans go. It was decided that the AP's request should be refused.

Mr. Acheson then read a draft memorandum of the procedure to be followed in connection with diplomatic, consular and official accounts of the Italian Government in the United States. After discussion, it was agreed that no action be taken on the proposed memorandum until the Treasury had had an opportunity to study it.



June 23, 1941.

MEMORANDUM FOR THE SECRETARY'S FILES

A meeting relative to the administration of Executive Order 8838, as amended, was held in Mr. Foley's office at 3:00 p.m., June 23, 1941, attended from time to time by the following:

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June 23, 1941  
3:04 p.m.

HMJr:

Hello.

Sumner  
Welles:

Yes, Henry.

HMJr:

I have Press at 3 and the newspapers plus the United Press ticker are crediting to you that - I have this thing in front of me - that Welles gave some previous report that the German pact with Russia may speed the issue of the general license of the frozen Russian funds in this country. And it goes on, other quarters say that the Treasury would act favorably on the Russians at Press of that nature.

W:

I'd better send over to you my Press Conference. I said nothing of the kind.

HMJr:

Well.....

W:

What I said was this in reply to a question with regard to what action would be taken concerning the frozen Russian balances. I said that that was a matter that they better consult the Treasury upon. That I understood the Treasury Department and Acheson here had been discussing the matter with the Russian Ambassador during the previous week. That was all that I said.

HMJr:

As I understand it, from our boys, Foley and Penle, that Acheson hasn't raised the point.

- 2 -

- W: He's seen the Soviet Ambassador just the way he's seen the Diplomatic Representatives in all of the other countries, concerning whom in the original plan, it was stated that general licenses could be issued provided they gave satisfactory assurances - you remember the wording?
- HMJr: Oh, yes. Well, would it be all right to say that all foreign representatives are received by the State Department and I have to refer them to the State Department.
- W: Well, it's a little - it would be a little bit confusing, I think, Henry, in view of the fact that I referred the people here to the Treasury Department.
- HMJr: Well, that's why I'm calling you. I don't want.....
- W: What-I implied, of course, was that the State Department and the Treasury Department again are in their respective spheres working out these problems.
- HMJr: Well, how about this. We both don't want to get our wires crossed - I want to be truthful. Supposing I say that the matter has been brought to my attention or does that throw it down too hard?
- W: The matter has?
- HMJr: Has not. Not since this war business, you see?

- 3 -

W: Yeah.

HMJr: Give it

W: Well, exactly.

HMJr: I mean, they've had no contact with Ouminsky since Germany and Russia have gone to war.

W: Neither have we. Neither have we, and what I tried to make clear was the fact these conversations last week had to do with the question of general licenses in accordance with the provisions of that order.

HMJr: Well, would this be all right? Say that we've had no conversations with them since they've gone to war.

W: That's absolutely all right.

HMJr: Is that all right?

W: If you don't mind adding that conversations did take place with the State Department last week concerning the issue involved with - in the order.

HMJr: I'll say that.

W: That will be very helpful.

HMJr: Is that helpful?

W: Yes, Henry.

HMJr: That's what I want to be.

W: Thank you very much and you always are.

HMJr: Thank you.

W: Thanks, Henry. Goodbye.

MEMORANDUM

June 23, 1941

To: Mr. Harry Hopkins  
From: Oscar S. Cox

Proposal: That the President send to Congress immediately a message stating that he has directed 1) The Secretary of War and the Secretary of the Navy to increase shipments to Britain of defense articles out of stocks and current production and 2) The Secretary of the Navy to take all additional steps necessary to protect these increased shipments. The message should also state that the President is asking the Congress to approve this course of action by concurrent resolution.

1. This action is the only way in which the disruptive forces now at work in this country as a result of the German attack on Russia can be stopped.

(a) A statement in support of Russia analogous to Churchill's, although necessary, will not suffice in a country tired of talk and thirsting for action. Talk has not stopped the isolationists before and hardly can be expected to do so now.

(b) Aid to Russia in substantial amounts is not feasible as a practical matter and would not quell the isolationists.

- 2 -

2. Additional supplies out of stock and current production and naval protection are the only substantial assistance we can immediately give either Russia or Britain. They will:

(a) Strengthen the British offensive against German war industries;

(b) Strike a heavy blow at German morale if announced on the heels of the outbreak of war with Russia;

(c) Answer the disruptive forces in this country in the only way possible -- by action.

3. Protection of American property by Presidential--as contrasted with legislative--action is clearly legal, and it is suggested by analogous action of Presidents John Adams, Tyler, Grant, Wilson, and Coolidge.

4. The method proposed will obviate the danger of a filibuster while at the same time allowing an expression of views by the Congress.

(Initialed) OSC

OVLE 7/13/41  
RECEIVED VJ 8:42  
SECRETARY'S CORRESPONDENCE DIVISION

## THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

TELEPHONE REPUBLIC 7860

Box 680  
BENJAMIN FRANKLIN STATION  
WASHINGTON, D. C.

June 23, 1941.

Dear Henry:

I have picked up one of these throats which seem to be going around Washington and, as I have a fairly high temperature, I feel I shall regretfully have to cut out my attendance at the meeting this afternoon. I am very sorry indeed. I shall be there in spirit!

Yours sincerely,

A handwritten signature in cursive script, likely belonging to Arthur Hays Sulzberger.

Hon. Henry Morgenthau,  
Secretary of the Treasury,  
Washington, D. C.



June 23, 1941

My dear Mr. Keynes:

I beg to acknowledge receipt of your letter of June 18th with enclosed copy of a letter to Mr. Harry Hopkins.

Yours sincerely,

(Signed) E. Morgenthau, *EM*

Mr. J. M. Keynes,  
British Supply Council in  
North America,  
Box 680, Benj. Franklin Station,  
Washington, D. C.

June 23, 1941

My dear Mr. Keynes:

I beg to acknowledge receipt of your letter of June 18th with enclosed copy of a letter to Mr. Harry Hopkins.

Yours sincerely,

(Signed) E. Morgenthau: 577

Mr. J. M. Keynes,  
British Supply Council in  
North America,  
Box 680, Benj. Franklin Station,  
Washington, D. C.

June 23, 1941

My dear Mr. Keynes:

I beg to acknowledge receipt of your letter of June 18th with enclosed copy of a letter to Mr. Harry Hopkins.

Yours sincerely,

(Signed) H. Morgenthau, 576

Mr. J. M. Keynes,  
British Supply Council in  
North America,  
Box 680, Benj. Franklin Station,  
Washington, D. C.

c o p y

June 23, 1941

Dear Mr. Keynes:

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

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

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

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

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

Very sincerely yours,

HARRY L. HOPKINS

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

cc: Secretary of the Treasury

## THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA



TELEPHONE: REPUBLIC 7860

Box 880  
BENJAMIN FRANKLIN STATION  
WASHINGTON, D. C.Mr Secretary Morgenthau,  
The Treasury,  
Washington, D.C.

June 18th 1941

Dear Mr Morgenthau,

For some five weeks, as you know, we have been spending much time, primarily in connection with your undertaking to Sir F. Phillips, on the question what old commitments we can be relieved of, consistently with the statement made by the Director of the Budget. And at last it looks as if some sort of finality would be reached on this, one way or the other.

Meanwhile time passes by (though usefully and to my great advantage in many ways), and it seemed to me advisable to attempt to crystallise the position on the other line of approach which you told me concerned Mr Hopkins primarily, namely relief by additional lease-lending in respect of entirely new commitments. I have, therefore, sent him a letter of which I enclose a copy; and I hope you will feel that the lines of approach I seek to open up are suitable and not unpromising.

Some time I should much appreciate a talk with you on the "consideration" question, about which formal negotiations have now been initiated, though they have not yet reached any degree of definition.

Yours sincerely,

Harry Hopkins Esq.,  
The White House,  
Washington, D.C.

June 17th, 1941

Dear Mr Hopkins,

In the five weeks which have passed since I gave Mr Morgenthau a memorandum outlining what the Chancellor of the Exchequer had sent me to say, no positive progress has been made. But the possibilities of the situation have been very carefully explored by Sir F. Phillips and myself with the officials of the Treasury Department and with Mr Cox, who have been most kind and sympathetic and helpful but have been up against difficulties which were none of their making.

I am given to understand that, as a result of this examination, Mr Morgenthau will be advised shortly of the utmost which is possible by way of relieving us of existing commitments. But it is clear, I think, that the amount, if any, available after satisfying Mr Morgenthau's promise to Sir F. Phillips to find relief of from \$300,000,000 to \$400,000,000, will not go far towards satisfying the needs which I outlined in my memorandum.

The time has come, therefore, when I need guidance from you how it would be useful for me to try to make progress, in so far as this is possible through the Lend/Lease machinery. Leaving details and minor sources on one side, and assuming that we are already putting in requisitions in respect of all U.S. exports to U.K. which can be handled administratively on our side and are acceptable on yours, there appear to me to be only two methods which

are of substantial importance:-

(1) The financial estimates made in London assume that munition exports to the British Commonwealth outside Britain (excluding Canada) will be lent-leased but that we shall have to pay cash for other exports to those destinations. If you were prepared to apply to requisitions under Lend/Lease on behalf of other parts of the Empire outside North America the same general criteria that you apply to requisitions from Britain, this would afford us a material relief.

I do not mean by this that you should not apply to Dominion applications stricter tests under the priority arrangements where commonsense and the necessities of the situation suggest that stricter tests are appropriate; but that types of cases which would be eligible for Lend/Lease if they were for the U.K. should also be eligible when they are for other parts of the Empire in all cases where the stuff is available for them to take.

This would, I suggest, be a sensible sort of arrangement to make, since it would amount to substituting Lend/Lease supplies which present no administrative or other difficulties in place of U.K. requirements which do present such difficulties.

It is unlikely that the relief obtainable in this way would do the whole trick, but it would go a long way. It is a difficulty in the way of my obtaining reliable estimates at short notice that London might think it inadvisable to encourage the Dominions to draw up requirements along these lines unless there was some reasonable hope of their getting satisfaction. Our total disbursements in respect of exports from the U.S. to the British Empire outside Great Britain and Canada are estimated at \$450,000,000 a year, but only a proportion of this, say a third to a half, is likely to prove workable through the Lend/Lease machinery, at any rate in the first instance.

What I contemplate in making this suggestion is not independent lend-leasing direct to the Dominions, but lend-leasing to Great Britain with authority to transfer to the Dominions. This procedure has the advantage that it does not complicate the "consideration" agreement or the organisation which is now conveniently centralised under Mr Purvis. Otherwise the President would have to make five distinct consideration agreements and you would have to deal with five independent requisitioning authorities. Moreover if the requisitions on Dominion behalf are not centralised and criticised by us before they reach you, considerable waste of time may ensue. There are also other difficulties which I need not labour.

(2) The only other important way in which you can help us would be by obtaining fresh authority from Congress when next the President asks for an appropriation.

We estimate that we are spending currently in the United States at least \$700,000,000 a year, which, for one reason or another, is not being paid for through the Lend/Lease machinery, of which \$250,000,000 is for Great Britain and \$450,000,000 for the rest of the Empire exclusive of Canada (as mentioned under (1) above). As you know, we have a common purse with the Dominions, apart from Canada, for dollar expenditure, and we must provide the dollars needed for their essential purposes as well as for our own. It is these heavy disbursements, additional to our pre-Lend/Lease commitments for munitions, which are the source of our financial difficulties. If we could be relieved of a substantial part of these, we should be - relatively speaking - in an extremely satisfactory position.

To be more precise, would it be possible for the President to take authority, when next he approaches Congress for a Lend/Lease appropriation, to ask for a sum of (say) \$500,000,000 a year (or



\$250,000,000 if the Dominions are being dealt with under (1) above) which he was free to make available for expenditure in the U.S. otherwise than through the strict Lend/Lease procedure of requisitions etc.?

This would enable him, in effect, to make a cash transfer to us provided we undertook to expend it in the U.S. for current needs other than on pre-Lend/Lease munition commitments which we should continue to meet out of our own resources as we have agreed to do. He could point out to Congress that a few months' experience has shown that the Lend/Lease procedure is convenient and appropriate over 95 per cent of the field, but that there remains a margin where it is administratively inconvenient or impracticable, so that he needs a little elbow room to deal with this marginal field.

Otherwise, it is a case of spoiling the ship for the sake of a coat of paint. We have this magnificent conception of Lend/Lease; "consideration" is being discussed on lines more magnanimous than any hitherto recorded transactions between great nations; and yet, on account of our resources having been so completely exhausted before Lend/Lease came into operation, we suffer anxiety and possible embarrassment through being unable to accumulate the minimum reserves which are necessary to carry the vast financial responsibilities of London. At the present moment the total gold reserves of the Bank of England are less than \$50,000,000, and the cash reserves of the British Treasury less than \$100,000,000 - which would be laughable if it were not so embarrassing. To build these up, except very slowly, out of our accruing resources is impossible while we are facing the double task of paying off old commitments and financing current expenditure of the sterling using parts of the Empire in the U.S. outside Lend/Lease. Yet it needs only a trifling addition to the

assistance we are already receiving to give us the necessary comfort of mind and freedom from daily cares - a gain to our Administration in all the circumstances of the present hour altogether out of proportion to the sums involved.

I am sending Mr Morgenthau a copy of this letter so that he will be aware of what I am suggesting.

Yours sincerely,  
(Signed) J.M. Keynes

June 23, 1941  
3:30 p.m.

RE AID TO BRITAIN

Present: Mr. O'Connell  
Sir Frederick Phillips  
Mr. Keynes  
Mr. Childs  
Mr. Cochran  
Sir Clive Baillieu  
Mr. White  
Mr. Coyne  
Mr. Viner  
Mr. Bell  
Mr. Thompson  
Mr. Archer  
Mr. Elliott  
Mr. Boddis  
Mr. Foley  
Mr. Cox  
Mr. Malcolm

H.M.Jr: Gentlemen, the reports that I get all seem to be favorable. I have a little agenda here, and the first one on it is whether representatives of the British Treasury have any additional information from London to be discussed.

Keynes: Well, Mr. Morgenthau, there is a little addition to certain of the questions which I answered Dr. White at the last meeting. This is the more accurate answer. I might just hand that in. They aren't very important matters.

- 2 -

H.M.Jr: I see. Would you like this to be discussed afterward or now?

Keynes: I should think it is sufficient just to hand that in. They are merely statistical points, clearing up certain things.

On the Dominions, we hope to have a list for New Zealand fairly soon, but it isn't available today. From London we got a telegram this morning which doesn't seem to make any sense. I am afraid it must be corrupt.

H.M.Jr: I see. Garbled, you mean.

Keynes: We will have to get that repeated. It was breaking up the steel and oil amounts, but it was not intelligible. There isn't anything more there.

H.M.Jr: I see. Then this would be --

Bell: As I recall, Mr. Secretary, there were certain questions asked and Mr. Keynes answered them from memory and he said he would like to check up on certain statistics.

Keynes: Yes. Those are two points where I gave roughly correct answers, but that is the more accurate statement.

H.M.Jr: Then the next thing I have on my agenda is actual contracts representing type cases, which the British propose to enter into. Now, that is something that you (Cox) are particularly interested in.

Cox: Yes.

H.M.Jr: Have you got that for Mr. Cox?

- 3 -

- Childs: Yes, I have a very long list here, sir, in two special categories which I can give to you. One in the raw materials and manufactured goods, which is here; and the other aircraft, which is here. You don't want these in detail, do you?
- H.M.Jr: I don't think so.
- Cox: Are these contracts proposed to be entered into?
- Childs: Proposed to be entered into. They are the type cases which cannot be Lend-Leased.
- H.M.Jr: Could we let Mr. Cox take a look at them and see if that is what he wants?
- Childs: All right.  
(Mr. Foley entered the conference.)
- Cox: On this list I notice is an item for five million three hundred thirty-eight thousand long tons of steel, and I wondered if Mr. Elliott or someone else could explain that.
- Archer: That is not for purchases. That is the stuff we buy under the requirements of the U. S. A. up to June, next year.
- Cox: Right, but it is contemplated that you have to make dollar commitments for that unless you could get it under Lend-Lease.
- Archer: That is right.
- Cox: Now, do you know of any reason why that can't be covered under Lend-Lease completely?

- 4 -

- Elliott: Now, Mr. Cox, the immediate position is, so far as I know, covered in the form of approved requisitions to the extent of approximately half a million tons, which are only waiting for the machinery to go through its final movements to get into the mills. I had understood that steel situation would be covered in successive approvals of that kind, now presumably in the first instance through this committee.
- Childs: I should make clear, I think, that list includes certain items which are very probably lend-leaseable, including steel. We put them all together to include Mr. Archer's whole program so as to be a positive declaration once and for all as to every item in there.
- Cox: Yes, but I gather in executing the Secretary's idea that the actual contracts before execution would be submitted for approval just to make sure that on a case basis you would exclude or include it in Lend-Lease.
- Childs: Exactly. That is my understanding, I think.
- Baillieu: Any possible contracts will be lend-leased.
- Cox: Now, do you have any specific contracts?
- Childs: I think you could take those three air ones as very good ones. They involve a good deal of money. Take this one right here, amendments to the contract with Brewster Aeronautical Corporation. Just modifications of planes. Mr. Boddis can explain the modifications to you.
- Cox: You had better talk out loud.
- Boddis: I am not quite sure what the point is that you want.

- 5 -

Cox: The point is, is the contract ready now for the modification?

Boddis: Yes. It could be signed immediately, but what we are trying to do in that particular case is to persuade the firm to agree to a cancelation of certain machines so we can total the commitment on the contract. It is not increased on the understanding that the machines are bought under Lend-Lease. So far they have not agreed to it.

In the other two cases here, pretty definitely the firms have entirely refused to play on those lines, so there we are faced with an immediate expenditure of one million two hundred thousand in one case, and one million nine in the other.

H.M.Jr: I don't see that. Take the one million two. I mean, the idea that I started with and I don't want to get away from is, if you have got one million two - what is it for?

Boddis: Modifications.

H.M.Jr: And you are about ready to let that contract?

Boddis: Yes, actually the work is proceeding.

H.M.Jr: Then, the thing would be to bring it before the committee and say, "Can that go under Lend-Lease?"

Cox: That is right.

Childs: And that is the reason for this exhibit right here.

H.M.Jr: But I gather it isn't the way Mr. Cox wants it, is it?

- 6 -

Cox: No, I think this is all right. I think they can just put the requisition in immediately if it is practicable to handle it that way.

H.M.Jr: But don't you want the actual proposed contract with the companies to clear through?

Cox: It would be better to see that, but I think it would save time if we know what they are going to do if they would let us know immediately through the form of a requisition.

Childs: I think it would be very much better, Mr. Secretary, because the requisition form probably contains all pertinent information. As a matter of fact, as the work comes up we have quite a lot in that list. We propose to put in before the committee a draft of the requisition under Lend-Lease. That has the pertinent information. Then if you say it is all right under Lend-Lease, we will just put it right in and waste no more time.

H.M.Jr: Unless Mr. Cox or somebody else wants more information, the way it came over in January to March 15 for me, every night, was all right. You saw that?

Cox: Yes.

H.M.Jr: Wasn't that all right?

Cox: Yes, that is all right.

H.M.Jr: Then if you wanted any additional information, you could call for it.

Cox: Right.

H.M.Jr: Are you familiar with the way it came over?

Childs: Yes.



- 7 -

- H.M.Jr: What I call the thirty-five million a week list.
- Childs: That is right.
- H.M.Jr: If it came over like that, then if somebody wanted - that was just on one sheet. It gave the name of the company, the amount, and was just on one piece of paper.
- Childs: Well, that is the same thing there in effect, but we will follow those strictly hereafter.
- H.M.Jr: Well, that is not strictly unless you agree.
- Childs: No, I am perfectly agreeable.
- H.M.Jr: And then if somebody in the Treasury - it wouldn't be the Treasury, but somebody representing Mr. Hopkins wanted more information, he could simply say, "I need more details."
- Cox: Right.
- H.M.Jr: "But I okayed, out of these ten items, eight, and please let me have more details on two," or something. Wouldn't that be right?
- Cox: Yes, that would be satisfactory.
- H.M.Jr: And I should think the sooner that got started, the better. Would that be agreeable to the British Treasury?
- Phillips: Yes sir, we can see how it works, certainly.
- H.M.Jr: What?
- Phillips: We can see how it works. I haven't seen a full day's list yet, so I don't know how much material there would be in it.

- 8 -

- H.M.Jr: It could only be to your advantage.
- Baillieu: Certainly.
- H.M.Jr: It only could be to your advantage.
- Baillieu: Undoubtedly. I don't think there is any difficulty there at all, sir.
- Cox: I agree.
- H.M.Jr: I should think the sooner, the better, from your standpoint.
- Childs: Well, we have been trying to get these together as fast as we can, admittedly not knowing precisely what you would want, but that is an almost completely exhausted list with the possible exception of Mr. Elliott's --
- H.M.Jr: But I haven't - it isn't in such shape that we could pass on it today?
- Cox: No.
- Childs: We can make it up in that shape very promptly, do it tonight, sir.
- H.M.Jr: Good. That is the kind of language I like.
- Cox: That presents another question for the committee's action. Do you want to have presented contracts that save money? Because on the June 7 figures for the week ending June 7, there was a net gain of six million three hundred forty-six thousand dollars under the Treasury figures.
- H.M.Jr: How do you mean?
- Cox: Well, on cancelations, they got credits instead of debits and those come up in the form of particular contracts.

- 9 -

H.M.Jr: Well, what would happen on that?

Cox: Well, for example on ammunition the Empire total, they have got a three million dollar credit, apparently.

H.M.Jr: What would you do with that, Oscar?

Cox: Well, I think it needn't come before the committee, but I think the information is already available on the net outgo and income sheets, and you would know the financial status as of a very particular day of the month.

H.M.Jr: Well, wouldn't that come up under the thing that I hope they are going to let me have, the net position once a week?

Cox: I should think so.

H.M.Jr: The net position once a week.

Phillips: Yes.

H.M.Jr: Wouldn't that come up there, cancelations?

Bell: It would come up in connection with their outstanding commitments.

H.M.Jr: Yes.

Bell: Their outstanding commitments would be reduced by this credit.

Phillips: Yes.

Cox: Well, also the problem involves cash refunds in some of these, doesn't it? It would affect both your commitments and your income.

- 10 -

Childs: If there were down payments that you got back, it would, definitely, yes.

H.M.Jr: If you gentlemen would come in tomorrow with the - one of these sheets, I should think that this committee would be ready to do business with you. Wouldn't you, Oscar?

Cox: That is right, sure.

Phillips: Yes, we can do that.

H.M.Jr: And when will the Treasury present to us the first net position of the Treasury? When do you start that?

White: They have already given us one.

H.M.Jr: They already have?

White: Yes.

H.M.Jr: As of what date, Harry?

White: I don't know the exact date, but I think it was within the week.

H.M.Jr: Well, I --

Phillips: Yes, once a week we can do it.

H.M.Jr: When are you going to close your week, on Saturday?

Phillips: We can fit it in to suit you, I think, without much trouble.

H.M.Jr: Well, suit yourselves.

Phillips: I will just settle with Mr. White.

White: Oh, if you would have a definite date that

- 11 -

you would close on.

Phillips: Yes, I will do that.

Cochran: We have it as of June 1, now.

H.M.Jr: Well, if it is going to be weekly, they ought to have a date that they close on and I take it it will take a couple of days from then on to get the position, wouldn't it?

Phillips: Yes. Well, I will discuss it with Mr. White if I might.

H.M.Jr: Good.

Cox: I have another question about steel.

H.M.Jr: Please.

Cox: Are there any outstanding steel orders for steel that could be terminable or could be terminated?

Elliott: No, sir. I would say that there is nothing at all now which could be terminated. There have been substantial cancelations and substitutions on the steel program because over the last four months we have actually fallen on a period of reduced shipping and the situation has changed from week to week, and something has come forward of greater urgency than what had already been entered into as a commitment; and in the process of bringing the situation right up to date, I would like to say that we have cleared out anything that could possibly be cancelable.

H.M.Jr: Do you have any outstanding commitments on steel?

- 12 -

- Elliott: The outstanding commitments are small in relation to the program, very small. There may be some fifty thousand tons of steel still to deliver against purely British commitments, which is a very, very small figure.
- H.M.Jr: Mr. Elliott, just - I am rusty on this sort of thing now. I haven't done it for months. Do the British buy their steels through the Purchasing Mission or do they buy it outside?
- Elliott: Entirely through the Purchasing Mission, sir, and there was an element which, as you will recall, appeared to suggest some independence from the Purchasing Commission which was in appearance and not in fact, but for the purpose of Lend-Lease that has been entirely removed. Anything like that just isn't in the picture today.
- H.M.Jr: I don't know. As I say, it has been months since I have dealt with it.
- Oscar?
- Cox: That is all.
- Elliott: I think Mr. Cox really wanted to know the history of that a little more in detail and I will be very happy to give it to him without troubling this committee. I think, Mr. Cox, you agree, don't you?
- Cox: Yes.
- H.M.Jr: The next thing we have is actual contracts placed since March 11.
- Phillips: Yes. Well, we have furnished Mr. Cox with a complete list of everything except things under fifty thousand dollars, which is a

- 13 -

rather long job, but we will do that.

H.M.Jr:

Have you got that?

Cox:

I just received it today.

H.M.Jr:

Could we get a copy of that?

Cox:

Yes.

H.M.Jr:

But you got that today?

Cox:

Yes. I have got them right here with me.

H.M.Jr:

I will tell you, you stay behind.

Cox:

All right.

H.M.Jr:

Is there any question about that?

Cox:

No.

H.M.Jr:

Then the next thing I have, memorandum which the British were to prepare on the U.K. imports from the United States, administratively difficult to place under Lend-Lease.

Keynes:

That isn't quite ready. It is in draft, but it isn't quite ready.

H.M.Jr:

All right. The next thing I have is further information on needs of Dominions and India which may be handled under Lend-Lease.

Keynes:

That again we haven't had anything further from London, as I mentioned in the beginning. I think the only thing we shall be able to do quickly is New Zealand. Australia we have done fairly thoroughly already. The difficulty is really on South Africa.

- 14 -

- Cox: I received a memorandum today from Sir Frederick on New Zealand and which takes care of that end of it.
- H.M.Jr: Any developments with respect to the centralization of South African purchases in the United States?
- Childs: Yes. I had a call this morning from the Secretary of the South African Legation who said that they were investigating the matter now with a view to taking affirmative steps. We are simply making inquiries. I went through the whole thing, reviewing the general discussion we had here at one of the committee meetings following the meeting we had with you, sir.
- H.M.Jr: Memorandum on possible sale of wool already here or stored in Australia.
- Phillips: Well, we can put a memorandum in, sir. I wanted a communication with one of the defense organizations on that, but I will certainly put in a memorandum. Nothing has developed very much yet. They simply asked us how the matter stood, and I have given them some figures showing how much is here and how much is being shipped and the value of the stuff.
- Bell: Have you discussed it with Jones lately with a view to having him take over --
- Phillips: I got a message he was interested in it and simply wrote him a letter explaining what there was.
- Bell: How long ago has that been?
- Phillips: Oh, three or four days.



- 15 -

- H.M.Jr: Mr. Bell and I spoke to Mr. Jones today on his financing that we are doing for him, and he said he hoped to get tomorrow - this money he can lend - Peacock's, isn't that it?
- Bell: Yes.
- H.M.Jr: I told him it was urgent. Well, the wool thing we are still to hear from?
- Phillips: Yes. If it gets held up anywhere, we will let you know.
- H.M.Jr: All right, please. Any further information on other materials which Defense Supply Corporation contemplates buying from the British Empire or which the British Empire hopes to sell to the United States?
- Keynes: There I have asked Mr. Melville of the Colonial Office to prepare a document on one or two commodities, and I think that will raise - these buying bodies of yours are in several cases buying goods which they don't quite know where they will ship and their tendency is to ask for a contract which is payment f.o.b., so we get no dollars unless and until they are shipped. It would help a great deal if they would pay on delivery in the country of origin without necessarily waiting for the shipping. The particular things I have the exact details of is sisal. It isn't a very large amount. They don't know whether or when they will ship it. I believe there are a good many cases like that. Wool, of course, is a case like that. I am told that the Metal Reserve --
- Cox: Metal Reserves Corporation.

- 16 -

- Keynes: Metal Reserves Corporation has been buying a good deal of manganese from India. They don't quite know where they will ship it. I rather think they are not paying it until they do ship it. I expect one could find a good many of those cases.
- H.M. Jr: Information on our taking over the Swedish charters and placing them under Lend-Lease.
- Keynes: The position there, Mr. Morgenthau, is that there has been - London is not quite sure whether that would work, and have told us that we are to consult with Sir Arthur Salter, who is in Canada at the moment, and we can't get hold of him until the end of the week, so it is held up until we can talk to him about it.
- White: Your memorandum with respect to such commodities as manganese and wool, would that also be accompanied by another report on the possibilities of helping out on the cocoa situation and similar commodities?
- Keynes: Yes, it will have cocoa, but I should say that we could only give it in the case of sisal and what is really contingent, your own buying bodies - you see, I only heard by gossip, so to speak, that they were buying manganese. What you are buying in India doesn't come our way officially.
- White: But apparently the cocoa situation came your way.
- Keynes: Yes, and sisal also comes our way. Both of those memoranda are being prepared.
- White: It is our understanding that anything that comes to your attention of that character,

- 17 -

that a memorandum will be prepared and submitted?

- Keynes: Yes, certainly. I think that going beyond that, it might be that your buying organizations would have better information than we have where they are buying on these terms, with payment on shipment rather than on delivery. It is only by accident that we heard of those in certain cases.
- H.M.Jr: Well, we could find out. Is there something you (Cox) want to bring up?
- Cox: No.
- H.M.Jr: Now, is there something you gentlemen would like to bring up? I have cleared my little agenda.
- Elliott: I wonder if I might say in the case of steel referred to, may I say a new presentation of what we are working on at the moment seems to me might fit in very well with what you have in mind here, the control you are going to have.

Conferences have been taking place at home with the representatives of the Dominions who produce steel, and they are continuing. The object is to secure the most economical distribution of the steel produced in the Empire for the purpose of the war effort. One consequence of that is the practical elimination of direct steel exports from the U.K. to Dominions and theatres of war which naturally fits in particularly well with the conservation of shipping. The result of that will be that instead of presenting a picture for the direct requirements of steel to the U.K. and requirements for Dominions and theatres of war and so on

- 18 -

separately, it will really become one over-all picture, although, of course, it can be broken up and the one over-all picture will be the total quantity of steel required as essential to the War Office, which must be obtained in the United States and the effect --

H.M.Jr:

Now, do you mind my interrupting you? I want to be very careful to keep the meetings in this office on dollars, and I am fearful that what you are saying is going to lead into production and over-all, and I don't - I don't want to get in on that, you see. I am no longer in on that.

Elliott:

Yes.

H.M.Jr:

All I want from the British Treasury - I hope you don't mind my interrupting you, but all I want from the British Treasury is this weekly statement, the day to day things that they bring in from the Purchasing Commission. We are going to be just chartered accountants. We want to buy this today.

Now, I am going to be very ignorant and whether it is here or whether it isn't here isn't for this purpose my responsibility, but it is just a question of whether the British Treasury has or hasn't got the dollars and whether Mr. Cox, representing Mr. Hopkins, can or cannot finance it under the Lend-Lease, but whether our steel production in this country or the steel production of the Dominions is big enough to take care of your needs - I am using this as an example - I am just blind. My head is in the sand. I just don't know anything about it.

Elliott:

I appreciate, sir, that this is a little premature. It comes back to dollars in the end, but we haven't got it in that form yet.

- 19 -

- H.M.Jr: But if you don't mind, I am very fearful that we will get off, and the first thing you know I will be back in my old business and I don't want to get back in it. Somebody else has got it.
- Would you gentlemen care to discuss something in Mr. Bell's room? Is there anything you would like to discuss?
- Keynes: We have got to wait for some further information which we have got to get before we can do much more.
- H.M.Jr: Then - will you want to meet tomorrow to clear some contracts?
- Phillips: Well, I personally should rather like to deal with some detailed questions on these amendments of orders with Mr. Cox. I think we are making progress.
- H.M.Jr: Do you want to do that today?
- Phillips: Only we have unloaded a great mass of papers on him, so perhaps he may like some time to look them over.
- Childs: When we talk about after this meeting, I think we can talk about the amendments to the aircraft.
- H.M.Jr: Well, let's leave it this way. If you have some orders you want to clear tomorrow, would you let us know, let Mr. Bell and Mr. White know, and we will have a meeting for you and I will hold three o'clock Thursday open in the hope that both Treasuries have gotten somewhere.
- Phillips: Very good, sir.

- 20 -

H.M. Jr: Three o'clock Thursday, but if you want to adjourn to Mr. Bell's room now, and as I say, if you will let Mr. Bell and Mr. White know when you want the next meeting, they are available; but I would like to meet with you at three o'clock Thursday with the hope that we can say, "Well, we have done this."

And I just want to borrow Mr. Cox from the Lend-Lease for about five minutes and then I will send him in there, if I may.

(The conference at this time adjourned to Mr. Bell's office, with Mr. Bell acting as chairman.)

Bell: Did you (White) say you had some new figures on their cash position?

White: What I had in mind was a figure which they had recently submitted, which would modify their anticipated position. I didn't know that the last figures were June 1. I thought it was a little later than that, but Merle says they are June 1. He has the last date.

Phillips: What figure is this, the gold and dollar balance?

Cochran: That is the only thing I saw.

Phillips: We can give you that figure up to - it isn't altered.

Bell: It just about offsets your output?

Keynes: About thirty million dollars capital assets came in, wasn't it?

Thompson: Well, I think a great part of that was after the first of the month. I think that is most of it.

- 21 -

White: I have here a table that we might give them. I sent a copy around to Mr. Bell which is merely a compilation of material which Mr. Keynes gave us at the last meeting. It is put in sort of a summary fashion. I thought he might have that table to make sure that we understood, just for your convenience.

Keynes: These are cases where, as you know, I am getting more accurate in figures. These are all subject to correction, and they are almost certain to be wrong.

Phillips: June to December.

White: That is merely a tabular resume of what you told us.

Keynes: What is the hundred and nine?

White: I take it that that is the estimate of the British Purchasing Commission expenditures monthly.

Keynes: You mean it is the average figure per month?

White: That is right. You see, that is taken in conjunction with - it is not yet complete - in conjunction with an earlier table which you provided us with, which indicates the changes that you anticipate each month and what your cash balance would be at the end of the month, looking ahead during the next year.

You remember that table you gave us about a week or two ago.

Phillips: I am afraid you will find your miscellaneous one --

- 22 -

- Keynes: Income, fifteen million.
- Phillips: Fifteen a month, that is all right.
- Keynes: Oh, that is all kinds.
- White: Yes. It is merely to see whether we understood the things.
- Phillips: Miscellaneous ones should include that training scheme and radios.
- White: Then that figure would be off. Those small payments don't matter, but merely make it --
- Keynes: Have you any idea how this has been running?
- Phillips: No. You mean the hundred and nine?
- Keynes: Yes. We never can find out what that figure is.
- White: The expenditures on purchasing?
- Keynes: Yes.
- White: Well, those are the commitments which you anticipated would fall due, and I imagine that they are subject to constant change.
- Bell: Ninety-eight million this month, as I remember, for those commitments.
- White: Yes, except that this - for purposes of convenience, this was taken as an average.
- Bell: That is right. They went up to a hundred and fourteen million during the next six months.
- White: That is not, in other words, an accurate portrayal of what your outgo and income would be during the next month.



- 23 -

Keynes: I think there is one item left out. There were other South African purchases from the Empire. It seems to come to not quite enough.

White: Other South African purchases?

Keynes: Yes. I gave you figures of other South African purchases. You see, twelve times thirty-four is four hundred eight. It ought to be four times four hundred fifty.

Then there is the forty millions of the sterling area which are not in.

White: Isn't that in there? That is forty million for the year?

Keynes: Yes, I don't see where it is.

White: We will check up on both of those items.

Keynes: You see, there is forty-two - there are three or four a month missing there for the Empire and for the sterling area not Empire it doesn't seem to be right. That ought to be three and a half. Two items are three and a half. We can get that right.

White: Well, we have the data upon which that was based, and we will recheck it.

Keynes: Yes.

Phillips: One point in the discussion today left me not very clear. What was suggested was that you might see all the contracts we are placing with a view to determining whether they could be brought under Lease-Lend. What about the Dominion problems?

White: Well, I imagine that that would have been the next step after you were ready to indicate what the Dominion anticipated. I should think

- 24 -

the next step would be to examine them in the same way that you do the English. Now, I am wondering, Dan, whether it wouldn't be helpful to have those submitted at once in the same way as the - as we are doing with the British purchases. No decision need be made, but the information might facilitate it.

Bell: Didn't I understand that that was being looked into in each case, as to whether or not they could be brought under Lend-Lease?

White: Well, I thought this would be the way to look into them. Yes, they were going to submit the memoranda.

Bell: That is what I understood.

Keynes: Private purchases?

Viner: Those Dominion ones might break up in the same categories.

White: I should think that would be the way to raise the principle.

Viner: Why not?

White: Well, I should think that would be the way to facilitate it.

Viner: In other words, if a few of those were approved, that would settle the question quickly.

Archer: Well, I don't think you can settle it on individual cases, can you, because the Dominions have got to know beforehand in order to make their arrangements for distribution and centralizing.

- 25 -

White: Well, I take it that that was the step which you were going to get additional information on, as to what their - what they anticipated they would need and the extent to which their purchases could be centralized and the extent to which what now is purchased through private channels could be placed under the Government purchases.

Those were all matters which I take it you were going to pursue.

Keynes: I think what would help us very much is if there could be some approval in principle on a certain list of commodities. We should then ask them to centralize those. There is a fairly clear list of those *prima facie* easy to do. Steel, I think, is being done already.

Then there is oil. Then there is motor vehicles and fertilizers. Then there is machine tools and there is a small item for food. Those are the clearest cases. If we got a fairly clear ruling on those, it would be very helpful.

Archer: That is what we would like.

White: Would that be the easiest way, to get a ruling on it, to present the specific contracts covering each of those items?

Viner: But the answer is that in order that they shall be able to present the contracts through this machinery, they have to organize their buying on that basis.

White: Not if they have some contracts. I gather from Sir Frederick that you have some Dominion contracts. Now, they may not cover all those

- 26 -

items. I don't know.

Phillips: I think we could give you a very sketchy list of contracts placed through the British Purchasing Commission for the Dominions.

Archer: Very few are placed through the Purchasing Commission.

Keynes: What we want to ask is that those commodities would be favorably considered and then we could put them up. But it is difficult to stop the other machinery, you see, unless we can hold out some hope to them that this machinery will work.

White: Well, wasn't that what we expected to do with the partial list that you submitted last time with a more complete list that you were going to submit this time?

Keynes: That is right.

White: But if in addition to that there were any specific contracts which you were contemplating placing, then that list might be supplemented by those contracts and further, might be clarified by the decision on that matter.

Keynes: I think the real difficulty is India and South Africa, and if we could tell them, "If you will centralize such and such commodities, we can put them forward in the same way we put forward the Australian." But they have got into their heads that there are great obstacles in the way. They are quite misunderstanding our position.

Bell: Didn't you say that India was sending some representatives?

Keynes: You said that, Phillips, didn't you? I don't know anything about it.

- 27 -

- White: I thought they said there was one on the way.
- Viner: I saw a newspaper item to that effect.
- Keynes: Yes.
- White: I think Mr. Davidson remarked that there was one on the way.
- Viner: I have forgotten the name now. It was an Indian name.
- Keynes: I think that was so.
- White: Well, does that answer your question, Sir Frederick, that when these lists will be prepared and brought to this committee, then I take it that that question of to what extent the Lend-Lease are ready to treat those various commodities and Lend-Lease items would be considered.
- Keynes: Yes, I think that is what we should do. It is a ham and egg problem, you see.
- White: I was wondering whether the Secretary fully understood Mr. Elliott's point. If I understood it, I thought he was - had something specific in mind that did bear definitely on the matter that was being discussed - I mean Elliott's point with respect to the needs of the Dominions for steel, which they had hitherto been exporting from England and the question was whether there couldn't be an export directly from the United States, I take it, to the Dominions and save the shipping from there --
- Keynes: What I think he was driving at is, when we put in a requisition we can't know whether it is a Dominions or our own in the first

- 28 -

instance. That will be settled at a later stage. Therefore, the ultimate destination wouldn't be so clear as it has been.

White: What is that? I didn't gather that point --

Viner: Let's encourage Mr. Elliott to push the matter further with this committee.

Archer: Perhaps I could explain it. I know something about the steel condition, I think. The United Kingdom wants to change its steel production, switch over from certain things, say from making tin-plate to more direct armaments materials so as to economize the use of its steel to the best of its ability, and instead of bringing steel back across the Atlantic, say to South America, to have that steel sent from here, you see, which was formerly done with British accounts. That would save a certain amount of steel going across the ocean and it would mean that instead of having to use ships to carry it all the way down, it could be used for other purposes.

There is also an advantage in so far as the labor would be relieved from making these particular types of steel. It can be used on making other types, which are more direct in use.

White: That is what I thought.

Archer: Now then, to do that, one has got to transfer certain steel production from the U.K. to the U.S. We understand that the U.S. capacity is available to take this, and it can be done here. If we have to take it here and we can't get it under Lease-Lend, then we shall be involved in a dollar expenditure.

- 29 -

- White: That is what I thought it was.
- Archer: That is the point.
- White: And that is a question of policy that would very definitely be pertinent to the matters which we are --
- Archer: And if we didn't, if we couldn't, what we want to know now is whether we are going to get it under the Lease-Lend, because if we don't get it under the Lease-Lend, we will have to reverse the production policy in the United Kingdom and not have this tin-plate made over here.
- White: Is there this difference? Do I understand the process correctly? Whereas hitherto there has been, let us say, a million dollars worth of raw material going to the British Isles, there converted into a semi-finished or a finished product, and an export of, let us say, two million dollars to some point in South America, that the question which is being raised is the possibility of avoiding that shipment?
- Archer: Yes.
- White: Well, you wouldn't want to confine it to the Dominions?
- Viner: Well, the question has been raised only with respect to the Dominions.
- Archer: No, on two angles. First, to the Dominions, that is, mainly Australia, South Africa, and a certain amount to Egypt for oil cans and things of that kind; and secondly, to the Dominions of South Africa and Portugal for canning foodstuffs, which go back to the U.K.

- 30 -

- White: So that it would be, let us say, a million dollars of raw material which you would export for the equivalent of two million dollars, the difference being in shipping and the manufacturing process and your - the suggestion now is a consideration of an export of the semi-finished or finished product directly from the United States to South America and the proceeds from that point on - it is not clear to me who receives the proceeds of the sale.
- Archer: Well --
- Viner: If delivery made in South Africa, the payment would be made by South Africa to London in sterling, I take it.
- Archer: Yes.
- White: That is in the case of Dominions. Then in the case of the Argentine --
- Archer: In the case of the Argentine, that position has not been clear yet.
- Keynes: No payments would pass because you see this tin-plate is coming back to the United Kingdom.
- Archer: I think there probably would have to be payments for practical reasons.
- Viner: You mean unless South Africa - but if South Africa is charging you now for - or let us say South America, charging you now for the meat, is also charging you for the tin-plate, if it got the tin-plate under Lend-Lease --
- Keynes: We are sending the tin-plate, you see.
- Viner: And you don't - you mean it is a transaction which in time --



- 31 -

- Keynes: Cancels itself.
- Viner: But in sterling, in monetary returns. There isn't a direct cancelation in which they say, "We are not charging you for the material for the container"?
- Keynes: Yes, the procedure on Africa hasn't been determined yet. That is a rather difficult question.
- Viner: I wonder on this Dominion thing, these individual cases, why they can't be moving toward some part at least of the general principles involved?
- White: Well, I think they can. I don't know the extent to which they have been re-raised again. They were raised very early and possibly were discussed again at the time of your letter, Mr. Keynes; but whether the question has taken the form of a specific request --
- Viner: I take it we would be taking an important step if we were formally to invite a discussion.
- White: I thought that was what we were doing right here.
- Viner: I don't think they understood it that way.
- Keynes: I was suggesting that that list of commodities should have some conditional approval in principle.
- Archer: I have asked - I gave this memorandum which I prepared containing the list of the United Kingdom - United Kingdom list, you see, I gave a copy to Mr. Cox at the meeting.
- White: Today?

- 32 -

Archer: Yes. The United Kingdom list, you see, and what I would like to get is approval in principle --

(Mr. Elliott and Mr. Malcolm entered the conference.)

White: Some of us were afraid that your (Elliott's) point wasn't thoroughly understood, and we were re-raising questions as to what specifically you had in mind, Mr. Elliott, and I think that as the matter was explained it does have some relevance on the problems we are discussing.

Elliott: Yes, it comes back to your committee's particular responsibilities eventually.

White: Is it your thought that the - some of the raw materials which you now are importing in the U.K. to be converted into semi-finished or finished manufacture and sent to the Dominions, is it your thought that that would also want to be raised in connection with raw materials which are sent to England now through the Argentine? We thought that might be the case as well.

Elliott: Well, my thought is limited to steel. There may well be applications of the same principle beyond that, but in the case of steel, it is really a very simple problem. We have been exporting from the U.K. for essential war purposes in the Dominions and elsewhere, a much reduced but still a considerable quantity of steel; and if that steel can be obtained under Lend-Lease in the United States, there is an obvious great economy in the shipping.

White: Let me ask one or two questions to make that a little bit clearer to us. Let us take the case of a manufactured article that is sent

- 33 -

to Australia, we will say a tank, or parts of a tank. Now, that is one of the types of items, I take it, which Australia might be able to get under the Lease-Lend directly. I mean, that is one of the type of items we have just been speaking of. Right?

Elliott: Yes.

White: And similarly with any exports of armaments, steel or any other commodity, that is sent to any other one of the Dominions. That represents nothing new, nothing other than the question as to what the Dominions can get directly under the Lend-Lease.

Now, are there some other items that would not fall in that class, either because they are not armaments or anything that is presumably intimately connected with armaments, or because they do not go to the Dominions?

Elliott: Now, I have not thought of seeking to present this problem, but there are very large quantities required not only in the Empire but elsewhere for purely British Government contracts.

Now, that tin-plate has to be supplied from somewhere. If it is supplied from Britain, as it has been very largely hitherto, it means that Britain has to obtain or seek to obtain under Lend-Lease an equivalent in English steel. Perhaps not in that form, so that the total requirements on steel can be expressed as an over-all figure for all purposes essential to the war effort and the net effect of this is that if all such requirements in steel could be accepted as an over-all requirement under Lend-Lease, all of these vast economies in shipping are possible. If not, they are impossible. It raises a difficult question, but it ties up with the presentation of demands

- 34 -

for steel for Dominions, theatres of war and so on, which might be disallowed and which might therefore require dollar expenditure.

Archer: That is right.

Keynes: I think it is quite clear.

Archer: You come back to a dollar expenditure if you can't get this relief.

Viner: A dollar expenditure and a wastage of shipping.

Elliott: And a wastage of shipping.

White: Supposing we take tin-plate to Argentine. I take it you are including that. Supposing Argentine couldn't get tin-plate from the United Kingdom by virtue of difficulties of shipping. Would they buy it from the United States?

Elliott: That is the only other source from which they can get it.

White: And that in turn depends on what they will get paid for their - in that event they might insist on gold or dollars rather than sterling which they might take if they didn't have to pay dollars for the tin.

Thompson: I would suggest they would ask for it.

Bell: Oscar is familiar with it, and he thinks you ought to put it up.

Cox: I think you ought to put it up with some indication as to what the things are so you can look at it on the over-all basis from Lend-Lease; and if they want to exclude

- 35 -

tin-plate from the Argentine, that could be done, but you know something definitely as to what the over-all approach is.

- Viner: In other words, work up your potential program, itemized as best you can, and put it up to the committee.
- Elliott: Yes.
- Viner: In estimate form.
- White: And I think that generalization, probably, applies to all of this.
- Viner: I would like to bring up, while you are here, this British Dominion case again. On the question as to whether and in what ways the Dominions might be brought in under the Lend-Lease.
- Now, what is the status on the question of principle?
- Cox: There hasn't been any decision on it yet.
- Viner: Do we need a formal request in order to come to a decision?
- Cox: I think the best way to get a decision on it is to take it up in terms of a concrete case or a series of concrete cases.
- Viner: Well, there is this aspect, apparently. In order to - if they were brought under Lease-Lend, it would put them under pressure to put their purchasing procedures in such forms that the contracts would flow to you for O.K.
- Cox: Well, you have got a double --

- 36 -

Keynes: If we put up --

White: Not a pressure, but an inducement.

Viner: Pressure in that sense.

Keynes: If we put up the program for Australia, does that prove that another similar case would be approved? If we could have approval in principle, we could say to these rather difficult Dominions, "We have reason to believe if you will centralize these purchases and put them up in due form, we have reason to believe that they will be approved."

Then I think we can get some steam up on this.

Cox: I am a little skeptical as to whether you can get it decided that broadly in principle. In the first place, you have got a priorities problem in terms of relative utilization of different spots in the world, and I would think that the policy might be different, for example, in terms of a bomber or a motor vehicle in Australia than it would be in India.

Keynes: It wouldn't exclude that. If they were allowed to have that class of article from this country at all, it would be lend-leased. It wouldn't prevent you from saying this is a low priority. It wouldn't mean you are committed to approve any particular application, but if this is what they were to have --

Cox: I think in terms of Professor Viner's observation you have got two different forks to the thing which would act as a means of persuasion to the Dominions. One is if they placed the order themselves by reason of the general priorities situation, they either

- 37 -

have more difficulty in getting the order placed and executed, or they don't get it placed at all and executed, whereas if the same order were decided to be placed under Lend-Lease, they automatically get the statutory priority. In terms of particular items, a decision could be reached under the Lend-Lease in terms of the availability, and I should think on motor lorries you could probably even get them for India because of the production facilities unless they decide to curtail the automobile industry to the point where the whole personnel and machinery and everything are thrown into defense work; but you take a thing like scout cars, for example, as one illustration. The Army already has over a hundred percent of its requirements and they can produce them so fast that I don't think there would be any objection at all to sending scout cars to India. They just have such a supply.

Then your only condition, practically, would be shipping, and you would have to make the decision as to whether you wanted to do it.

Keynes: I think that is most satisfactory. If there is reason to believe - if they are going to have the thing at all, it will be lend-leased. That is rather the point.

Cox: That is what it comes down to.

Archer: Mr. Cox, it is not availability, it is eligibility.

Cox: It is a combination of both.

Viner: Shipping availability, priorities availability, and Lease-Lend, and if they are told that on many of the items they are interested in shipping is their problem, that priorities availability

- 38 -

depends on whether it comes under Lend-Lease and they ought to try it as their only chance of getting it.

Archer: We would like to tell them that it would be available under Lend-Lease, subject to production being available.

Keynes: That is the point. If we could tell them it is eligible, not necessarily available.

Cox: All I am saying is this. You put up the general policy question on Australia. My own hunch is that in terms of the President it is going to be very difficult to get it decided on the over-all basis. From our experience if you send through a requisition on specific items, and tell the Dominions at the outset that they will be given sympathetic consideration in the light of these three points Professor Viner mentioned and then if the requisition is granted, they have got a practical assurance that the sympathetic understanding or consideration has been executed in that case and likely will be in all those other cases within the terms of production and our needs and other needs, when the stuff is available.

Archer: But there is a great practical problem in there, Mr. Cox, you know, in organizing the flow of goods backward and forward through the two very small channels. You see, at the present time we have got the whole of the trade, exports from the United States, flowing out through intricate commercial machines that have been going on for years. What we are trying to do is channelize it at one end through the various U.K. and Dominion channels, and at this end it is coming through the Treasury Procurement Division. Well, it is just a tremendous administrative job.



- 39 -

- Cox: Oh, I agree, but I think you can't be too sanguine about doing the whole job in one day in terms of dominions.
- Archer: I quite agree, but it takes them sometime to organize their essential purchases. Equally, it will take you time here to get your Treasury Procurement augmented. Therefore, if we can have the - an early decision that these things will be eligible, they can be getting on and making all their administrative arrangements.
- Keynes: We don't want to think up these organizations for no purpose. If we think in general of their usefulness, then it is well worth doing.
- White: Well, the incentive to avoid losing any time at your end of it, it seems to me, is very considerable because it is a question as to whether there is immediate payment for the goods or whether it goes under the Lend-Lease for a hundred percent of the value plus the shipping charges, so the incentive should be very considerable.
- Now, the more rapidly your organization is set up and your list prepared, I think that very factor in itself puts pressure at our end and helps to expedite the decisions here, and I don't think from Mr. Cox's remark that you can quickly reach the stage where there will be a sufficient delineation of the principle so that you can feel wholly assured that you can go ahead on all these commodities and know that they will be made available, but I think, on the other hand, there is sufficient feeling of hope on Mr. Cox's part to warrant your going ahead as rapidly as you can.
- Childs: Mr. White, that means if we can get in here

- 40 -

complete enough lists and representative enough, we can get enough precedence right off the bat.

White: That is what--

Childs: Now, those dominion lists which we put in here last week--

Cox: I certainly would start on Australia or New Zealand.

Childs: We must put them in a form--

White: A little more specific, and that was merely one of the categories. I think it is merely a little more specific than an actual request.

Childs: Are we going to follow the thirty-five million dollars a week list form?

Phillips: What is the thirty-five million about?

Childs: He is talking about the form of list which we used to put in over here.

Viner: It is my understanding that that thirty-five million dollar list - a week list that he referred to was the form which he wants as a summary, that that is to be supported still by these fuller itemizations.

Childs: That is the point. How would you like to have it done?

Viner: Well, we weren't clear this morning. Mr. Cox may have been clear. We weren't. Did the Secretary want to cut down the amount of specific information or supplement it?

Cox: I think all you have to do is in terms of prospective contracts, for instance you

- 41 -

supply a summary list that you want to place a contract at A, for let's say oil or copper or brass or whatever it is, and the dollar amount is X dollars, and whatever comments you want to add, and then if we need any additional information we will ask you for it but, as I understand it, the Secretary had in mind the same kind of approvals that he used to give between January 1 and the date that the Lend-Lease Bill was passed in advance of the execution of the contract. The purpose at that time was quite different, just to make sure that the dollar commitments would be met.

The purpose now is to determine whether or not you can pick up any of it under Lend-Lease and at that point if it looks all right on the face of it, we would just go ahead and say, "Put the requisition in."

- White: No question of approval in this.
- Cox: You invite them to go ahead with Lease-Lend or you just say flatly, "That is out, you might as well go ahead and place the contract."
- Bell: As the Secretary said, "You might take eight of the items out of the ten and approve them."
- Cox: That is right, or you might just say, "Place the contract with your own dollars."
- Archer: But all this has got to be prefaced by setting up an organization to work it.
- Phillips: Yes.
- Keynes: It doesn't reach us at all, you see, until the organization exists.

- 42 -

- Viner: The minute - if you could start one of them fairly promptly on that and the others are having difficulties and you can inform them as to the experience of the other, that would also be an inducement to them.
- Cox: Well, you have got several classes of cases, haven't you? Your first case is the U. K. purchases handled through the Purchasing Mission.
- Archer: Which were very small, Mr. Cox, in relation to the things that we are considering now.
- Cox: I know, but it is one type of case. The other type of case are the dominion cases.
- O'Connell: Does the dominion - does the Purchasing Mission purchase anything for the dominions?
- Keynes: Oh, yes. I think we can get ahead on this. The root of the trouble is that about six weeks ago the impression got abroad in London and in the dominions that the thing was not going to be used for Lend-Lease except through a limited application of strict munitions. That impression got abroad. That impression is not being completely dispelled. So then they stopped forming any organizations in these countries, and it will take some time to reverse them. You are dealing with people scattered all over the world.
- Cox: Oh, of course.
- Keynes: To get the government in India to forming an organization that centralizes all the purchases of any merchant in India with any part of the United States isn't easy to accomplish; and they thought, six weeks ago, that they weren't going to be able to put anything under Lend-Lease. What we have got

- 43 -

to do is get the contrary impression in their minds and tell them that if they will start centralizing easy cases, we have hopes of sympathetic treatment, and then they can gradually extend as time permits them to.

- Archer: We must give them a list, I think, of things to start on.
- Keynes: The list I mentioned to Mr. Viner.
- White: Would it be possible, Oscar, to help them out in their problem, in that aspect, to accompany a decision of approval with respect to a specific item?
- Viner: If there were any available now.
- White: That they were able to work out to make that specific item a type of a class, no matter how narrow you wish to make it, so that it would be clearly indicated that if the item falls within that particular category as described by yourself, it will be acceptable under Lend-Lease provided the shipping facilities and priorities and so forth are available, so that if they give you a commodity they can have the knowledge that it is not an isolated case or a commodity that they have received favorable response to or an unfavorable response, but rather a category of items, and in that way they can build up very quickly a body of principles upon which they can work at once.
- Cox: You sound like a common law lawyer.
- Archer: You put it very well.
- Keynes: That is exactly what we want.
- Cox: Let me ask you this. What has been done on

- 44 -

the dominion's purchases or proposed purchases for arms and munitions and implements of war, just to take one great category?

Viner: And the easiest case.

Archer: There is no difficulty about that because they are generally being regarded as subject to the Lease-Lend.

Keynes: That is automatically centralized.

Cox: I know, but how do they centralize that?

Keynes: Automatically, because it is already government, and there they have for months past thought of it as being under Lend-Lease, but on the other hand they haven't been centralizing implements of war except in the case of Australia because our hopes weren't ours, and what we have got to do is revive those hopes. Fortunately Australia didn't take the discouragement seriously, and therefore they are ahead of everybody else.

Phillips: One other point occurs to me on this. Let's take the case of tin plate. Supposing some application by Australia for tin plate under Lease-Lend was passed. Is that sufficient assurance to us that all future applications will be passed? The steps might be reversible taken on the face of that. For instance, they might leave one or two of the best tin plate works in the United Kingdom going just to provide a supply for our own purposes, and then all the rest would be shut up. We would be switched on to war production at once.

White: I presume there might be some qualification. That fact in itself might not constitute adequate description for a decision as to category. We might, for example, want to know

- 45 -

what is going to happen to the tin plate, is it going to be used - is the amount such that you can anticipate it is going to be used for X purpose or Y purpose. In other words, they might want to ask questions with respect to the use as well as to the description of the items.

Phillips: Can that be done by - on mere requisitions?

White: It could be done this way. Supposing the question of tin plate - a shipment of tin plate were requested and a decision were made that tin plate shipments to Australia were to be permitted up in the Lend-Lease up to X thousand tons.

Phillips: Oh, that is fine, but that doesn't quite coincide with what Mr. Cox was saying.

Cox: No, but I think it would be related to the purpose, Harry, as you indicated. For example, let's take a non-real case but with a possibility of tin plate being used for the manufacture of arms and munitions and implements of war. Or to take an alternative case, if it were going to be used to make cans to put up kippered herrings to be sold in the export market, I think we might get a different decision.

Phillips: It is quite difficult because some of those kippered herrings might be used for troops and some might be used domestically and some exported.

Cox: That is where you are dealing--

Keynes: I think we must exercise a good deal of judgment.

Cox: That is like the case Childs and I had up here

- 46 -

recently when the purely practical problem was the problem of paper coverage, part of which was used for covering shelves and part for covering food. The things passed on the requisition. I think if you had a great surplus of tin plate for the export market, that is one thing, and I think we have got two bucketfuls of water and one is augmented by the defense effort and the other for your exports, and it is a different case.

- Archer: But surely the position of the control of commodities of the United Kingdom is such that the amount going for export is relatively small in total; and all you would be doing, if you said we couldn't have that, we would have to use our own steel for that and come to you for direct armament steel. These things are all interchangeable.
- White: I take it those are facts for consideration.
- Archer: That would probably mean a wastage of shipping.
- Cox: Well, you take the case - it seems to me in terms of shipping and everything else on tin plate it is conceivable it would be better for your tin plate factories in the British Isles to go into the defense effort and for us to supply tin plate and ship it all over the world.
- Keynes: Yes, that is it. But it isn't possible for us to put our tin plate factories out of commission.
- Viner: Or to transfer them to - transfer their equipment so they can make other kinds of steel products.
- Archer: They would be closed down mostly.



- 47 -

- Phillips: The labor situation is bad.
- Cox: May I raise one question that was raised in the Secretary's office in terms of payment for purchases where the materials are stored because of lack of shipping? My offhand reaction is that there is no legal prohibition on either the Metal Reserves Corporation or any of the RFC corporations making payments on account or advance payments, so to speak, for materials that are stored in some other spot in the world, and I think that some exploration ought to be had there in terms of getting Jesse Jones to pay part while the materials are stored pending the availability of shipping.
- Keynes: I think they are just taking the natural business line, Mr. Cox.
- Cox: Oh, of course.
- Keynes: They are not considering the reaction on our cash position.
- Phillips: Well, mind you, on the wool position, as I understand the agreement, there has got to be a declaration by the United States Government that there is a shortage of wool supply in the United States before they can do anything at all, before they can buy the stocks for here and much less the stocks for other areas.
- White: Is that part of the written agreement?
- Phillips: Yes.
- White: Well, assuming that that may be so, the question as to who determines that shortage and under what conditions that shortage may be determined, at least the latter certainly, I

- 48 -

should imagine would be subject to discussion and obviously the shortage is one that might well be related to the prevailing prices and ones cognizance is taken of the effect of the limited supply on the price, it might become possible to make a decision with respect to a shortage that one wouldn't expect any absence of price considerations. True, there are vested interests in this country who dislike to see the supply of wool augmented, but whether their view shall be decisive is a question that I think can be explored.

Viner:

Well, let me ask this question on these stocks and the question of f.o.b. payment or payment on final delivery on different cases, including wool. Who ought to look into that? Is that a question for the British to take the initiative on or for us?

White:

No, I thought the procedure that would help us would be if we had all the pertinent information, we explore the situation - our technical men get whatever information there is available so that the Secretary has before him the facts so far as the actual terms are concerned, an analysis of what the situation is, and a recommendation. If he is satisfied with the committee's recommendation and if the committee's recommendation is such that he is to take action, or at least to attempt to obtain action, then he will use whatever channels of persuasion or power that are open to him either through the President or Mr. Jones or any other department, but coming that way, you do get an over-all picture - or rather an over-all objective which you don't get if you are working through a particular corporation.

- 49 -

- Viner: Do you propose to go at it that way?
- White: What is that?
- Viner: Do you propose to go at it that way?
- White: That is our proposal. I think that is carrying out the Secretary's intent and that is what we suggested at the last meeting would be done.
- Did I understand you that you would have a memorandum on wool?
- Keynes: Oh, yes.
- Viner: And on the cocoa?
- Keynes: Yes. We asked for it. It just hasn't arrived.
- Cox: In the light of your observations about the wool, Harry, I suspect that written into the agreement was the essential provision of the "Buy America" act. Now, since that wool agreement has gone on, there have been a great many changes, one of which is an increased shortage of a strategic, critical item, and the other is the Lend-Lease Bill which isn't provisioned in the same way by the "Buy America" act, for example, because anything that is used outside the United States is not covered by the "Buy America" act. If it is stuff to be used, then you are conditioned by differentiations in prices, relative shortages and so forth and so on, and I think your people ought to have a look at both the legal and practical difficulties.
- White: That is what this committee would do. The lawyers would examine to see what are the restrictions. The economists might look to

- 50 -

an economic analysis in relationship to price, and then the policy decision with respect to what to try for would emerge with that committee; and, if it met with the satisfaction of the Secretary, he might be able to do something.

- O'Connell: As far as the legality is concerned, it is purely a matter of agreement. But the wool situation is entirely different from the one you are speaking of, is it not?
- Keynes: Oh, yes. There is no clause in the agreement. It is simply that they are taking a straightforward business line about it.
- O'Connell: We have made contracts in Procurement where we have made partial payments at ship-side or even at the warehouse on the other side.
- White: But they are not even selling the wool they have in the storehouse, and you know what is happening to the price of wool.
- O'Connell: But they are not so much concerned about the price of wool. They are being paid for the wool.
- Keynes: No, we aren't being paid for it.
- Viner: Not in the wool that is here.
- O'Connell: That is where I didn't understand it.
- White: It was apparently a kind of political compromise which may have had some point at the time it was made but ceases to have the same effect.
- Phillips: I wanted to raise also the question of these amendments to contracts. We have put in now to Mr. Cox a full list of all the amendments

- 51 -

that have been made since March 11 which comes up to three millions, but I gather these things are bearing off, and I am not quite clear how we are going to continue under Lease-Lend. That is my trouble.

- Boddis: It is a peculiar feature in aircraft, that you can't do away with modifications of the original design. You have got them coming up all the time. Of course, all contractors are paying for them against this enormous list, and there are two problems as far as I am concerned. One is, first of all the principle of whether they are eligible for Lease-Lend, secondly, to get the contractors to accept. So far--
- Viner: Why should the contractors care who pays them?
- Boddis: I don't know, to tell the honest truth, but they do.
- White: I don't quite understand that problem of getting them to accept the contract. Do they have to accept the Government's contract or is it merely a case of where they continue and the dollars are coming from the Government instead of the Purchasing Commission.
- Boddis: It isn't quite a case of accepting a straightforward contract, because it is an amendment to an existing contract to ours.
- Viner: Is it the question of profit limitations? Would that be involved?
- Boddis: That is undoubtedly a factor.
- Cox: The U. S. Government pays less than the British. That may be - it is not a question of profit limitation.

- 52 -

- White: It doesn't pay less than the British on contracts that are already arranged, does it?
- Cox: The modification contract ought to be between the United States Government and the manufacturer.
- O'Connell: Who negotiates it?
- Cox: The Army would want to negotiate it jointly with the British, because they get a better deal on--
- O'Connell: But your difficulty with your aircraft people on modifications must be purely one of negotiation on a mutually satisfactory basis for the addition, is that right?
- Boddis: Yes.
- O'Connell: They want more than you want to give them in terms of additional compensation.
- Boddis: That is one of the reasons, but of course there are all others, such as the problem of inspection. If you got seventy-five percent of a machine inspected by British inspectors, it is a little difficult to have the other twenty-five percent inspected by somebody else. The U. S. Army Air Corps, if they were responsible for the contract modification, would have to try to inspect that in order to clear their books. How they would do it, goodness only knows.
- White: Well, is that an insuperable difficulty, Oscar?
- Cox: I don't know. I think it is a difficulty that ought to be looked into.

- 53 -

- Boddis: Well, it is an insuperable difficulty from our point of view. If we could get a lot of pressure brought to bear on them, we might get by with it, but so far we haven't been able to do it.
- Cox: Well, you haven't had any cases up yet, have you?
- Keynes: Are these cases - can't you break it up and hand over a small proportion of the finished aircraft to the American Army authorities?
- Boddis: We do break up the modification into two parts, parts which are necessarily bought out by the contractor and the others can not be identified from any other pieces of structure.
- Keynes: If the increased cost is ten percent, why shouldn't you readjust it so that ten percent of the total contract is lease-lent?
- Childs: We tried that and they refused that.
- Keynes: Why should they refuse that? That is very unreasonable, isn't it?
- Childs: They are very unreasonable very often. Mr. Boddis has some amendments. He has got to get them made immediately. If we have got to fight those people, we must spend weeks with them.
- The aircraft people are very difficult and can be arbitrary. Until you break their objections, it is impossible to continue production of aircraft. That is the trouble.
- Boddis: That is one of them.
- Cox: Now, is this in terms of your talking to the

- 54 -

company alone?

Boddis:

So far, yes.

Cox:

The legal end is clear if we can get the policy end clear so that the Army puts the heat on the contractor, I should think it might change the picture because, after all, the principal customer of most of these aircraft companies is the Army Air Corps.

Boddis:

Not for the moment.

Cox:

I see Keynes is right, and these fellows are being very unreasonable, and maybe you ought to counter by being unreasonable the other way.

Childs:

Brewster is a large amount, eight million, and we could try it there.

Cox:

What is the change in the Brewster?

Boddis:

There are some where about forty-five of them, speaking offhand, which is an accumulated change.

Cox:

Sir Frederick had once a machine which may cover the inspection problem and so forth and that is that you take the dollar amount of the changes and translate it in number of planes and give that number to the Army Air Corps.

Childs:

We tried that a long time ago.

Boddis:

We haven't tried that - we are still discussing it.

Childs:

They haven't accepted it.

Cox:

I think it is one thing to discuss it on your



- 55 -

own. I think it is another, if the Army is agreeable all the way through and is participating with you because they can bring pressures to bear that you can't because you are a customer that is pretty much out of the picture now because you haven't got any more dollars.

- Boddis: How do we get the Army to cooperate?
- Cox: Oh, I think they have to get a directive on that, which is a fancy name for an order.
- Childs: Who would issue that, General Burns?
- Phillips: Have you got a case which is ripe enough to try out now?
- Boddis: Certainly. There is one of those with Mr. Cox now where we are expecting first deliveries of the modified machines within the next fortnight.
- Cox: Which one is that?
- Boddis: The Consolidated job.
- Cox: What is the dollar amount of that?
- Boddis: One hundred ninety-two, I think.
- Cox: When does the Brewster come out? I think this is a guinea-pig case. You ought to take the eight million plus contract.
- Boddis: But that means Consolidated has got to be held up.
- Cox: That is a question of policy as to whether the delay occasioned might not be a greater disadvantage than putting up the million and a quarter.

- 56 -

- O'Connell: Isn't the Consolidated question somewhat simpler in terms of its - the problem - the changes?
- Boddis: No, in principle it is exactly the same. It is only a question of amount. But there - Consolidated is more urgent because the machines are coming right out.
- White: What makes you think it would be more difficult to handle the million two case because of the amount or the time is short?
- Cox: Time is short.
- O'Connell: If you don't do anything about Consolidated, what happens, the planes start coming off without improvements?
- Phillips: We have to pay cash.
- Keynes: Couldn't you put it up in writing, that the solution that you suggested to the manufacturer, that seems to you workable and satisfactory, is this taking over ten percent of the machinery? You put down the details of a particular case and then you can pass over and they can take it up. They haven't got that in writing, have they?
- Boddis: Yes. Now--
- Keynes: Now, the box has been passed to you.
- Viner: "So what" is the American way of saying it.
- Childs: Tell me, sir, we didn't quite straighten out the point raised about how we are going to put this material before you. I take it these figures now are not sufficiently complete.
- White: It was my thought that you were going to present

- 57 -

it to this formal committee and that there may be some brief discussion in the way of explanation or some further questions, but it would very rapidly be channeled to where the decision would have to be made in the first instance in any case, and that would be to Mr. Cox.

- Childs: So we should re-do these dominion lists in a fashion that--
- White: In such form as will suit Mr. Cox's purposes.
- Childs: So I will talk to him about that.
- White: Present them to - either directly to Mr. Cox or to this group, whichever Mr. Cox wishes. I guess they had better go directly to you.
- Cox: Yes.
- White: Or you can have copies made and send it directly to Mr. Cox and no time will be lost and let one go here so that the interested persons can have information with respect to your request.
- Childs: Good. Now there is one more point in that connection, sir. I take it that those dominion lists in each case were not yet in a shape which would permit them to be put in as requisitions, is that generally true?
- Archer: We must get a program.
- Childs: Now, could we do this, sir? To accomplish this thing in advance that we were talking about a little earlier, could we put in a case which gives all the details on what we expect it to be except that it will not be ready to requisition yet? We could state

- 58 -

the material, place to which it is going, purpose for which it is going to be used, and how distributed, and so forth.

White: Even though it is not a requisition.

Can you handle that?

Cox: Yes.

Childs: Can we do that?

White: Yes.

Cox: It would be much easier if you could put it in a requisition.

Childs: The difficulty is that I do know from talking to so many of these people they do know what list of things they will want to order, but they don't know how much they will want to requisition.

Viner: If they are not sure as to whether they want eighty thousand tons or a hundred thousand tons, let them requisition eighty thousand now but say that probably they will want a hundred thousand.

Childs: We can do that, but if we couldn't even give the eighty thousand, then we could put in one for declaratory judgment. When we cover the whole list, there is a very large list of Archer's here, and we could really cover a large field and do the same for the dominions, so the dominions could foresee--

Cox: Now, wait a minute. As I understand it, Australia is fast centralizing its purchasing of non-armed--

- 59 -

- Archer: No, it isn't yet.
- Cox: I said it is fast centralizing.
- Childs: It is turning in that direction.
- Archer: It is turning in that direction, but nobody knows what the situation is now.
- Cox: Well, the first thing you have got is that the chances are pretty high that they won't be able to get any of that because every day the priorities situation is becoming tighter.
- Childs: Yes.
- Cox: The second thing is what Professor Viner pointed out, they must now, at least in minimum form for requisition purposes, state what they want because you have got your whole program there.
- Childs: Well, to the extent that requisitions can be put in presumably, they will be put in, but should that leave a large field open, couldn't we get a declaratory judgment on it?
- Cox: What happens as a purely practical matter is, the letter goes to the President either for allocation of funds or for allocation of funds and transfer, and he has got the decision to sign or not to sign, and there may be a short covering memo on it. Where you get an actual decision easily, it is hard to get a hypothetical decision.
- Childs: I thought you were going to decide these problems here.
- Cox: I can decide them, but I am not positive that every one I decide the President is going to decide the same way.

- 60 -

- Childs: We recognize that. The point is you could put them in, you see, and get what we recognize might be up-set later on. It would be worth having.
- White: It would appear to me, without knowing more of the difficulties, that it should not be impossible to translate parts of your program into a requisition because, after all, since you are not involving amounts you can always assume safely some small quantity where you have no definite information as to total quantity. If you do not have in mind any small quantity, why the item at all? Since you have put that item in, whatever the item may be, there must be in the back of your mind some information. There must be somewhere along the line some information that those items will be needed in which case it could easily take the form of a requisition, even though the requisition-- even though the requisition might be five or ten percent of what you might subsequently ascertain to be your needs.
- Viner: You might requisition your first month's estimate of your program or your first two month's estimate.
- Keynes: Have you got the exact specifications?
- Childs: Exact specifications is one reason, ultimate purpose of use would be another. Are there any others, Mr. Archer or Mr. Elliott?
- Cox: Let me mention one other factor that seems to be relevant. That is the question of availability of funds. The largest category in the appropriation still available is the one for agricultural, industrial, and other commodities, which covers things like steel and so forth.

- 61 -

- Keynes: They would all come under that category, I should think.
- Cox: Practically all. You could only transfer out of that a certain limited amount. Before that is used up - in other words, you ought to get your requisitions in as fast as possible as a charge against that account and it is more likely at this time you will get them recognized than if you wait a long time until you get hypothetical judgments and programs all worked out--
- Childs: Don't mistake me.
- Cox: What I am saying is, you ought to get your requisitions in as soon as possible.
- Childs: I think that is being done all over the lot. Take this South African situation this morning which Jack came in to talk about. He wanted to know - New Zealand asked me two or three years ago, "What can we get? Here is the sort of list we think you ought to cover and we are examining our import licenses for next year. What do you think of them." Well, they could probably state perfectly good hypothetical cases on every one of the list which would cover every possible use that everyone wanted to be put to and then if we could say, "Yes, that is definitely O.K., assuming the funds are all right and so on and so on," then they can immediately set about framing their whole program around Lend-Lease. It gets back to the same thing Mr. Keynes was talking about, only I was trying to put it up in a way which might be workable, namely the form of requisition.
- White: Does the requisition have to be specific

- 62 -

with respect to specifications going into such detail as the make of a truck? Supposing, for example, specifications which might be adequate for Mr. Cox's purpose would not be at all adequate for a final requisition for your purpose; might take the form of a hundred two-ton trucks.

Now, whether there are modifications of those two-ton trucks in any form, I take it, is your decision. There might be later opportunities to specify the make.

- Cox: The Procurement Agency would have to know what dollar amount to ask for. You have to translate it into dollars.
- Viner: At that stage would it be necessary to know more than the maximum amount? Supposing you said two-hundred trucks, not to exceed over one million dollars?
- Cox: Well, suppose they get the allocation in two days? When do they start buying?
- Viner: At that stage they can come back to you again but they have got to clear a channel now.
- Cox: That makes a lot of unnecessary administrative work, to have a requisition with inadequate specifications and then follow it up at a later date.
- O'Connell: The requisitions have got to be extremely definite.
- White: So their problem is one, in a sense, of taking a chance and getting the specific requisitions as rapidly as possible. In other words, that kind of complicates their problem, but that is an essential requisite of your decision.



- 63 -

- Bell: After they put through a few cases, wouldn't the procedure work out on the types of items that they could include, that would become clearer and clearer?
- White: I should think so.
- Archer: You have got to stop your existing channels of trade if you do it that way, and you can't stop them without some assurance this will work.
- Cox: Aren't they being stopped now? Isn't that the tendency?
- Archer: Oh, no, only for certain things.
- White: It wouldn't be true of many of the items like foodstuffs and things of that kind. It might be true of - I don't think that the priorities has hit very many of the items yet.
- O'Connell: Maybe not, but it certainly is going to. They are going to be stopped on such things as aluminum and steel.
- Keynes: It is a question of whether the hen or the eggs come first.
- Viner: We are apparently saying that it has to be the egg.
- Keynes: That is it.
- White: Or the hen.
- Cox: We are not sure.
- Bell: Is it possible for you and Childs, Oscar, to sit down and go over the list? You could indicate to him the ones that could be put under Lend-Lease.

- 64 -

- White: Let me re-raise the problem, Oscar. Excuse me, Dan.
- Bell: Well, I wanted to see if these fellows can get together. We can sit around and talk about this program all evening, and I don't think we will get any place unless he sees the list and the man who has got to eventually decide and recommend to the President indicates his attitude on it.
- White: He has indicated the form in which he wants it, I think, while you were out.
- Bell: Well, I think he has still got to see the list.
- White: Is it possible that you can make a decision on certain categories, talking it over with Mr. Hopkins? Is it excluded?
- Cox: I don't think it is excluded. It is a lot harder.
- Viner: Is it going to be a lot harder on the way or a lot harder once and easier afterward? I see something which will develop bottle-necks all over the world, not merely here, and I am not confident that the procedure has really been worked out and time is going, and I am not so sure that this committee oughtn't to set up licenses and maybe you ought to take those lines and see if you can get them through, because I don't think the only issue is to simplify the administrative problem on this side or to find a way of adhering to our own routines. There is a problem of a complicated commercial machinery all over the world that we have to fit into some how or other.
- Cox: I agree.

- 65 -

- Viner: And I am not clear that progress is really being made on that issue.
- Cox: No, but what you are saying --
- Viner: But I don't see how, speaking frankly, I don't see how Australia can dare to scramble up all its existing importing machinery on the hope that perhaps on the study of - on the experience in individual cases that will come in here in a slow stream that they will find that this thing works and what sort of - I have been trying to think about what sort of a message can you send to Australia telling them, "Scrap your import machinery and try this. We can't assure you of anything, but you will find out from the way the cases work what we can do and what we can't."
- Cox: Well, wait a minute, on the other hand, you have the question of what you are trying to do is sell the constituent part of the Empire that they ought to get something which doesn't require dollar exchange, and it seems to me they ought to at least be willing to try in terms of tightening up on the availability of production which is going to hit them on all this stuff.
- Viner: It may be that these general principles would be quite restricted, and we will tell them that it is only a restricted field of operations, that anything is available, but they couldn't plan on that to scrap their existing importing procedures and adopt it here because they had in principle an assurance that that would work.
- Cox: They don't have to scrap them, Jake, because if they are going to buy a hundred thousand tons of steel, for example, and they want to -

- 66 -

and that is six months' requirements and it is the same for the year, they can put in a requisition for half of it or the whole of it and still buy the other way until they find out what is happening on the requisition.

Viner: Is it as simple as that? What they have to do, as I understand, they have to work out very detailed specifications which they would do through their regular trade.

Cox: Let's ask Elliott about steel. If they want to buy steel bullets or pig-iron, they know what kind of pig-iron they want to buy, don't they?

Elliott: That wouldn't come into the picture, but it is steel requirements are quite specific for specific purposes. It isn't like a flexible program such as we have in the United Kingdom where we are buying a lot of pig-iron and ingots and billets which can be used for a great range of purposes. We can place an order today and take it in six months' time and use it just as well then within certain limits. But the dominion requirements are quite different.

Cox: Do they have any other purposes?

Elliott: No.

Cox: Now, on this special purpose stuff, don't they know now what they want in sufficient detail to place an order? How else could they place it with their own dollars?

Elliott: This conversation has been a little general to me. In the case of steel, it is very largely centralized already, and there is no requirement for the Empire which doesn't

- 67 -

pass through our machinery here.

- Keynes: Yes, I think steel is rather difficult.
- Viner: What would be--
- Keynes: Miscellaneous lists.
- Viner: Can you give a hypothetical example, if necessary?
- Keynes: A rather straightforward case is oil. There has been no ruling as to whether oil goes to the dominions, has there?
- Archer: I don't know.
- Keynes: I don't think there has been.
- Cox: What kind of oil? Gasoline, lubricating oil?
- Keynes: Yes.
- Archer: Or you take wood-pulp is probably the worst case you can find. We have put in a U. K. requisition for wood-pulp and it has been allowed. I don't know for certain, but I believe it is going through. Some of the dominions, New Zealand, Australia, India, all their requirements of wood-pulp, we don't know whether to advise them to put in requisitions. They have got to order months ahead, much longer ahead than the U. K. to get their requirements, and they are probably placing long contracts now running through until June, perhaps the end of next year. We want to tell them to stop doing that because they can get wood-pulp under the Lease-Lend. The same for New Zealand. They get their orders right through. We want to be able to tell them to stop giving the orders. We can't stop

- 68 -

them over the whole range.

Cox: Suppose they get a return message on that in four or five days?

Archer: They must have some idea of the value of stuff that is going to come through.

Cox: No, but they put in a requisition for their wood-pulp for their year's requirements or whatever the limit is. Can't they wait in terms of saving their dollar exchange as long as a week to determine whether it is going to be covered by Lend-Lease?

Archer: Certainly they can wait for that, but why can't we get a list and tell them quite frankly--

Cox: I agree it would be better if you could get it. All I am saying is that I am not so sure you can get it in that form, and that raises the practical question of the alternative. It doesn't mean we ought not to try on the first possibility.

Keynes: Do you mean that you will get a decision as to a given quantity of wood-pulp--

Cox: This is the sort of thing. It is just a question of the way the administrative and policy machinery on this thing worked, and we send over to the President a book full of papers to be signed with whatever necessary comments are in it, and he will either sign them or he will put a note on one that he doesn't sign.

Keynes: We will send one of these funny ones and see if that helps.

Thompson: Could we not suggest that they might put

- 89 -

forward token orders. Let's say that the governments of dominions concerned would say, "Well, if we find ourselves long on so much on the Government's hands, it wouldn't trouble us, and we will for that purpose in order to establish eligibility put forth a token order without disrupting the trade channels.

- Cox: They don't always get the requisitions approved in the same amounts as they are put in.
- Bell: But if he is talking about an eight thousand ton order of steel, where possibly they would need a hundred thousand.
- Cox: I think Thompson's suggestion is a possibility all right. It might be better to put it in since the difference may only be a week, determining whether you get a decision on something other than a token order.
- Viner: You mean to put in a real order?
- Cox: Yes.
- Viner: How about this New Zealand case? Supposing they put in a requisition for a half year's supply as they estimate of wood-pulp?
- Cox: I think you would get a decision on that particular thing. They want so many pounds or so many tons of wood-pulp of a certain type.
- Keynes: Have you got all the particulars to put in such a requisition?
- Archer: No, I haven't.

- 70 -

- Keynes: That is the difficulty. You have got to get it from New Zealand.
- Archer: We have got to centralize all the purchases of wood-pulp for New Zealand through one office, and you have got to arrange for the distribution. There is all the Government finance situation to be rearranged, too.
- Thompson: There might be some products which we could get here faster than others.
- Archer: I think so. We could take out some of the major raw material things, because the manufactured goods would be much more difficult.
- Keynes: Couldn't we forward a letter to the committee asking whether the committee would approve of our encouraging the dominions to centralize the purchase of the following articles?
- Cox: And the committee would answer back, "Yes."
- Viner: Well, would it? We wouldn't unless we thought that certain results would ensue. I mean, if we said, "Yes," they would say we have a moral commitment.
- Cox: Even on the U. K. requisitions, you don't always get the requisition approved for months ahead.
- Keynes: We could act on that without treating it as a very binding thing.
- Viner: You would want that to use with, say, Australia and New Zealand?
- Keynes: Yes.
- Viner: Would you encourage that?



- 71 -

- Cox: I think it is all right, but I still think you will get a faster decision on a requisition.
- Keynes: If we have the particulars, but it takes a long time to get the particulars.
- Viner: That would be one of your ways of getting these requisitions, wouldn't it?
- Archer: Yes.
- Keynes: I think we should toy with that thought and see what happens.
- Cox: All right. Now what do they do on oil?
- Archer: I have a memorandum for you on the United Kingdom.
- Cox: I haven't gotten that.
- Childs: It is being photostated.
- Phillips: Well, what about oil?
- Cox: Well, I was asking Archer about oil.
- Archer: Oil, I am afraid, is not my particular field. You mean oil equipment?
- Keynes: No. There is seven million dollars worth which comes from this country and five million dollars comes from other sources.
- Cox: Including what, tetraethyl?
- Thompson: Yes.
- Keynes: There we have those lump sum figures, but we haven't fooled particularly with exactly

- 72 -

where it is or exactly what kind of oil it is.

Cox: Well, how do you know - you can't definitely, then, tell that until it is put in because there are all kinds of variations on that. Let me give you an illustration. Since it was approved for the U. K., one of the things that has come up is that the Texas Oil Producers want to contribute one day's production of oil to the President for distribution through Lend-Lease, and that amounts to about a million barrels a month.

Now, that is the first stage. Now, in terms of the finding of the different types of oil, that is likely to be developed. Now, if you knew - if you could put the requisition in in terms of the over-all picture, you could get a decision as to whether this would be recognized.

Thompson: I believe they will be more easy ones, because oil is centralized at the present in London, and I think the chance of collecting information on that is much earlier.

Cox: I would try the oil one because of the present situation.

Thompson: I think you could hope to get that faster.

Cox: Pierson has already - Purvis got a decision on something which they didn't think could be decided and that is the hundred million dollar oil program.

Bell: Did you get all your questions answered on the contracts that you wanted to talk to Cox about?

Phillips: Yes.

- 73 -


Cox: Shall we stand adjourned?

Bell: If all the questions are settled. I don't know whether you have settled the problem or not, but I think we can stop for the night on it. I think Childs and you have got to get together and see where the list is and where do you go from there.

## AGENDA for 3:30 MEETING

1. Any additional information from London to be discussed.
2. Actual contracts representing type cases which the British propose to enter into.
3. Actual contracts placed since March 11.
4. Memorandum (which British were to have prepared) on U.K. imports from U.S. administratively difficult to place under Lend-Lease.
5. Further information on needs of Dominions and India which may be handled under Lend-Lease.
6. Any development with respect to the centralization of South African purchases in U. S.
7. Memorandum on possible sale of wool already here or stored in Australia.
8. Any further information on other materials which the Defense Supply Corporation contemplates buying from the British Empire, or which the British Empire hopes to sell to U.S.
9. Information on our taking over Swedish charters and placing them under Lend-Lease.
10. Suggestions from the Canadian Treasury on ways in which we could help them improve their dollar position.

June 23, 1941.



NOTE ON WOOL

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

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

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

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

-2-

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

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

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

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

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

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

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

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

MEMORANDUMTO: U.S. TREASURY COMMITTEE

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

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

REQUIREMENTS FOR NEW ZEALAND

## I.

The New Zealand representatives have submitted the following table of estimated requirements. The details are given in an Appendix in N.Z. £s on c.i.f. terms. In the summary table this has been converted into a dollar value f.o.b. by taking the N.Z. £ at \$3.70 and deducting about 10 per cent (in accordance with New Zealand statistical practice) to convert c.i.f. to f.o.b. value.

EXCLUDING DIRECT WARLIKE STORES  
New Zealand Estimated Requirements from U.S.A.  
Year ending June 30, 1942

<u>GROUP</u>	<u>Essential for War Effort</u>	<u>War Purposes (Minimum List)</u>
	\$ million f.o.b.	\$ million f.o.b.
1. Metals (including Steel castings, iron and copper wire, metal cordage and wire rope, and steel, copper and brass tubing.)	7.2	5.2
2. Oils	2.9	1.7
3. Other raw materials	5.8	3.2
4. Foodstuffs, including tobacco	2.6	.7
5. Machinery	5.4	3.6
6. General manufactures	3.3	1.3
7. Motor Vehicles, principally spare parts	.26	.5
Later adjustment- addition to estimate	.29	
	<u>27.8</u>	<u>16.2</u>

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



## II.

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

Leaf Tobacco

Wood Pulp

Ferrous and Non-Ferrous Metals

Wire

Tubes

Agricultural and Dairying Machinery

Ball Bearings

Surgeons' materials and Appliances

Tractors

Motor Vehicles

Cardboard

Sulphur

Manures

Inorganic Salts

Possibly particular machines for Industrial Purposes

Electrical Appliances peculiar to Telegraphy and Surgery

Scientific Instruments.

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

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

	<u>Group</u>	<u>£ (H.Z.)c.i.f.</u>
Chain Belting	5	5,000
Eyelets	6	5,000
Fire Engines, etc.	6	1,000
Lawn Mowers	6	1,000
Measuring and testing appliances	6	40,000
Nails and tacks over 1"	6	1,000
Nails and tacks n.e.i.	6	3,000
Pins and needles	6	6,000
Printers' materials	6	1,000
Railway and tramway gear	6	5,000
Spring coil, etc.	6	2,000
Artificers' Tools	6	70,000
Builders' hardware	6	50,000
Hardware n.e.i.	6	40,000
Agricultural machinery	5	80,000
Blowers and fans	5	3,000
Boring and well-drilling machines	5	50,000
Adding machines	5	30,000
Cash registers	5	8,000
Dairying machinery n.e.i.	5	50,000
Pasteurisers, etc.	5	4,000
Typewriters, duplicators	5	3,000
Storage batteries and parts	5	1,000
Batteries o.t. storage	5	1,000
Carbons for arc lamps	5	5,000
Electrodes for welding	5	3,000
Electric cooking and heating appliances	5	-
Electrical appliances peculiar to telegraphy and surgery, etc.	5	110,000
Insulated cable and wire	5	200,000
Electric lamp bulbs	6	10,000
Electric lamps O.T.S.	6	10,000
Metal poles for power lines	6	-
Electrical appliances peculiar to gen. of electricity, fuse, boards etc.	5	150,000
Electrical appliances n.e.i.	6	4,000
Emery, etc. wheels	5	10,000
Aeroplane engines	5	10,000
Engine governors	5	1,000
Engines for motor vehicles	7	5,000
Engines for tractors	5	see tractors
Sparking plugs	6	4,000
Glass, stone and metal machinery	5	100,000
Grinding mills	5	9,000
Knitting and knitting machinery	5	4,000
Mining machinery	5	2,000
Printing machinery	5	7,000
Power driven spray pumps	5	3,000
Machinery n.e.i. o.k.	5	75,000
Road graders	5	3,000
Sewing machines	5	45,000
Tractors and parts	5	450,000
Vacuum cleaners	6	7,000
Industrial machinery	5	(220,000
		(250,000 Govt.
Belting for machinery	6	10,000
Canvas tubing	6	15,000
Rubber solutions	3	3,000
Rubber manufactures	6	2,000
Goat skins	3	50,000
Japanned and enamelled and patent leathers	3	3,000
Leather n.e.i.	3	1,000
Ash, hickory, etc.	3	3,000
Timber, rough sawn n.e.i.	3	50,000
Wooden handles for tools	6	20,000
Veneers and plywood	3	-

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

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

SUMMARY

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

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

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

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

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

1. In February last the British and Dutch Governments presented identical notes to the State Department suggesting (a) that some international control of sisal production was needed in producers' interests, at least while the war lasted, and (b) that relief could best be given to the immediate heavy stock accumulation by a purchase of about 40,000 tons of sisal by the United States Government for stockpile.
2. In reply to (b), the United States Government stated that the Defence Supplies Corporation were prepared to purchase for stockpile 40,000 tons of sisal provided suitable shipping arrangements could be made. The note added that "in view of the acute shortage of shipping space which is delaying the Government's stockpile programme, it is not contemplated that sisal be transferred at the expense of space for more strategic materials". The note asked for proposals as to the allocation of the purchase between British and Dutch producers, price, terms of sale, etc.
3. The British Government is prepared in principle to share the purchase with the Dutch Government in proportion to average production in recent years or on some other acceptable basis. We are further prepared to sell our share to the Defence Supplies Corporation at the equivalent of our buying price in East Africa, namely, an average for all grades of 219. per long ton free on rail estates. Before putting forward definite proposals, however, we are awaiting the views of the Dutch Government on the United States Government's reply.
4. It has been indicated unofficially that the only terms on which the Defence Supplies Corporation would be prepared to conclude a purchase contract would be f.o.b. at ports where other strategic materials are being loaded. That is, the Corporation would not be prepared to buy sisal until space had actually been provided to lift it. In view of the present difficult shipping position, a purchase on these terms would provide no guarantee that the total of 40,000 tons would be bought, and consequently the dollar proceeds of our share accrue to the British Treasury, within any reasonable period. It would be much to our advantage if the Defence Supplies Corporation could agree to purchase stockpile sisal in warehouse and hold it in East Africa until freight space became available. This point has not yet been discussed with the Dutch government, but it seems likely that they would take the same view in respect of any purchases made in the Netherlands East Indies.

BRITISH EMBASSY,  
WASHINGTON, D.C.

June 23rd, 1941.

*Handwritten signature*

June 23, 1944

BRITISH AIR COMMISSION REQUIREMENTS FOR THE IMMEDIATE FUTURE WHICH MAY REQUIRE U. K. DOLLARS

A. Amendments to Existing British Contracts.

Contract Number	Supplier	Material	Date of Signature of Amendment	Value Excluding Capital Thousands of Dollars
A-677	Consolidated Aircraft Corporation	Various modifications to Liberator Airplanes, mainly structural changes.	Formal commitment not yet issued, but firm already proceeding with work.	1,234 (approximately)
A-342	Lockheed Aircraft Corporation	Installation of P-2 engines in lieu of P-3 in Lightning.	Formal commitment not yet issued, but firm already proceeding with work.	1,948 (approximately)
A-642 A-1492	Brewster Aeronautical Corporation	Various modifications to Bermuda airplanes.	Formal commitment not yet issued, but firm already proceeding with work.	8,500 (approximately)

(Note: In both the above cases, the firms refuse to proceed on the basis of cancelling airplanes off the contract to the equivalent value of the modifications, such cancelled airplanes to be subsequently replaced by Lend Lease.)

(Note: We are still discussing with firm possibility of cancelling airplanes to the equivalent value of the modifications, such cancelled airplanes to be replaced under Lend Lease.)

In the majority of cases, it is impossible to foresee that modifications will be required other than when a major policy is involved, e.g., in the case of the Lightning, where the change in type of engine was finally decided upon mainly from the point of view of securing conformity with U. S. suppliers. Small modifications crop up daily, which have little monetary value, but which are, nevertheless, essential to meet service requirements. All these require immediate attention. We have found in the past that a safe working rule for this type of case may amount to as much as \$50,000 per contract, or, say, \$250,000 per week.

B. Requirements, other than amendments.

From day to day urgent demands arise from the day to day needs to keep airplanes moving, of which a representative list of cases which have occurred in the immediate past is attached. It is impossible to foresee what these demands will be in the future, and, consequently, no forecast can be given, but it will be equally obvious from the nature of the demand and from the above explanation, that they must be met without delay. It is necessary to emphasize that the foregoing list is incomplete, because we have not had time to prepare the list of our own. It excludes modifications, because these have been regarded as more or less of a special question of their own, thus the word "modifications" in any sense of the word selective.

Navigation course for British observers. See attached memorandum <sup>(marked Exhibit "A")</sup>	Contract not yet issued.	1,169 (Approximately) (See analysis in memorandum attached) <sub>marked Exhibit "B"</sub>
Formation of a corps of U. S. technicians to serve in civilian capacity in the U.K. to undertake maintenance and servicing of technical equipment and armaments of the defense services. <sub>marked Exhibit "C"</sub>	Contracts not yet issued.	1,500 (Maximum) (See attached memorandum) <sub>marked Exhibit "C"</sub>



## Exhib. "A"

LIST OF SAC 65/40 REQUISITIONS  
APRIL 12th, 1941 to DATE.

<u>Requisition Number</u>	<u>Date</u>	<u>Description of Stores</u>	<u>Remarks</u>	<u>Value</u>
65/40/1605	April 16th	1200 lbs. Magnesium Metal Stocks		\$ 486.00
" 1607	" 12th	Bendix Equipment for B-24 Aircraft		1,054.42
" 1609	" 14th	4 Generators, 4 Control Boxes for Consolidated LB30A Aircraft		840.00
" 1610	" 12th	1 set of sample engine, airscrew, and cockpit covers and 6 sets of drawings of covers for Vultee Vanguard I Aircraft		unknown
" 1611	" 12th	same as 65/40/1610 for Liberator II Aircraft		unknown
" 1612	" 12th	same as 65/40/1610 for Chesapeake I Aircraft		unknown
" 1613	" 12th	same as 65/40/1610 for Boeing B178 Aircraft		unknown
" 1615	" 15th	25 31-inch rubber balloons		175.00
" 1616	" 15th	5 gallons U.S. Slushing compound to Fuller Spec. 3595 T.L. - 284.		16.75
" 1618	" 14th	12 Colt cal .50 MG53-2 gun retracting slides		136.48
" 1619	" 15th	112 Type 236-B gun charging slides		1,066.24
" 1620	" 14th	100 Hub Dust L.H. & R.H. Covers		170.00
" 1622	" 15th	200 Hamilton Stand, Bracket Assemblies		8,310.00
" 1623	" 15th	1000 Schraeder Valves complete with 1000 Bendix washer for Martin Maryland I Aircraft.		722.35
				187.25

1 set of sample engine, airscrew, and  
cockpit covers and 6 sets of drawings  
of covers for Grumman Warlet II Aircraft

List of BAC 65/40  
Incl 12th, 1941 to DATE

<u>Requisition Number</u>	<u>Date</u>	<u>Description of Stores</u>	<u>Value</u>
65/40/1634	April 22nd	Aluminum Metal from Aluminum Co. of Canada	unknown
▪ 1637	" 23rd	11 Danforth Navy anchors Mark II	\$ 363.00
▪ 1638	" 18th	1 Export boxing of P&W engine for shipment overseas as a spare engine	30.00
▪ 1639	" 26th	Removal of markings from 131 engine cases	52.90
▪ 1641	" 21st	Repacking for export of 9 Curtiss engines	225.00

## Exhibit B

### SUMMARY

In response to an urgent need for training facilities for Messengers, the United States Army Air Corps allocated to us 100 vacancies in each Training Course at the Pan American School of Navigation. The number of places has since been increased to 150 at each of two overlapping courses (course population 300) with the possibility of increase to an ultimate total course population of 400.

In accordance with these arrangements Requisition No. 1207 dated May 7th, 1941, (copy attached) was filed asking for the provision of such items as fall within defence aid requirements. This requisition contemplated that expenditure on the following items could be provided under L/L terms.

#### I. Capital items:

- i. Equipment for ground instruction and aircraft for flying instruction.
- ii. Ancillary facilities e.g. use of existing hangars, workshops, aircraft and aerodromes.
- iii. Flying clothing and equipment.

#### II. Running Costs:

1. Gasoline and oil.
- ii. Day to day running maintenance of equipment and aircraft.
- iii. Instructors and ground staff.
- iv. Maintenance charges related to A. i. and ii.

The Pan American School is already a fully operating undertaking and it is impracticable for the firm to break their existing arrangements for the supply of gas and oil. In these circumstances the United States authorities felt unable to provide anything under L/L other than the use of certain Army Air Corps navigational equipment already in the possession of Pan American Airways. We have accordingly conducted negotiations with the firm on the lines of an inclusive fee per student, covering all above items. The fee proposed is \$595.00 per student. Other items of expenditure arising are set out below and an estimate of the approximate costs of training (for a full year) at Miami on the basis of an average course population of 300 is as follows:-

1. Fees for training at \$595 per student	= \$ 618,800
2. Pay of students at \$2 a day	= \$ 219,000
3. Food and lodging at \$12.25 per student per week	= \$ 191,100
4. Medical and hospitalisation (say)	= \$ 100,000
5. Cost of R.A.F. instructors and misc. expenses.	= \$ 10,000
6. Cost of transportation on return to Canada.	= \$ 30,000
	<hr/>
	\$1,168,900

## THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

MEMORANDUM FROM

Mr. Cribbett

TO

June 23,

1941

SUBJECT: CIVILIAN TECHNICAL CORPS

Arrangements have been concluded under which it is proposed to recruit in the United States a body of technicians of various skilled trades for the purpose of serving and maintaining technical equipment and armaments in the United Kingdom of H. M. naval, military and air forces. This scheme aims at recruiting upwards of 30,000 technicians to be formed into an organization known as the Civilian Technical Corps, which will be purely civilian in status and will not be employed on combatant duties. Certain expenditures will be incurred in the United States in connection with the recruitment of this body which will be transported to the United Kingdom by Canada. Details of the expenditure under the various heads are contained in the following estimate, which is based on the assumption that the full number of 30,000 will be recruited: -

(1) INTERNATIONAL BUSINESS MACHINES CORPORATION, NEW YORK.

Handling of all application forms is being centralized on this firm. They have agreed to deal with applications free of cost except for printing of literature.

Cost under this head, \$9,000.00. Salaries of technical examiners, \$300.00 a week; (say) for 3 months \$39,000.00.

(2) PUBLICITY (Earl Newson & Company, New York)

\$1,000 a month; (say) \$5,000.

(3) TRANSPORTATION ARRANGEMENTS

It has been agreed with four transportation companies (Thos. Cook, Cunard White Star, C P R, and C N R) that they will provide tickets to pay subsistence allowance of \$3.00 a night on a repayment basis.

Estimated Cost \$250,000.00.

(4) COST OF SECURITY

Vetting to be undertaken by FBI and Credit Bureau of New York.

\$180,000.00

(5) MEDICAL EXAMINATION

\$150,000.00

(6) TRADE TESTING

\$300,000.00

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Estimated Cost \$250,000.00.

(4) COST OF SECURITY  
Vetting to be undertaken by FBI and Credit Bureau of New York.

\$180,000.00

(5) MEDICAL EXAMINATION

\$150,000.00

(6) TRADE TESTING

\$300,000.00

Sub: Civilian Technical Corps

June 23, 1941  
Page #2

(7) PASSPORT EXPENSES

\$300,000.00

(8) MISCELLANEOUS OFFICE EXPENSES

\$13,000.00

Thus, on the assumption that the total number of 30,000 aimed at is recruited, the cost of recruitments and transportation to Canada would amount to \$1,246,000.00. It is not, however, anticipated that the response to the scheme will produce even 50% of this number, and is likely to be more in the region of \$600,000.00.

DISTRIBUTION OF SPARE PARTS OF AGRICULTURAL MACHINERY

Certain agricultural machinery is being obtained under Lend-Lease for United Kingdom use. The demands are made by the U. K. Ministry of Agriculture, and on arrival in England, the goods are distributed through agents to consumers. The companies which act as distributing agents are paid a fixed rate of commission; the selling price of the machinery to the consumer being fixed by the Ministry.

With regard to spare parts, the Ministry of Agriculture has inquired as to the procedure which should be followed in the U. K. for distribution. It is contemplated that the distributing agents, who in the main are former importers, will continue to order spare parts for their machines in the ordinary way, and pay for them in dollars. Insofar as the spare parts for the Lend-Lease machines are concerned, it will be impossible to require the agents to keep their spare parts in separate stores according to whether some are imported under Lend-Lease and some under the ordinary import licensing procedure. It is desired to suggest to the Ministry that they should have all spare parts ordered through their organization, and that no objection would be taken to the parts being sold to the distributing agents. If the Ministry feels unable to handle the spare parts for pre-Lend-Lease machines, then it is suggested that they should be authorized to sell Lend-Lease spare parts to the agents.

*Fair*

*British Purchasing Comm<sup>ns</sup>*

*23<sup>rd</sup> June 1941.*

FORM 1

REQUISITION FOR DEFENSE ARTICLES  
(Under the Act of March 11, 1941)

No. \_\_\_\_\_

6/21/41

Date

Requisitioner \_\_\_\_\_

- War  
 Navy  
 AFM  
 Agriculture  
 Maritime Comm.  
 State  
 Treasury

Form No. SDIV/IV(G)

BFC/

1. Will this requisition be covered by direct cash reimbursement by the United States Government? No

2. Articles to be specified in detail on continuation sheet(s) or otherwise attach one complete set of drawings and specifications to each copy of form:

A. Quantity and description (include mark, model, or other identifying designation):

21,000 Hide Butts

B. Specifications: U.S. and British C. Use: Ministry of Supply  
U. S. Detail: other Army, Navy, Air, other

3. If the articles requisitioned herein are to be used in or used in the construction of some other article(s), name and identify basic article(s), indicate number of requisition (Form 1 or 2) or PNR number, or both, covering request for basic article(s), and indicate contract number if contract has been negotiated for basic article(s).

A. Name and identification of basic article(s):

Not applicable

B. Requisition No. \_\_\_\_\_ C. P.L. No. \_\_\_\_\_ D. Contract No. \_\_\_\_\_

4. Delivery desired (by check [X] or, if possible, by quantitative breakdown):

3500 per month

1941	2nd Quarter	3rd Quarter	4th Quarter	1942	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
		X	X					

5. Remarks (Justification of request, urgency, general information, etc.):

These are required for making belts to drive machinery essential to war effort. This requisition should be referred to the Procurement Division of the Treasury which has been consulted. Further details from Harry Tetlow, B.P.C., SD IV Ex. 498.

(Signed) \_\_\_\_\_

(Title) \_\_\_\_\_

GOVERNMENT OF THE UNITED STATES

## ADDITIONAL INFORMATION (U.S.C. USE)

- A. Application for Reg'n submitted by:  
 B. For: Ministry of Supply, Ministry of Aircrafts,  
 Ministry of Aircraft Production, Admiralty.  
 C. Authority:  
 D. Estimated Cost:  
 E. Commitment:  
 F. Head of Charge:



REQUISITION FOR DEFENSE ARTICLES  
(Under the Act of March 11, 1951)

No.

6/21/51

Stock No: SO/ SD IV(G)

RFC/

Quantity

Additional Information

2A

Butts to be from heavy native steers, 58/70 lbs., salted, cut 42% or 45%. Average about 30/35 lbs. salted. Must be free from grubs or warbles. Preferably packed 2 per bundle, flesh side out.

Estimated value £ 53,000, F.A.S., on basis of a butt averaging 32 lbs., at 20 d. per lb., C.I.F., less 1 1/2d. freight.

About half the butts are required for essential belting for textile machinery in ~~the~~ England and the remainder for production of hairy belting for export to U.S.A.

Butts should be consigned to Ministry of Supply, care Imported Hide Pool, E, 26-27 Exchange Buildings, Liverpool, who will distribute to tanners as agents of Ministry of Supply.

Since French and Italian sources failed, purchases have been made in U.S. on private account but outstanding commitments now negligible. ~~Required by~~

GOVERNMENT OF THE UNITED STATES

ROUTING

(This to be filled in by requisitioner)

- War
- Navy
- OPM
- Agriculture
- Maritime Comm.
- State
- Treasury

FORM 1

REQUISITION FOR DEFENSE ARTICLES  
(Under the Act of March 11, 1941)

1207

May 7, 1941

United Kingdom  
Requisitioner

Requisition No. BAC/ S156 Air No. 1087 BAC/23-D AL-189

1. Will orders placed by the United States Government for the material requisitioned herein be covered by direct cash reimbursement to the United States Government? Yes. See Form 1a attached.

2. Article (If possible, use continuation sheet(s) for detailed specifications; otherwise attach one complete set of drawings and specifications to each copy of form):

A. Quantity and description (include mark, model, or other identifying designation):

It is desired to place 100 students in training at the Pan American School of Navigation, Miami, Florida.

General Arnold and General Johnson of the U. S. Army Air Corps, are familiar with the arrangement.

B. Specifications U. S. British, other C. Use Army, Navy, Air, other

3. If the articles requisitioned herein are to be installed in or used in the construction of some other article(s), name and identify the basic article(s), indicate number of requisition (Form 1 or 2) or PNR number, or both, covering request for basic article(s), and indicate contract number if contract has been negotiated for basic article(s).

A. Name and identification of basic article(s):

Not applicable.

B. Requisition No. C. PNR No. D. Contract No.

4. Delivery desired (by check [X]) or, if possible, by quantities breakdown:

Training Course commencing July 5, 1941, and subsequent Courses.

1941 2nd Quarter 3rd Quarter 4th Quarter 1942 1st Quarter 2nd Quarter 3rd Quarter 4th Quarter

5. Reason, justification of request, urgency, general information, etc.:  
Due to our urgent need for training of observers, we requested from the U. S. authorities additional facilities for such training. In response, the U. S. Air Corps stated that they are prepared immediately to allocate to us 100 vacancies in each training course at the above mentioned school in lieu of the 10 places allocated in each course in respect of which we entered into Contract with Pan American Airways, Inc. for the training of our students. It was further stated that additional vacancies would be allotted as soon as possible within a total of 400 places at any one time.

Further details, if desired, may be obtained from Captain L. J. Douglas-Mann, British Air Commission, 1785 Massachusetts Ave., Telephone Hobart 9000, Extension 176.

(Signed) A. C. Boddis  
(Title) BRITISH AIR COMMISSION

GOVERNMENT OF THE UNITED STATES

1207

REQUISITION FOR DEFENSE ARTICLES  
(Under the Act of March 11, 1941)

No. \_\_\_\_\_  
Date May 7, 1941

Detail No. BAC/ S156 | Air No. 1087 | BAC/23- D | AL- 189

Additional Information

Section

1

To the extent that it is decided by the competent U. S. authority that any part of the service does not fall within Defense Aid Requirements.

GOVERNMENT OF THE UNITED STATES

eg

21.6.41

LEND LEASE ACTRAW MATERIALS AND MANUFACTURED ARTICLES

Estimates of certain U. K. Requirements from U. S. A. to 30th June, 1942.

SUMMARY

<u>Commodity</u>	<u>Long Tons</u>	<u>Thousands of Dollars.</u>
Iron & Steel	5,338,000	338,648
Abrasives	35,360	9,787
Non-Ferrous Metals	262,985	62,264
Textile Materials	38,300	12,680
Timber		18,496
Chemicals	1,188,370	44,311
Paper & Paper- ing materials	281,950	24,766
Miscellaneous Materials	99,410	9,054
Agricultural Machinery		30,000
A.R.P. & Repair Materials		9,135
Vehicles		40,000
Road Machinery, Cranes & Drains		9,700
Office Machinery		750
Ball Bearings		8,500
Boats		580
Apparatus		1,120
Calculators & Office Instruments		1,510
	<u>7,244,375</u>	<u>621,301</u>

	Quantity <u>Long Tons</u>	Value Thousands of Dollars
<u>Cast Iron</u>		
Iron & Steel		
Carbon	3,069,000	184,140
Alloy Steel	460,000	92,000
Drop Forgings	15,000	9,000
Pig Iron	804,000	29,748
Scrap	<u>990,000</u>	<u>23,760</u>
	<u>5,338,000</u>	<u>338,648</u>
<u>Aluminum, Etc.</u>		
Molybdenum	2,700	4,000
Tungsten Carbide	30	500
Tungsten Wire	10	1,000
Carbon Electrodes	5,500	1,500
Impurities	9,000	2,160
Rutile	120	35
Bentonite	14,000	392
Diatomaceous Earth	<u>4,000</u>	<u>200</u>
	<u>35,360</u>	<u>9,787</u>
<u>Non-Ferrous Metals</u>		
Aluminum Rods, Tubes, Etc.	1,000	1,000
Magnesium	14,000	8,424
Magnesium Powder	430	1,140
Brass Rod Bar & Strip	4,480	1,610
Copper	122,000	24,400
Copper	36,000	1,260
Zinc	80,000	14,470
Bismuth Metal	560	1,600
Incomparable Non-Ferrous Metals	4,465	2,960
Platinum Ores & Concentrates	--	1,200
Platinum Ores	--	1,200
Platinum Ores	--	3,000
	<u>262,985</u>	<u>62,264</u>

<u>Commodities</u>	<u>Quantity Tons</u>	<u>Value Thousands of Dollars</u>
<u>Textile Materials (Excluding cotton)</u>		
Silk, Raw & Waste	2.6 M lbs.	6,820
Silk Noils	1.8 M lbs.	1,080
	<u>Tons</u>	
Manila Hemp	35,000	4,200
Ramie	<u>1,300</u>	<u>580</u>
	<u>38,300</u>	<u>12,620</u>
<u>Timber</u>		
Softwoods	15,000	2,280
Hardwoods (inc. Peeler Logs)	90,300 Loads of 50 Cu.Ft.	4,246
Plywood & Veneers	- -	5,030
Sitka Spruce & Fir	22,000 Stds.	4,000
Boards	5,000 Stds.	940
Miscellaneous	<u>25,000</u>	<u>2,000</u>
		<u>18,496</u>

Commodity	Quantity tons	Value Thousands of Dollars
<b>Chemicals</b>		
Molasses (Cuba)	150,000	2,100
Industrial Alcohol	12 M. Galls.	2,250
Acetone	Tons	
	8,000	1,075 - U.K.
	3,000	403 - Canada
Calcium Carbide	28,000	2,320
Sulphur Regular	81,000	1,377
Sulphur, Acid	126,000	1,852
Sulphur, Ground	1,000	35
Phosphate Rock	574,000	3,560
Triple Super-phosphate	115,000	4,400
P. Ash	70,000	2,800
Borax	7,300	370 (35,000 lbs. for Middle East Suply 4461)
Boric Acid	2,500	260
Bazorite	15,500	580
Arsenic	4,700	293
Carbonate of Potash	1,370	220
Caustic Potash	600	96
Dyestuffs, Incl. Intermediate Products	--	9,000
Butylphenol	--	200
Methylene Chloride	400	120
Phenolphthalein	--	200
Methylamine	--	160
Collodion, Cotton (not for Explosives)	--	640
Phosphorus	--	200
Radine Compounds	--	300
Sodium Compounds	--	160
Pharmaceuticals	--	3,000
Miscellaneous Chemicals	--	6,340
	<u>1,183,370</u>	<u>44,311</u>

COMMODITIES	Quantity Tons	Value Thousands of dollars
<u>Paper and Papermaking Materials</u>		
Woodpulp		
(a) for paper	160,150	12,166
(b) " rayon	57,500	6,000
Craft Liner Board	14,400	880
Building Board	24,000	2,600
Other paper & Board	9,700	2,256
Cotton & Linen rags	4,200	480
Bagasse	<u>12,000</u>	<u>384</u>
	<u>281,950</u>	<u>24,766</u>

Miscellaneous Raw Materials

Carbon Blacks	27,000	2,700
lamp Black	480	72
Rosin	46,000	2,760
Liquid Rosin	700	56
Pine Tar	3,000	180
Turpentine	14,000	1,680
French Chalk	1,030	65
Raw Resin	2,300	644
Asphalt	2,500	107
Recycled Rubber	1,300	120
Iron Oxide	300	30
Materials for Plastics	<u>800</u>	<u>640</u>
	<u>99,410</u>	<u>9,054</u>



<u>Manufactured Articles</u>	<u>Number</u>	<u>Value Thousands of dollars</u>
<u>Agricultural Machinery</u>		
Tractors	10,500	
Ploughs	1,500	
Discs	200	
Combines	500	<u>30,000</u>
<u>R.P. &amp; Repair Materials</u>		
Fire hose	4,000,000 ft.	1,400
Horn & Hoof meal	500 Tons	35
Wheel barrow pumps	3,500	700
Tarpaulins	-	3,500
Roofing Felt	-	<u>3,500</u>
		<u>9,135</u>
<u>Accounting Machines</u>		<u>750</u>
<u>Lat Oars</u>		<u>580</u>
<u>Ray Apparatus</u>		<u>1,120</u>
<u>Scientific &amp; Optical Instruments</u>		<u>1,510</u>
<u>Ball Bearings</u>		<u>8,500</u>
<u>Wheels</u>		<u>40,000</u>
<u>Load Lifting Machinery, (including cranes)</u>		<u>9,700</u>

## BRITISH PURCHASING COMMISSION

Supplementary Information Sheet  
to accompany Supply Branch drafts  
of U.S. Procurement Requisitions

1. Ministry or Empire Government: Ministry of Supply
2. Origin of Demand (Cable Reference, etc.): SUPLY 3928, June 7.
3. Demand Number (if Known): \_\_\_\_\_
4. Shipping and Packing Instructions (if any): Consignee: "Ministry of Supply, c/o Import-Export Pool, K, 26-27 Exchange Buildings, Liverpool.
5. Certificates that specifications have been sanctioned and approved by Technical Officers concerned (Give names) and where British specifications are involved, by a representative of the appropriate Inspection Department and that drawings are available:
  - (A) Technical Officers Henry Billo
  - (B) Inspection \_\_\_\_\_
  - (C) Drawings \_\_\_\_\_
6. Rough Estimate of Cost 110,000.00 PMS
7. Statement of Gaps in Information: \_\_\_\_\_

## BRITISH PURCHASING COMMISSION

Supplementary Information Sheet  
to accompany Supply Branch drafts  
of U.S. Procurement Requisitions

1. Ministry or Empire Government: Ministry of Supply
2. Origin of Demand (Cable Reference, etc.): DUPLY 3922, June 1.
3. Demand Number (if Known): \_\_\_\_\_
4. Shipping and Packing Instructions (if any): Consignee: Ministry of Supply, c/o Imported Ice Pool, K, 26-27 Exchange Building, Liverpool.
5. Certificates that specifications have been sanctioned and approved by Technical Officers concerned. (Give names) and where British specifications are involved, by a representative of the appropriate Inspection Department and that drawings are available:
  - (A) Technical Officers Harry Telle
  - (B) Inspection \_\_\_\_\_
  - (C) Drawings \_\_\_\_\_
6. Rough Estimate of Cost 7717,0000 P/S
7. Statement of Gaps in Information: \_\_\_\_\_

8. Name of Supply Officer responsible for preparing draft requisition with whom contact can be made by the U.S. Government Procurement Agency

H. Swiggett

9. Status of any preliminary negotiations that may have been undertaken prior to submission of the draft requisition. Give names and addresses of supplier and/or contractor:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

10. Where no negotiations have been started, suppliers with whom previous orders for similar stores have been placed or with whom orders could be placed within the knowledge of the Commission:

Amco American Hide Co., New York

Armand Scholl, Inc., 41 Park Row, New York

These firms have had considerable experience supplying U.K. needs, and since butt trade is full of pitfalls it is suggested that their advice might be valuable.

11. Is the item known to be "controversial" in the sense that it is known from past discussions that there may be objections on the part of the U.S. Authorities to its production in the U.S.?

NO

\_\_\_\_\_  
Signature of Supply Officer or  
Empire Government representative  
authorized to sign requisition drafts.

\_\_\_\_\_  
Supply Branch or Empire Government

<u>Acquisition Number</u>	<u>Date</u>	<u>Description of Stores</u>	<u>Value</u>
65/40/1677	May 1st	20 Magnavox 24 Volt Solenoids	112.00
" 1678	May 1st	6 Sets maintenance drawings for Brewster Buffalo I aircraft.	87.06
" 1679	May 8th	2 or 3 Serravallo Engines from Consolidated to work in U. S. for at least 3 months.	600.00 per mo.-est.
" 1682	May 2nd	1 Set of sample engine, airscrew and cockpit covers and 6 sets of drawings of covers from Brewster Aeronautical Corporation.	unknown
" 1687	May 3rd	Flight testing of 10 Bell Alroborra Aircraft under Contract A-219.	13,000.00
" 1689	May 3rd	Rebuilding and preparation for export of Curtiss Wright Engines.	12,154.00
" 1690	May 3rd	7 Hammarlund radio receivers and 7 sets of spares.	826.21
" 1691	May 3rd	Necessary repair of 1 damaged Allison Engine	unknown
" 1692	May 6th	1300 Fuses for Belgian Brewster Aircraft.	103.10
" 1693	April 6th	Gears, Vacuum pump drive shaft, Assembly Generator Drive Shaft, etc. from Allison Div. of General Motors	3,494.40
" 1694	May 6th	40 Signal Pistols & 40 sets Signal Pistol Cartridges for Lockheed Hudson V Aircraft.	3,140.00
" 1695	May 7th	25 Oil Separators, Type 560	250.00
" 1696	May 7th	Storage of Aircraft being sent to New Zealand also "dragged" on the planes.	4,947.98
" 1700	May 7th	Necessary services, including fuel and oil, to enable 100 hours flying by B.A.C. personnel on Bell Alroborra aircraft.	unknown

<u>Resolution Number</u>	<u>Date</u>	<u>Description of Stores</u>	<u>Value</u>
65/40/1672	April 24th	Necessary repairs to 3 damaged Douglas Havoc II Aircraft off Contract F-294.	unknown
" 1643	April 24th	Necessary repairs to 1 damaged Hudson IV Aircraft delivered off Contract A-446.	unknown
" 1644	April 23rd	Radio Equipment from Bendix for installation in Hudson III aircraft as required for training at Debert in Canada.	852.90
" 1646	April 22nd	Crewman to furnish 2 service men for assisting with re-assembly of aircraft under Contract F-292.	200.00 per week
" 1647	April 22nd	2 Consolidated crews to be stationed at Bermuda for indefinite period from Jan. 15, 1941.	unknown
" 1648	April 24th	Extended service of 3 Douglas representatives in D. K. for an unspecified period of time.	480.00 per mo.
" 1650	April 23rd	1 Set Electrically-heated undersuit required for test in England.	150.00 approx.
" 1652	April 24th	Aluminum Alloy Tubing from Aluminum Co. of Canada	
" 1657	May 27th	Necessary repair to 1 damaged Curtiss Propeller	unknown
" 1660	April 26th	8 Complete sets of radio drawings for Buffalo I and Bermuda I aircraft.	141.76
" 1665	April 28th	30 HP 300 Ampere Valves	879.90
" 1668	April 29th	25 Housing and Drive Shaft Assembly, 200 Rubber-driving, 25 Retainer-Rubber for Towhawk aircraft.	363.50
" 1670	April 29th	Grueman Martlet II - Rebuilding of 3 Pratt & Whitney Engines awaiting installation in aircraft.	305.25
" 1674	April 30th	30 Type 35-T Elmac radio valves	144.00
" 1675	May 8th	5 Condensers from Bendix for Catalina I Aircraft	89.87
" 1676	May 1st	2500 yds. Eleetrocable off Contract A-5340	394.00

LIST OF BAC 65/40 REQUISITIONS  
APRIL 12th 1941 to DATE

<u>Requisition Number</u>	<u>Date</u>	<u>Description of Stores</u>	<u>Value</u>
65/40/1801	June 4, 1941	Payment to the account of the Standard Oil Company of New Jersey	\$ 555,483.59
65/40/1807	June 3, 1941	Deposit for float for Refresher Course in joint names of the British Air Commission and Aero-Center, Inc.	35,000.00
1808	June 3, 1941	Wiper arms for Air Associates rotary windshield wiper, each 12 inches long. 2	30.00
1813	June 5, 1941	Spare lengths of rubber blading for above. 4	82.80
1814	June 5, 1941	60 Grounding Plugs from Farr Electric Corp.	220.58
1816	June 5, 1941	50 Sets Adaptors, 25 sets Weatherhead Hone and other stores from Consolidated	48.95
1825	June 9, 1941	1 Groove High Speed L.F. Drill	110.00 approx.
1826	June 9, 1941	100 60 amp. Fuses and 100 Renewal Elements from Littell Fuse Inc.	23.28
1827	June 10, 1941	12 Fafrtr Ballrace, spares for Martin Maryland	3,951.00
1828	June 10, 1941	1 Six inch Straining machine #4	369.70
1829	June 10, 1941	50 Plug-Cannon and 1000 Breeze Coupling Nuts, 900 of which are for Maryland Aircraft	575,000.00
1831	June 10, 1941	Working Capital for Rolls-Royce to cover orders for engine parts, jigs, tools etc.	700.00
1832	June 11, 1941	2 Signal Generators from General Radio Co.	320.00
1833	June 14, 1941	3 Dual Control Sets for Hudsons	
1834	June 14, 1941	1 Bilge Pump, 1 Drain Pump, 1 King kip float valve from Consolidated under Contract A-5320	
1835	June 14, 1941	2 50# Main Gear Pulses, 12 sheaves and alike, and other liberator spares from Consolidated under Contract	

## LEND LEASE

### RAW MATERIALS AND MANUFACTURED ARTICLES

1. Since the beginning of the war, the United Kingdom has arranged for the supply and distribution of the principal raw materials to be controlled by the Ministry of Supply. In the main, purchases of raw materials abroad have been made through the usual commercial channels, varying in detail with the nature of the commodity. Purchases are made direct from producers in the country of origin, from agents of such producers, either in the U.K. or in the country of origin, and sometimes through established merchants. On arrival in the United Kingdom, the goods are distributed under the direction of the Control, the normal merchant houses being employed wherever their services can be of use. Selling prices by the Ministry are strictly controlled, and use of commodities is subject to license.

2. Purchases of raw materials have been restricted to the minimum necessary. In recent months the shipping position has been such that authority has only been given for the purchase of supplies required for (a) direct war purposes, (b) essential civil uses and (c) a limited amount of export trade of high value. These conditions still obtain and all demands will continue to be approved by the U.K. Treasury.

3. So far as the bulk raw materials are concerned, no insuperable difficulties exist on the United Kingdom side in arranging for all the purchases in the United States to be centralized. Certain manufactured goods can be dealt with in a similar way. In order that proper planning can be carried out, however, and supplies from the U.S.A. be properly related with similar goods coming from other countries, it is necessary that the Ministry should be in a position to know as far ahead as possible that the supplies will be available. It is desirable that at a very early stage in the consideration of individual items a decision should be given as to whether or not the requirements as a whole of a particular commodity are eligible under Lend Lease, and, in the case of certain minor commodities which have not hitherto been purchased centrally by the U.K., this is necessary in order that arrangements can be made in advance to organize control in the U.K. This particular aspect is of special importance in the case of the Dominions who have not the same experience of commodity control as the U.K.

4. In the consideration of some recent requisitions, questions have been raised by officers of the OPM regarding the eligibility of certain materials under Lend Lease. Two examples are steel products and woodgrip where it is understood certain requirements were queried as being of a type required for civil or export trades. While the immediate position has been satisfactorily cleared, it is suggested that such questions should be determined in advance so that when the requisition goes to the Treasury Procurement Division and the OPM the only question for them to deal with is procurability.

5. The position regarding distribution in the U.K. is still in some doubt. It will be recognized that the only practicable method is to employ the existing skilled organizations subject to control of destination and price, the distributors being remunerated on a basis agreed by the U.K. Government commensurate with the service rendered. The precise details would have to vary with each commodity.



## L. S. D. L. E. A. S. E

### RAW MATERIALS AND MANUFACTURED ARTICLES

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2. Purchases of raw materials have been restricted to the minimum necessary. In recent months the shipping position has been such that authority has only been given for the purchase of supplies required for (a) direct war purposes, (b) essential civil uses and (c) a limited amount of export trade of high value. These conditions still obtain and all demands will continue to be approved by the U.K. Treasury.

3. So far as the bulk raw materials are concerned, no insuperable difficulties exist on the United Kingdom side in arranging for all the purchases in the United States to be centralized. Certain manufactured goods can be dealt with in a similar way. In order that proper planning can be carried out, however, and supplies from the U.S.A. be properly related with similar goods coming from other countries, it is necessary that the Ministry should be in a position to know as far ahead as possible that the supplies will be available. It is desirable that at a very early stage in the consideration of individual items a decision should be given as to whether or not the requirements as a whole of a particular commodity are eligible under Lend Lease, and, in the case of certain minor commodities which have not hitherto been purchased centrally by the U.K., this is necessary in order that arrangements can be made in advance to organize control in the U.K. This particular aspect is of special importance in the case of the Dominions who have not the same experience of commodity control as the U. K.

4. In the consideration of some recent regulations, questions have been raised by officers of the OPM regarding the eligibility of certain materials under Lend Lease. Two examples are steel products and woodpulp where it is understood certain requirements were queried as being of a type required for civil or export trades. While the immediate position has been satisfactorily cleared, it is suggested that such questions should be determined in advance so that when the requisition goes to the Treasury Procurement Division and the OPM the only question for them to deal with is procurability.

5. The position regarding distribution in the U.K. is still in some doubt. It will be recognized that the only practicable method is to employ the existing skilled organizations subject to control of destination and price, the distributors being remunerated on a basis agreed by the U.K. Government commensurate with the service rendered. The precise details would have to vary with each commodity.

6. A program is appended of the estimated United Kingdom requirements of raw materials and certain manufactured goods, which, in the main, can conveniently be dealt with under the existing procedure. Similar details are not yet available for the Dominions. The following items may present administrative difficulties akin to those of certain manufactured goods referred to in a separate memorandum:

- abrasives
- non-ferrous metals
- miscellaneous timber manufactures
- dyestuffs
- miscellaneous chemicals
- miscellaneous paper
- Pharmaceuticals

The total value of such raw materials is approximately twenty-seven million dollars.

7. In addition to the manufactured goods shown in the attached program, requisitions are constantly being put in for a variety of articles required for direct use by the fighting services, and which remain government property. There can, of course, be no doubt as to the eligibility of such items under Lend Lease. The following list, which is not exhaustive, illustrates the range of items: tractors; pumps; electrical equipment including generators, Diesel engines and auxiliary equipment; asbestos piping; plumbing equipment; mechanical transport equipment including tires; small instruments and tools; medical equipment; oxygen cylinders; photoelectric cells; and wireless valves. It has not, so far, been possible to get any reliable estimate of future requirements within this area. Demands tend to arise somewhat suddenly owing to changes in the direction of the war, and a substantial proportion is required for dispatch to the Middle East. Provision has been made in the estimates about to be submitted to General Burns, for a sum of \$300,000,000.00 to cover these miscellaneous military stores and other unforeseen requirements.

8. For the balance of miscellaneous manufactured goods, which, although not in many cases directly related to the war effort, are necessary for the maintenance of supplies and the life of the population of the U.K., it has been felt that the administrative difficulties in arranging for control of purchase and distribution were so great as not to be really practicable. As already noted above, a separate memorandum is being submitted on this particular aspect.

9. To sum up. The points for consideration are:

- (a) Can a decision be given that the goods enumerated in the attached programme are eligible for Lend Lease procurement when required for any use in the United Kingdom.
- (b) The settlement of the question of arrangements for distribution in the U.K.
- (c) The position of Dominion requirements.

B. P. Commission

2nd June, 1941

## TREASURY DEPARTMENT

315

## INTER-OFFICE COMMUNICATION

DATE June 23, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

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

	No. of Shares Sold	\$ Proceeds of Shares Sold	Nominal Value of Bonds Sold	\$ Proceeds of Bonds Sold
June 15	5,921	178,132	44,000	37,426
17	2,945	87,330	119,100	62,154
18	63,665	335,006	16,000	12,106
19	1,619	42,700	153,000	38,389
20	3,018	74,194	Nil	Nil
21	Nil	Nil	1,000	704
	<u>77,168</u>	<u>717,362</u>	<u>343,100</u>	<u>150,779</u>
Sales from Feb. 22, 1940 to June 14, 1941	<u>9,356,919-1/2</u>	<u>270,517,759</u>	<u>42,862,250</u>	<u>35,555,166</u>
Total Feb. 22, 1940 to June 21, 1941	<u>9,434,087-1/2</u>	<u>271,235,121</u>	<u>43,205,350</u>	<u>35,705,945</u>

TREASURY DEPARTMENT

316

INTER-OFFICE COMMUNICATION

DATE June 23, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

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

	<u>\$ Proceeds of Shares Sold</u>	<u>\$ Proceeds of Bonds Sold</u>	<u>Total</u>	
June 16	178,132	37,426	215,558	
17	87,330	62,154	149,484	
18	335,006	12,106	347,112	
19	42,700	38,389	81,089	
20	74,194	Nil	74,194	
21	Nil	704	704	
	<u>717,362</u>	<u>150,779</u>	<u>868,141</u>	
Sales from Feb. 22, 1940 to June 14, 1941	<u>270,517,759</u>	<u>35,555,166</u>	<u>306,072,925</u>	
Total Feb. 22, 1940 to June 21, 1941	<u>271,235,121</u>	<u>35,705,945</u>	<u>306,941,066</u>	306,941,066
\$ proceeds of non-vested securities sold June 6, 1941 - June 14, 1941			100,000	
\$ proceeds of non-vested securities sold Sept. 1, 1939 - June 7, 1941			<u>228,000,000</u>	
\$ proceeds of non-vested securities sold Sept. 1, 1939 - June 14, 1941			<u>228,100,000</u>	<u>228,100,000</u>
			<u>GRAND TOTAL</u>	<u>535,041,066</u>

*M.M.S.*

6/24/41

317

Photostats to:  
Mrs. Morgenthau  
Bob  
Henry  
HM, Sr

BRITISH EMBASSY,  
WASHINGTON, D.C.

23rd June, 1941.

My dear Mr. Secretary,

I cannot refrain from writing you one line to tell you with what interest and admiration I have read, and indeed read twice, your address to the Alumni at Amherst.

I think it is quite admirable, and must have done a great deal of good. I am very grateful to you for giving me the opportunity of seeing it in full.

I am,

Yours sincerely,

*Halifax*

The Honourable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

June 23, 1941

Dear Harold:

Thank you for your very nice letter of June 16th. I was delighted to learn that you and Norman Hickman, as well as your families, all liked my Amherst speech.

Remember, if you come to Washington, there is a supper waiting for you at my house.

Sincerely,

(Signed) Henry

Mr. Harold K. Hechschild,  
61 Broadway,  
New York, N. Y.

June 23, 1941

Dear Harold:

Thank you for your very nice letter of June 18th. I was delighted to learn that you and Norman Hickman, as well as your families, all liked my Amherst speech.

Remember, if you come to Washington, there is a supper waiting for you at my house.

Sincerely,

(Signed) Henry

Mr. Harold K. Hochschild,  
61 Broadway,  
New York, N. Y.



June 23, 1941

Dear Harold:

Thank you for your very nice letter of June 16th. I was delighted to learn that you and Norman Hickman, as well as your families, all liked my Amherst speech.

Remember, if you come to Washington, there is a supper waiting for you at my house.

Sincerely,

(Signed) Henry M

Mr. Harold K. Hochschild,  
61 Broadway,  
New York, N. Y.

HAROLD K. HOCHSCHILD  
SIXTY-ONE BROADWAY  
NEW YORK

June 16, 1941

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

Dear Henry:

Your address to the Alumni of Amherst College is a swell piece of work. I wish it could be read by the graduating and under-graduate classes of every college in the country.

Sincerely,

*Harold*

I gave the address to my friend, Norman Hickman, who has an unusually wide knowledge of history and literature and who also has a son graduating from college this year. He has just sent it back with the following note: "This is a great piece of oratorical sincerity - plainly but movingly phrased. See page 6 for a real epigram." The one he refers to is: "It is for us to decide, and to decide now, whether we would rather die on our feet than live on our knees."

Walter, who has also read the address, has asked to take it home so that he can show it to his wife and children.

## MEMORANDUM FOR THE SECRETARY

June 23, 1941.

## Abstract on Mail

During the past week the general mail centered largely around the Secretary's exceedingly fine Amherst speech. Curiously, the proportion continued strongly antagonistic. In all, 36 communications were abusive or critical; 3 praised it and 2 mentioned the speech but made no comment one way or the other. In addition, there were 5 signed letters abusive of the Secretary personally, and 6 anonymous; 2 abusive of the President, signed; 2 anonymous. There were 17 violently anti-England, anti-war and anti-American-participation in any type of war activity which might eventually involve us in conflict. Opposed to these there were 4 letters anti-Hitler and urging every effort to defy him.

There were 8 resolutions from various business organizations urging Administration economy and the reduction of non-defense expenditures.

The "curb labor" correspondence fell off somewhat, with 7 letters, one or two of which urged the dismissal of Secretary Perkins, while others spoke of the lack of encouragement to buy bonds when strikes were permitted. One writer suggested that all bank loans become due and payable when the borrower participates in a strike.

There were 2 protests on sending oil to Japan; 2 protests against freezing Axis funds and 1 letter commending it; and 1 letter with many signatures requesting a referendum on participation in the war.

The America First Committee sent a circular, which is being widely distributed, with the cover slogan, "Convoy - A Funeral Train".

On the subject of taxes, there was a steady protest against the husband and wife joint return, and there were also a number of letters praising the income tax investigation in Seattle. There was the usual collection of ideas as to what might be taxed, including radios, tax-exempt bonds, slot machines, bingo games, Union dues, etc. One man, sending his income tax payment wrote that he was disturbed by the increased spending for war activities and wished he could assign his money to the function of the Government rather than armament spending.

- 2 -

Memorandum for the Secretary.

June 23, 1941.

Various comments from the letters follow:

G. B. Eberens, San Francisco — 75 years old and still working at good salary. Suggests it would help the Government if he and others like him should continue payments on Social Security pension whether they intended to claim it eventually or not. He is now eligible for pension but prefers to work, saying, "I can assure you of the great pleasure I derive from spending the last few years of my life under the greatest President and Administration this country has ever had".

H. Long, Lowell, Mass. "I like the way you are conducting the defense program in regard to bonds. Our forefathers built the U.S.A. to be a formidable nation. Let's keep it so by buying bonds so that we may never have to take a backward step or lose our national dignity."

William Davenport, Greenfield, Mass. Radio talks repeatedly claim defense bonds are safe and the buyer can get his money back at any time. If the banks handle these bonds as they did Liberty Loan ones, they will charge high interest on loans, and bonds will depreciate. People who invested in Liberty Bonds, "To Keep the World Safe for Democracy", took a terrible licking.

C. A. Hubbard, Martinsville, Ind. To be consistent, the President should deport Lord Halifax for alien activity within our boundary.

J. Milne, Jamaica, New York. If England will not listen to suggestion of a reasonable negotiated peace, let her fight her war alone. "Everyone wants peace but violently aggressive England."

H. Knollenberg, Baltimore. "Our country is invincible. We have no enemies that think of attacking us except such as are manufactured for us by the English Lords."

John W. Fuller, Buffalo, N. Y. telegraphs as follows: "For reasons that should be very apparent to any American, I shall not consider myself bound to pay my Federal income tax next year if Roosevelt gives war supplies to communist Russia."

John Phillips, Long Beach, Calif. The rank and file of labor is as patriotic as the average American has ever been. However, the past years badly affected the morale of the laboring group. They have had to guard their jobs jealously or have had no jobs at all, and for the first time their services are in demand. Also, a new generation has grown up, and for thousands of men, it is their first job. It is only right that everyone should help bear the cost of defense and the writer suggests that for those who will pay their first income tax this year, stamps and bonds should be issued in order to teach them to save as they go.

- 3 -

Memorandum for the Secretary.

June 23, 1941.

Joseph Sukup, Schodack Landing, N. Y. The writer has land south of Albany which he has offered as a U. S. Army Airport. It has been surveyed and approved by the CAA and Army Air Corps. Needing to finish the work to put it in shape, he applied locally for a loan of \$5,000. Local banks turned it down as a speculative project, with the additional danger that he might be killed in an airplane accident on the grounds. They would give no consideration for the plea to consider it as a defense activity. His family, Czechoslovakian origin, has \$15,000 in a Los Angeles bank, and this money may now be frozen. He asks any help that the Secretary can give him.

W. T. Wightman, San Francisco, believes that the Nazis have been counterfeiting U. S. currency, and possibly using it in this country to promote discord, agitate strikes, etc. "One thing is certain, money is being used lavishly to delay U. S. Navy convoys to Britain."

*J. Forbush*

23 June, 1941.

Chairman, Committee on Appropriations,  
House of Representatives,  
Washington, D. C.

My dear Mr. Chairman:

With reference to my letter of June 19, 1941, requesting reconsideration by your committee of an appropriation of \$3,000,000.00 for the construction of training stations for enlisted personnel of the Coast Guard at Ivory Point, Connecticut, I am enclosing herewith for your information a copy of the letter from the Secretary of the Navy, dated June 18, 1941, requesting that this department take immediate steps to obtain the necessary facilities for the institution of the training program necessary to meet the demands which will be made upon the Coast Guard by the Navy for several thousand trained enlisted men over the next several years.

Very truly yours,

(Signed) H. Morgenthau, Sec.

Secretary of the Treasury.

One inclosure.

THE WHITE HOUSE  
WASHINGTON

June 23, 1941

MEMORANDUM FOR:

THE SECRETARY OF THE TREASURY

If, after the usual investigation, you find E. H. Birmingham satisfactory for Collector of Internal Revenue for Iowa, will you secure the resignation of the incumbent, who is, I understand, a hold-over and send the necessary nomination papers to me?

F. D. R.



June 23, 1941.

My dear Mr. Cochran:

I have your letter of June 19, which refers to the recommendation of Representative John Hunter of Ohio for the appointment of Ralph Snyder to be Collector of Internal Revenue at Toledo, Ohio.

I have been awaiting further advice before undertaking to make a positive recommendation to the President as to this vacancy. You are, of course, entirely familiar with the fact that it is not the practice of the Treasury Department to make initial selections in the case of Presidential appointees.

Several candidates have been recommended for the position by various persons and organizations in Ohio. One of the earlier recommendations was that by Representative Hunter of Mr. Snyder. We have had no recommendation as yet from the Chairman of the Democratic National Committee.

I thank you for writing to me on the subject and you may be sure that your views will be given the most serious consideration.

Sincerely yours,

(Signed) H. Sargentan, Jr.

Secretary of the Treasury.

Honorable John J. Cochran,  
House of Representatives.

File to Mr. Thompson  
By Messenger



COPY

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

Personal

June 19, 1941

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

My dear Mr. Secretary:

Representative John F. Hunter of Ohio, is a Member of the Committee on Coinage, Weights, and Measures, is an outstanding Administration man and has given us a great deal of support. He advised me today that there is a vacancy in the Office of Collector of Internal Revenue at Toledo, Ohio, and that he talked to the President in reference to the matter, being advised that the President would settle the appointment within two weeks, based upon your recommendation.

When this vacancy occurred, Mr. Hunter recommended Ralph Snyder and Senator Donahey as well as the Democratic State Chairman joined him in approving Mr. Snyder. As you know, Senator Donahey was not re-elected and since that time it seems that the Chairman of the Democratic National Committee has stepped in and made another recommendation. Mr. Hunter says as far as he is concerned there cannot be any compromise as he is required to stand on his recommendation of Mr. Snyder.

In view of the fact that Mr. Hunter has been assisting us so much, I felt at liberty to call this to your attention because I know that he would never forget it if you could act favorably on his recommendation.

With assurance of my high esteem, I am

Sincerely yours,

/s/ John J. Cochran

CONFIDENTIAL

330 ✓

WAR DEPARTMENT  
WAR DEPARTMENT GENERAL STAFF  
MILITARY INTELLIGENCE DIVISION, G-2  
WASHINGTON, D. C.

June 23, 1941

MEMORANDUM TO COLONEL W. B. SMITH,  
Office of the Deputy Chief of Staff  
Room 2026.

1. With reference to information requested for Secretary Morgenthau, you are advised that although more than 400 P-40's are in England, and delivery of six Bell "Airacobras" was made in May 1941, none of either type has engaged in combat in the Western Theatre.
2. Available information relative to these airplanes in Egypt has been furnished Mr. Morgenthau's office via distribution of cables from Cairo.

*Jack C. Hodgson*  
JACK C. HODGSON  
Major (A.C.) G. S. C.  
Chief, Air Section, G-2.

CONFIDENTIAL

CONFIDENTIAL

330

WAR DEPARTMENT  
WAR DEPARTMENT GENERAL STAFF  
MILITARY INTELLIGENCE DIVISION, G-2  
WASHINGTON, D. C.

June 23, 1941

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*Jack C. Hodgson*  
JACK C. HODGSON  
Major (A.C.) G. S. C.  
Chief, Air Section, G-2.

CONFIDENTIAL

**ALLISON SHIPMENTS**

	British				Army				China	Grand Total
	C	E	F	Total	C	E	F	Total	C	
Mar. 2 - 8	6	-	-	6	69	2	-	71	-	77
Mar. 9 - 15	6	-	-	6	72	-	2	74	-	80
Mar. 16 - 22	36	-	-	36	14	1	2	17	-	53
Mar. 23 - 29	87	2	-	89	10	1	3	14	-	103
Mar. 30 - Apr. 5	24	-	-	24	41	1	5	47	-	71
Apr. 6 - 12	60	5	1	66	8	1	3	12	10	88
Apr. 13 - 19	12	2	-	14	-	2	5	7	-	21
Apr. 20 - 26	-	3	3	6	1	-	2	3	10	19
Apr. 27 - May 3	-	-	-	-	-	8	1	9	-	9
May 4 - 10	24	-	-	24	-	7	7	14	-	38
May 11 - 17	53	11	9	73	-	7	13	20	-	93
May 18 - 24	60	13	16	89	-	6	23	29	-	118
May 25 - 31	24	14	14	52	-	5	22	27	-	79
June 1 - 7	12	25	16	53	-	5	23	28	10	91
June 8 - 14	-	23	22	45	-	3	35	38	12	95
June 15 - 21	22	16	24	62	-	16	34	50	-	112
TOTAL Mar. 2 - June 21	426	114	105	645	215	65	180	460	42	1,147

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

June 23, 1941.

## STRICTLY CONFIDENTIAL

ALLISON DIVISION, GENERAL MOTORS CORP.

## Shipments of Airplane Engines

	: Actual : shipments	: Estimated shipments : on existing orders
<u>1940</u>		
January.....	10	
May 24 - June 22.....	28	
June 23 - July 20.....	43	
July 21 - Aug. 17.....	47	
Aug. 18 - Sept. 14.....	140	
Sept. 15 - Oct. 12.....	263	
Oct. 13 - Nov. 9.....	233	
Nov. 10 - Dec. 7.....	154	
Dec. 8 - Jan. 4.....	228	
<u>1941</u>		
January 5 - February 1.....	193	
February 2 - March 1.....	323	
March 2 - 29.....	313	
March 30 - April 26.....	199	
April 27 - May 3.....	9	
May 4 - 10.....	38	
May 11 - 17.....	93	
May 18 - 24.....	118	
May 25 - 31.....	79	
June 1 - 7.....	91	
June 8 - 14.....	95	
June 15 - 21.....	112	
June 22 - 30.....		139
July.....		459
August.....		580
September.....		700
October.....		800
November.....		900
December.....		1,000
<u>1942</u>		
January.....		1,000
February.....		730

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

June 23, 1941

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

STRICTLY CONFIDENTIAL

DATE June 23, 1941

TO Secretary Morgenthau  
FROM Mr. Wiley

## FBI reports:

June 17. During the monitoring of foreign funds at the Chase Bank, FBI discovered various payments to oil companies in the United States. There are indications that the Standard Oil Company of New Jersey has been receiving money for oil sales by order of the Reichsbank.

*Wiley*  
*6/23/41*

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE June 23, 1941

TO Secretary Morgenthau  
FROM Mr. Cochran

**CONFIDENTIAL**

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£83,000
Purchased from commercial concerns	£17,000

Open market sterling was quoted at 4.03-1/4, and there were no reported transactions.

The Canadian dollar again improved and closed at a discount of 11-1/2%, as compared with 11-5/8% on Saturday.

The Uruguayan free peso, which advanced from .4265 to .4310 last Friday, rose further to close at .4387-1/2 this afternoon.

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

Argentine peso (free)	.2380
Brazilian milreis (free)	.0605
Mexican peso	.2070
Cuban peso	1-1/16% discount

In Shanghai, the yuan was unchanged at 5-7/16¢, and sterling remained at 3.92.

There were no gold transactions consummated by us today.

No new gold engagements were reported.

In London, a price of 23-7/16d was again fixed for spot and forward silver, equivalent to 42.55¢.

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

We made one purchase of silver amounting to 50,000 ounces under the Silver Purchase Act. This consisted of new production from various foreign countries, bought for forward delivery.

We also purchased 275,000 ounces of silver from the Bank of Canada. So far this month, we have bought 925,000 ounces from that source, under our regular monthly agreement to purchase up to 1,200,000 ounces.

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE June 23, 1941

TO Secretary Morgenthau  
FROM Mr. Haas *HAAS*  
Subject: The Business Situation,  
Week ending June 21, 1941.

Summary

(1) According to the Federal Reserve Board, the index of industrial production (1935-1939 = 100, adjusted) has been revised upward 1 point and now stands at 149 for May, as compared with 140 in April and 115 in May 1940. Judging by weekly indexes, last month's rise in business activity has carried over into the current month. Both the New York Times index and Barron's index have reached new highs.

(2) Commodity prices are rising at an accelerated pace. The BLS all-commodity index reached 84.9 (1926 = 100) for the month of May, an increase of 2.0 percent over April. For the week ended June 14 the index stands at 86.7, a further increase of 2.1 percent over the May average.

(3) The outstanding price movement last week was an advance in prices of fats and oils. The lead was taken by cottonseed oil, spot prices of which gained 7 percent in the week. Among the major bullish influences have been the heavy Government purchases of lard and pork products, which together totaled 245 million pounds in the 2 months ending June 14. Purchases of lard in this period totaled 7 percent of an average year's production, while lard prices in this period have risen more than 40 percent.

(4) The tight supply situation in steel scrap has become more acute. In an endeavor to alleviate the situation, OPACB has threatened strong action against hoarders, and has made amendments to the maximum price schedule which should favor increased scrap collections. The situation is further complicated by the tightness in the supply of pig iron.

- - - - -



### Further rise in business activity

The Reserve Board's preliminary estimate of the FRB index of industrial production for May proved to be 1 point too low. As a result, the index stands at 149 as compared with 140 in April. The index is far above the 1929 peak of 114.

Last month's rise in business activity has carried over into the current month, with both the New York Times and Barron's seasonally-adjusted indexes moving into new high ground. Such basic factors as automobile production, steel ingot production, and cotton mill activity, after allowance for seasonal factors, have all made further gains thus far in June, while electric power output has reached a new high, and freight carloadings are running well above last fall's seasonal peak.

### Prices have increased 4 percent since April

Commodity prices are rising at an accelerated rate. The BLS all-commodity index reached 84.9 (1926 = 100) for the month of May, an increase of 2.0 percent over April. For the week ended June 14, the weekly index was 86.7, which represents a further increase of 2.1 percent over the May average. Prices have therefore advanced about 15½ percent since August 1939, the month before the war started. In the same number of months in the World War period prices advanced 22½ percent.

For the week ended June 20, prices of foodstuffs were sharply higher (see Chart 1, upper section), while prices of industrial materials made but little further gain. Among the basic food materials, the greatest advances were in the fats and oils group, including cottonseed oil, lard, and butter. Hog prices were also substantially higher. Increased prices of cotton and print cloth, in the industrial materials group, were offset by a strong decline in hides, following the establishment of a price ceiling by the OPACS. (See Chart 1, lower section.)

### Very sharp rise in prices of fats and oils

The very strong advance in prices of fats and oils last week was led by cottonseed oil, which reached a new high in the futures market, and in the spot market made a gain of 7 percent in a single week. The advance occurred in spite of reports that the OPACS is studying recent price increases, presumably in an attempt to restrain unwarranted speculative activity. Basic economic influences underlying the price

- 3 -

advance are increased consumer incomes, rising industrial demand, and expanded building activity, together with a soaring down of the cotton crop estimate. Government purchases of lard and dairy products (discussed in a later section) have been a strongly bullish influence while difficulty in securing supplies of some imported fats and oils has also been a factor.

The increase in the price of lard has occurred in spite of heavier stocks of lard, which on June 1 were 10 percent over May 1 and 25 percent over June 1 last year. One reason for the heavier stocks is the higher average weight of hogs marketed recently. Stocks of butter are also large, being over twice as high on June 1 as a year earlier. Nevertheless, the price of butter during May was the highest for the month since 1929 and the highest for any month since 1937.

#### Trends of fat and oil prices

In view of the critical importance of fats and oils in the present war, their price behavior is of special significance. Spot prices of cottonseed oil, along with prices of other fats and oils, showed a considerable upward movement in September 1939 following the outbreak of war, reversing a downward trend which had been in progress since 1937. (See Chart 2.) The sharp price gain after the war started, however, was more than lost later by all except butter, in a decline due largely to the blockade of foreign markets. The price of butter has shown a generally upward movement interrupted only by the usual seasonal swings.

Since late 1940, all four prices have shown a strong advance. In the case of butter, the relative increase is greater than the chart indicates, since the recent rise has come when the seasonal price movement is downward. The price of butter is now considerably above last December's seasonal peak. The price increase shown by these four selected items has been matched by most other fats and oils.

#### Government food purchases a significant proportion of total production

Purchases of food products by the Department of Agriculture in the 2-month period March 15 to June 14 are shown in Exhibit 1 (attached), compared with annual average production in the 10-year period 1929 to 1938. Wholesale price changes since March 15 for these products are shown on the same table.

Government purchases, it will be noted, represent substantial proportions of annual production in the case of cheese, evaporated milk, and lard, while purchases of dried beans, dried apples, dried peaches and raisins, of canned grapefruit and canned tomatoes are also apparently large enough to influence the market. Judging by the price changes, most of the markets have evidently responded to this influence. Thus, the price of lard has increased over 40 percent since March 15, while the price of cheese has increased over 30 percent.

In the case of dried and canned fruits and vegetables, of course, the approaching new crop is also a strong influence. The price of apricots, for example, has declined in view of the fact that the new crop is estimated to be considerably above last year. The Federal purchases are said virtually to have eliminated the carryover in dried apricots, peaches, apples, and raisins.

#### Steel scrap shortage troubling steel producers

The tight supply situation in steel scrap has become more acute, and is now looked upon in some trade circles as the most serious threat to the continuation of the current high level of steel operations. It is reported that consumption is running ahead of receipts of scrap, with a consequent drain on stock piles. In an endeavor to alleviate this situation, the OPACS during the past week threatened strong action against hoarding of iron and steel scrap and also made certain amendments to the schedule establishing maximum prices for scrap. Coincidentally, Price Administrator Henderson asserted that the maximum prices now in effect are high enough to fully compensate scrap collectors and insure an adequate supply of the material.

The situation is further complicated by a tightening in pig iron supplies, and some sources now anticipate an extension of priorities and allocations of supplies in this branch of the steel industry. Steel ingot production, however, continues to run at close to capacity levels, with operations last week rising to 99.0 percent of capacity from 98.6 in the previous week. During the current week, steel operations are scheduled at 99.9 percent of capacity.

#### Steel backlog higher despite decline in orders

Although new orders booked by the U. S. Steel Corporation in May fell 8 percent below the previous month, incoming business was still well above shipments, with a consequent

- 5 -

further rise in the company's backlog of unfilled orders. (See Chart 3.) Steel shipments last month reached a new high by a narrow margin but it will be noted that, due to the company's attainment of virtual capacity operations by March of this year, further large increases must await expansion of productive facilities. New orders booked by the U. S. Steel Corporation in the second week of June, the latest available, rose 3 percent to 157 percent of capacity.

#### Heavy construction contracts rising

After showing a gradually declining trend for the past several months, heavy engineering construction awards during the current month have turned sharply higher. Thus contract awards last week reached the third highest figure on record, and a four weeks' moving average of contract lettings moved into new high ground for the year. (See Chart 4, upper section.)

Prominent awards in the recent expanded totals include:

- \$46,000,000 artillery shell loading plant at Texarkana, Texas.
- \$39,000,000 TNT plant at Chattanooga, Tennessee.
- \$30,000,000 shell loading plant at Minden, Louisiana.
- \$16,000,000 TVA dam at Fort Loudon, Tennessee.
- \$15,000,000 ammonia plant at Henderson, Kentucky.
- \$15,000,000 pipeline from Louisiana to North Carolina.

Structural steel bookings, as shown on Chart 4, declined abruptly during May, after reaching a new high for the current year. Thus far, the rise in engineering construction awards above mentioned has not been accompanied by a similar spurt in lettings of construction steel.

#### Steps taken to speed up shipbuilding

Following upon the recent allocation of early deliveries of 469,000 tons of steel plates and shapes to shipbuilders, it was announced during the past week that the OPM had moved up orders for shipbuilding materials to the highest priority rating. Previously the Maritime Commission had advised the OPM that unless the priority rating of shipbuilders was improved, they would not be able to get materials in time to carry out scheduled completions of cargo ships totaling 3,000,000 tons in 1942 and more than 5,000,000 tons in 1943.

- 6 -

While a very considerable expansion in shipbuilding activity has already taken place, the foregoing figures indicate that much greater activity lies ahead. As will be seen in the upper section of Chart 5, an almost uninterrupted rise in shipbuilding production has been under way since the early part of 1939. By May the FRB seasonally-adjusted index of shipbuilding activity had reached 368, as compared with 164 a year earlier and only 109 in January 1939.

#### Sharp rise in orders for merchant vessels

Nevertheless, as shown in the lower section of Chart 5, really sharp expansion in ordering of merchant vessels did not occur until recent months, although heavy contract awards for the expansion of the U. S. Navy were made last year. As a result, merchant vessels under contract or construction by June 1 had risen to 826 vessels totaling 5,350,000 gross tons as compared with only 295 vessels, aggregating 1,516,000 tons a year earlier. Furthermore, since the figures mentioned cover only ships built to American Bureau of Shipping Classification, they do not include orders placed last December by Great Britain for 60 cargo vessels totaling 408,000 gross tons, as well as a few other vessels on order or under construction for American owners. Moreover, it is now reported that shipbuilders are expecting the Maritime Commission to place orders soon for 259 more cargo vessels.

Some idea of the magnitude of the shipbuilding program that lies ahead may be gathered from the fact that despite the increase in output that has already occurred, merchant ship completions in the first 5 months of this year totaled only 33 vessels (265,000 gross tons), while launchings numbered 39 vessels (310,000 gross tons). These figures contrast sharply with the 890 merchant vessels of all kinds (5,800,000 gross tons) on order or under construction in United States shipyards on the first of the current month.

#### New orders continue at high level

Our index of new orders declined slightly in the week ended June 14, though remaining at a high level. (See Chart 6.) New orders for steel were somewhat higher, but new orders for textiles and total excluding steel and textiles showed some decline. While irregularity in the volume of orders can doubtless be expected, no basis exists for any substantial decline so long as the defense program is expanding.

- 7 -

Weekly business indexes higher

With all components except one showing gains, the New York Times index of business activity in the week ended June 14 rose 2.2 to a new high at 130.2. During the same period Barron's index of business activity also reached a new high at 134.9 although the gain over the previous week amounted to only 0.3.

The principal factors in the rise in the Times index were a greater than seasonal rise in paperboard production and a contra-seasonal gain in miscellaneous freight carloadings. The only component to decline was electric power production, which rose by less than the seasonal amount despite the fact that power output reached a new high.

Preliminary data for the week ended June 21 reveal a further slight contra-seasonal rise in steel ingot production, and a decrease in automobile output of 1,100 units to 133,600. This figure contrasts with the 90,100 units produced in the corresponding week of 1940.

## Exhibit 1

Selected food purchases by the Department of Agriculture  
March 15 to June 14 compared with production and prices

Commodity	Unit	Purchases : March 15 to : June 14	Percent : purchases of : production : 1929 - 1938 : annual average:	Percent : increase in : price since : March 15
<b>Vegetables and fruits:</b>				
Apples, fresh	Bu.	1,461,765	1.20	- 20.1 <sup>1/</sup>
Apples, dried	Bu.	447,063	6.57	0.0
	equiv.			
Apricots, dried	Lb.	8,000,000	13.87	- 4.4
Beans, dry	Bag	1,587,684	12.13	47.8
Grapefruit, fresh	Box	273,879	1.25	2/
Grapefruit juice, canned	Case	643,200	18.44	20.6
Grapefruit segments, canned	Case	398,418	13.64	19.8
Onions	50 Lb. bag	16,000	0.06	311.8
Oranges	Box	370,062	0.66	- 1.6
Peaches, dried	Bu.	458,333	8.45	11.1
Potatoes, white	Bu.	909,015	0.25	60.3
Prunes, dried	Ton	2,232	0.99	13.6
Raisins	Ton	15,000	7.06	9.8
Tomatoes, canned	Case	2,591,311	10.97	15.5
Carrots, fresh	Bu.	11,000	0.09	2/
<b>Dairy and poultry:</b>				
Dried eggs )	Lb.	63,800,000 <sup>3/</sup>	1.40	36.4
Shell eggs )				
Frozen eggs)	equiv.			
American cheese	Lb.	30,998,799	7.13	31.1
Evaporated milk	Lb.	105,022,050	6.28	7.8
<b>Other food:</b>				
Lard	Lb.	131,581,039	6.61	41.1
Pork, meat products	Lb.	116,298,441	1.44	23.0
Oleomargarine	Lb.	1,120,000	.35	8.3
Rice	Bu.	71,111,000	.16	21.3
Wheat flour	Bbl.	307,285	.30	13.8

<sup>1/</sup> Quotation for average grade, New York. Average grade, Chicago, increased 88.9 percent; medium grade, Seattle, increased 86.0 percent.

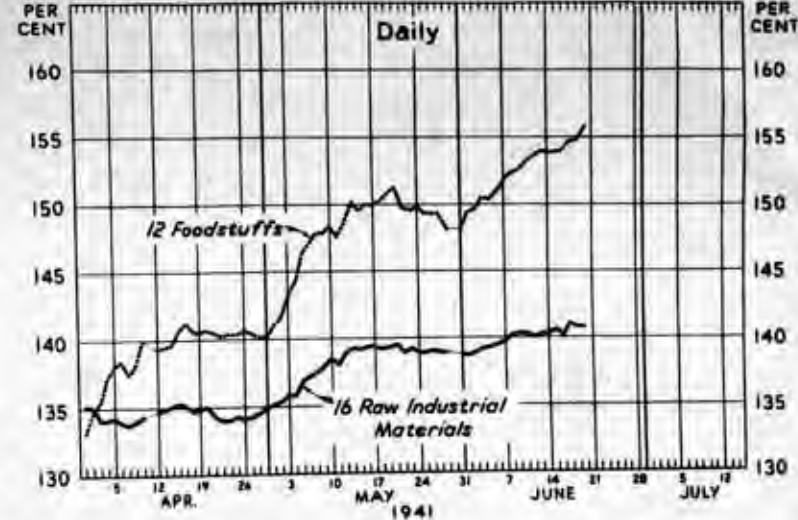
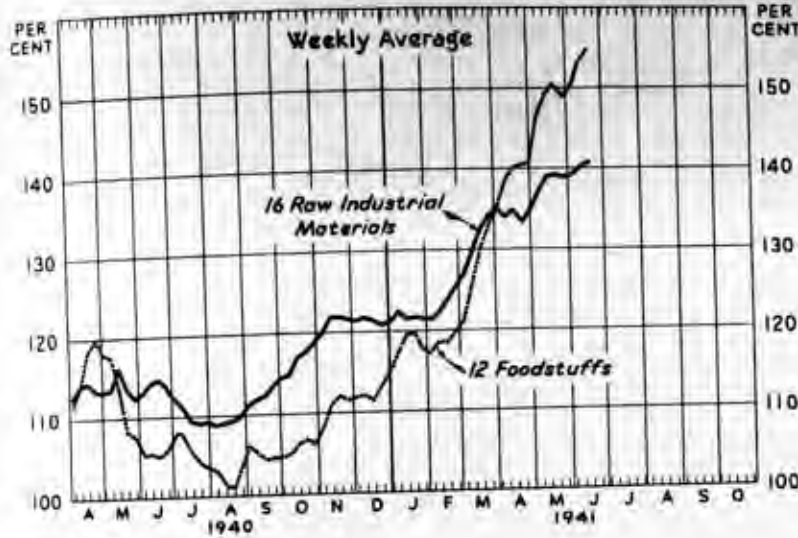
<sup>2/</sup> Not available.

<sup>3/</sup> Approximate.

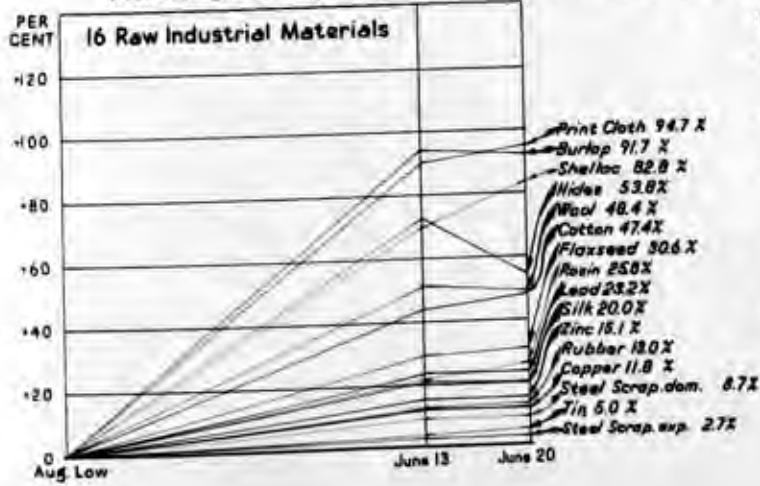
Note: Items omitted for which comparable production data are not available or for which less than .05 percent of production was purchased.

# MOVEMENT OF BASIC COMMODITY PRICES

AUGUST 1939 = 100



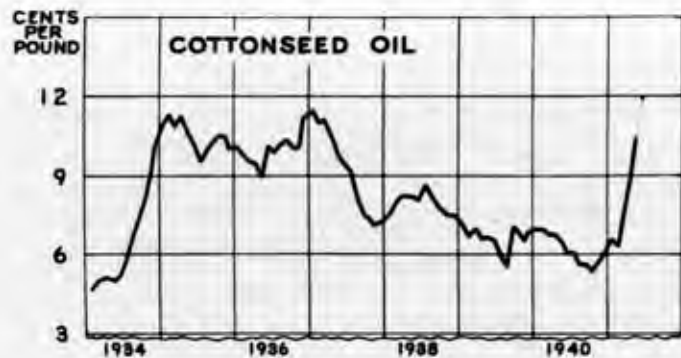
Percentage Change for Individual Commodities, August Low to June 13, and to June 20, 1941



U.S. Department of the Interior, Bureau of Economic Warfare



## PRICES OF SELECTED FATS AND OILS



*Note: Latest figures as of June 19, 1941*

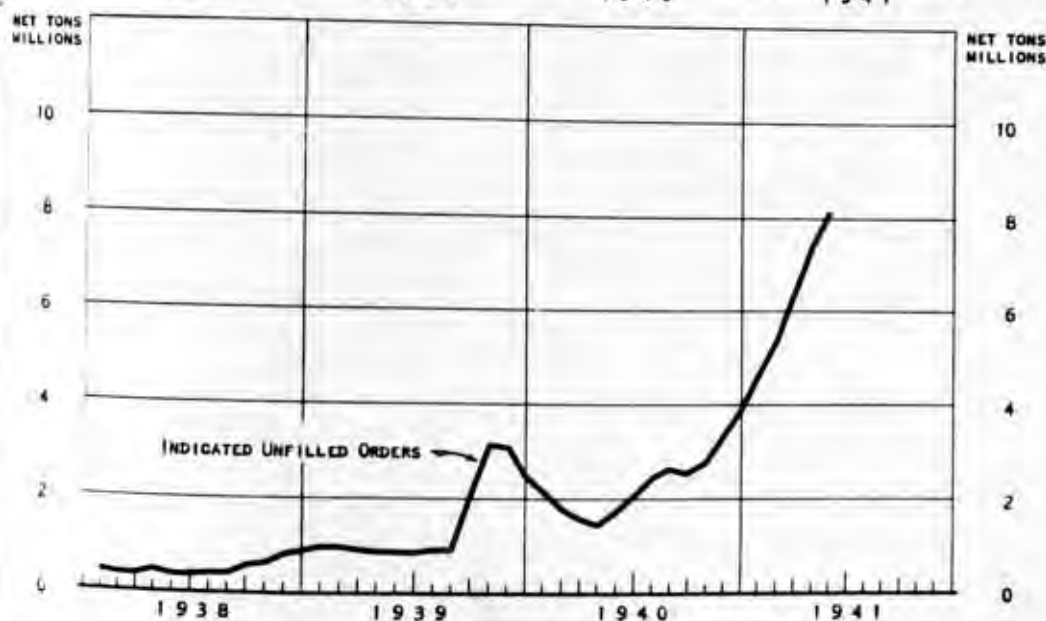
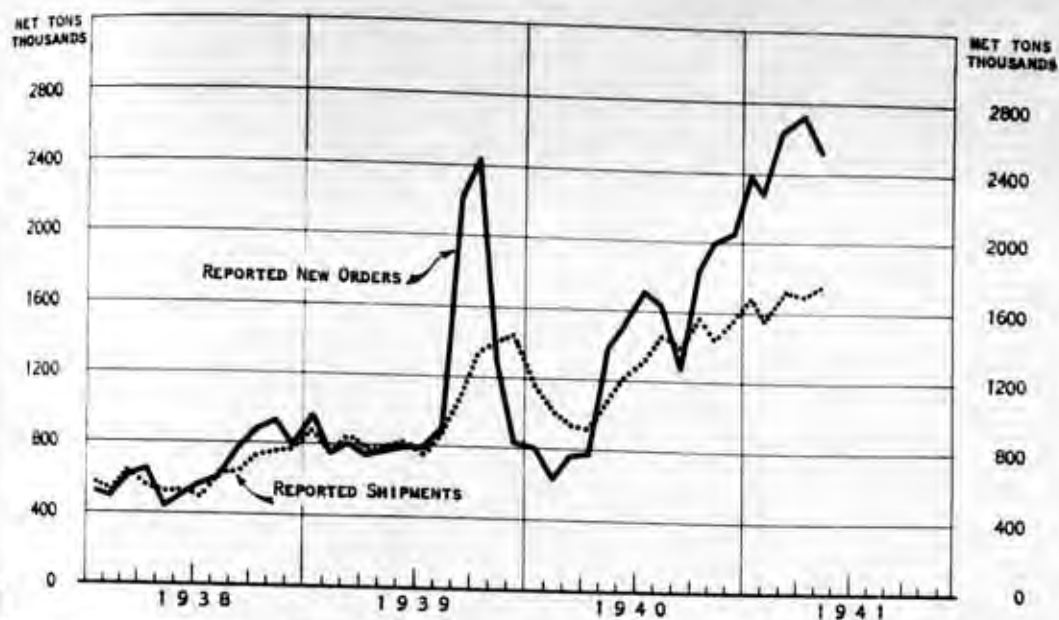
Office of the Secretary of the Treasury  
Bureau of Research and Statistics

P-220

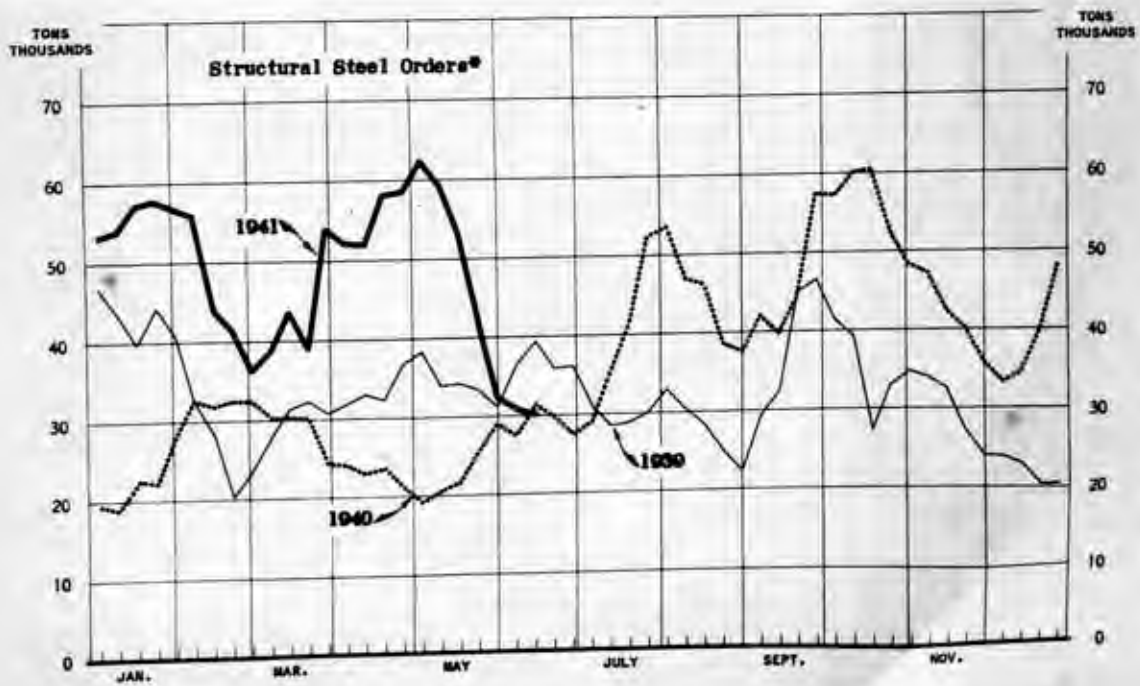
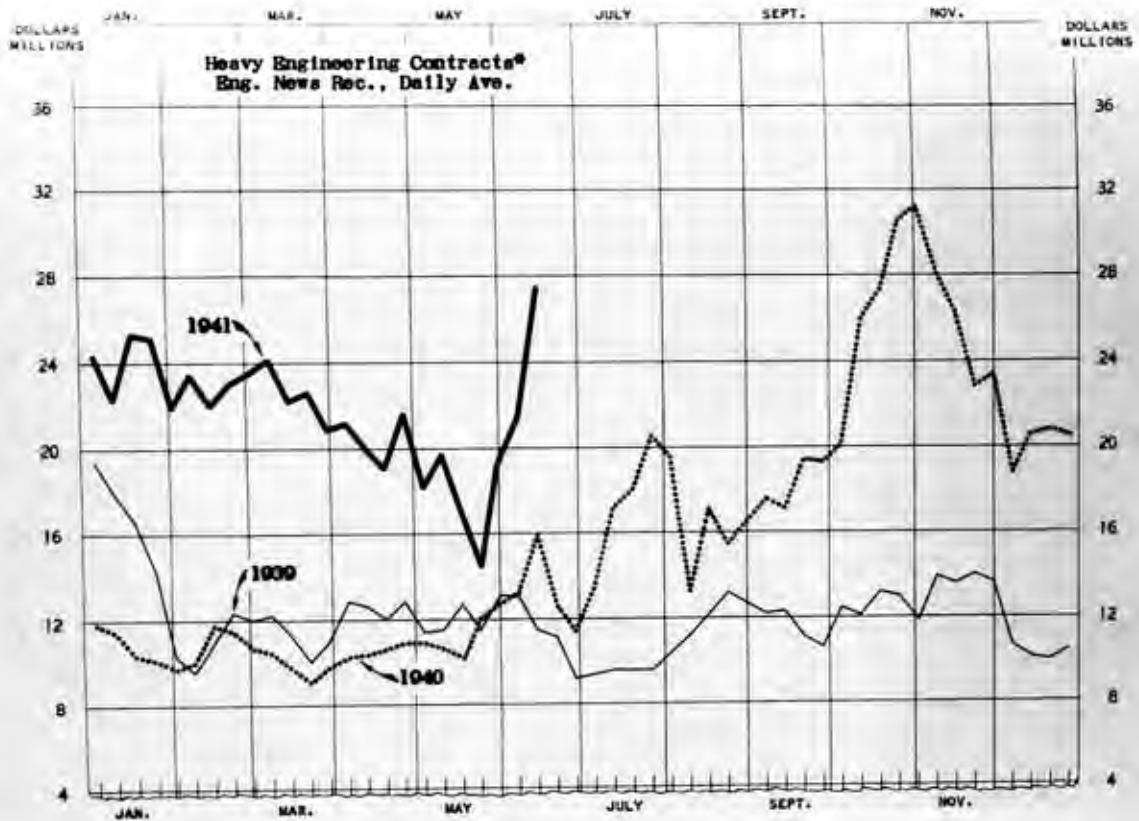
Chart 2  
 344

Regraded Unclassified

REPORTED NEW ORDERS, SHIPMENTS, AND INDICATED UNFILLED ORDERS OF THE U.S. STEEL CORPORATION



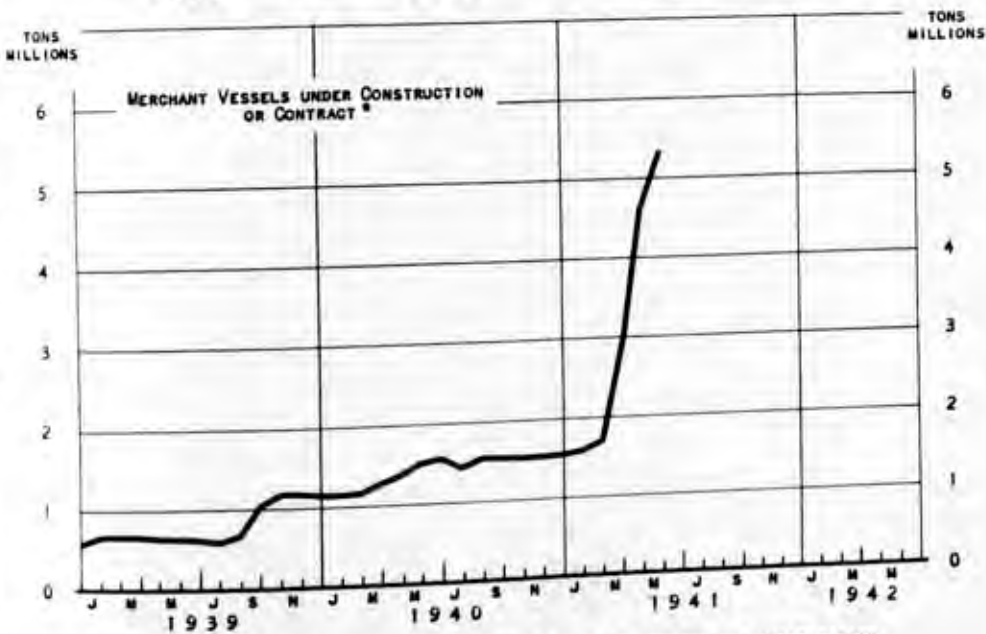
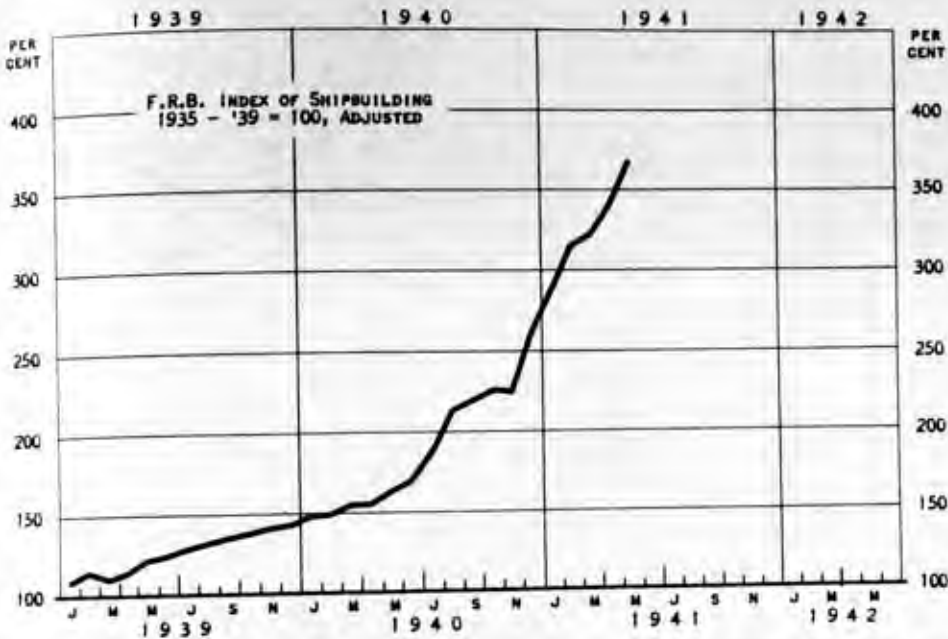
CONSTRUCTION CONTRACTS AND STRUCTURAL STEEL ORDERS



\* FOUR-WEEK MOVING AVERAGE PLACED ON FOURTH WEEK

SHIPBUILDING ACTIVITY

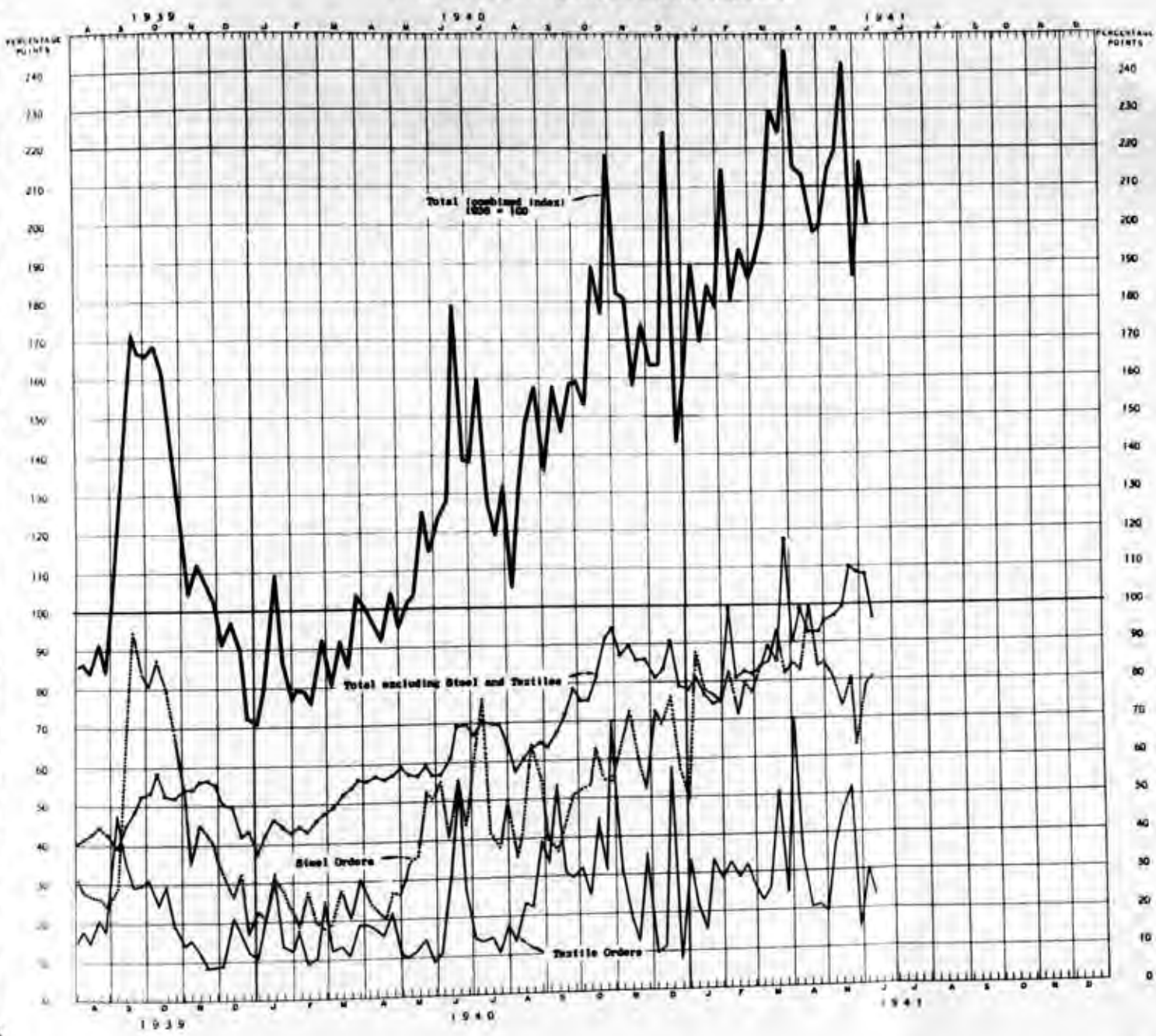
347



\* EXCLUDES VESSELS NOT BUILT TO AMERICAN BUREAU OF SHIPPING CLASSIFICATION

### INDEXES OF NEW ORDERS

Combined Index of New Orders and Selected Components



U.S. GOVERNMENT PRINTING OFFICE: 1941

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 23, 1941

TO Secretary Morgenthau  
FROM Mr. Haas *HA*

Employment reports of the Work Projects Administration show a decrease of 19,000 persons to 1,423,000 during the week ended June 11, 1941.

Attachments

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

Week ending	Number of Workers (In thousands)
1940-41	
November 6	1,783
November 13	1,786
November 20	1,807
November 27	1,822
December 4	1,832
December 11	1,855
December 18	1,872
December 25	1,878
January 1	1,880
January 8	1,887
January 15	1,894
January 22	1,895
January 29	1,895
February 5	1,892
February 12	1,893
February 19	1,885
February 26	1,867
March 5	1,806
March 12	1,764
March 19	1,736
March 26	1,708
April 2	1,662
April 9	1,634
April 16	1,607
April 23	1,586
April 30	1,560
May 7	1,519
May 14	1,497
May 21	1,474
May 28	1,464
June 4	1,442
June 11	1,423

Source: Work Projects Administration

**WORK PROJECTS ADMINISTRATION**  
**Number of Workers Employed - Monthly**  
**United States**

	Number of Workers (In thousands)
1938	
July	3,053
August	3,171
September	3,228
October	3,346
November	3,287
December	3,094
1939	
January	2,986
February	3,043
March	2,980
April	2,751
May	2,600
June	2,551
July	2,200
August	1,842
September	1,790
October	1,902
November	2,024
December	2,152
1940	
January	2,266
February	2,324
March	2,288
April	2,092
May	1,926
June	1,665
July	1,701
August	1,691
September	1,704
October	1,779
November	1,821
December	1,878
1941	
January	1,895
February	1,867
March	1,708
April	1,560
May	1,464

Source: Work Projects Administration.

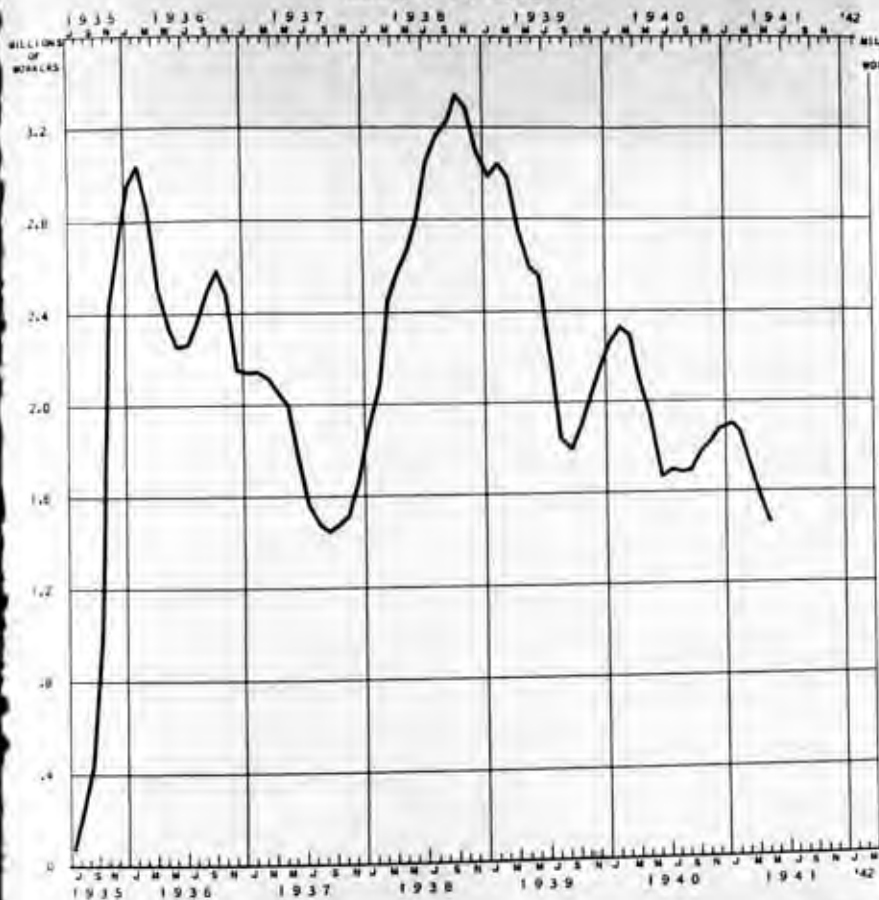
Monthly figures are weekly figures for the latest week of the month.

They include certified and noncertified workers.

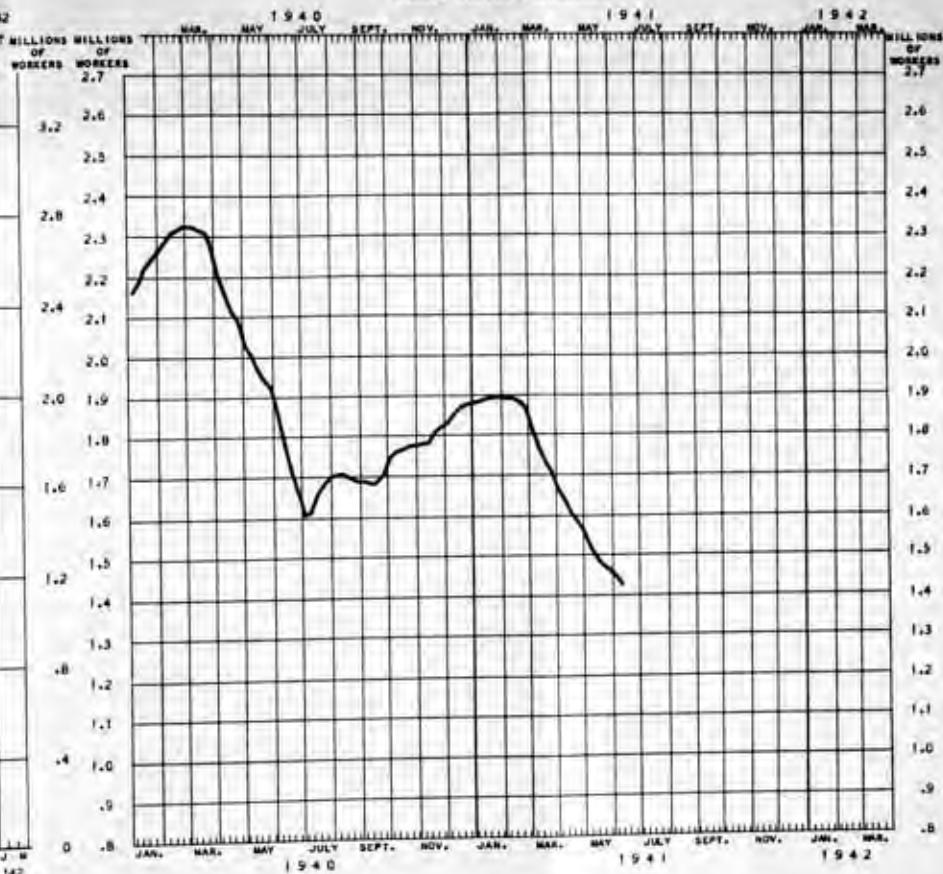


WORK PROJECTS ADMINISTRATION  
Number of Workers Employed  
United States

Monthly W.P.A. Employment



Weekly W.P.A. Employment



SOURCE: WORK PROJECTS ADMINISTRATION

Z - 221 - C

June 13, 1948

Filer

Mr. Cushman

At 11 o'clock on Saturday, June 21, I received Dr. Chao-Ting Chai, who acted as secretary to Mr. K. P. Chen when the latter made his survey of the Burma Road, and who is shortly proceeding to China to serve as secretary to Mr. Chen on the Stabilization Board. I received Dr. Chai at the request of Mr. Archie Leckband, who had telephoned from New York the preceding day in regard to the contemplated visit.

Dr. Chai and I talked over the general problems of Chinese stabilization. Then he asked whether Chian could expect to receive further financial help since the present \$90,000,000 of assistance may be exhausted. I told him that they should endeavor to make this money go as far as possible. He and his friends should realize our keen interest in seeing Chian strengthened. At the same time, I pointed out that the currency had already depreciated greatly. It had during the past several months held at a fairly steady level. If, with the backing now to be made available by the Stabilization Fund, renewed confidence in the currency can be established, the support thereof should require little foreign exchange. I thought it would be to the benefit of Chian to let it be seen that the endorsement of the Stabilization Fund is not exhausted. I assured Dr. Chai, however, that we expected to receive frequent and frank reports from the Stabilization Board and would be guided accordingly.



Mr. Chauncey  
Chauncey has the  
original and one positive  
photostat originals  
of letters have been  
given to:  
Bill  
with  
Cahan  
Foley

LIEUT. STEPHENS

SL



ADDRESS THE COMMANDANT, U. S. COAST GUARD  
(AND REFER TO NO.)

TREASURY DEPARTMENT  
UNITED STATES COAST GUARD

WASHINGTON

23 June, 1941.

**SECRET**

From: Spagent, Hongkong, China.  
To : Secretary of the Treasury.

Conference with the Generalissimo on the fourteenth was satisfactory. He expressed satisfaction at further evidence of American aid. Assured board of support and was informed of its intent to take a broad view of the situation, though reliably reported that he would like it to absorb excess note issue.

Kung informed Chen on the eighteenth that the board's activities should certainly be tied in with major economic issues and is in favor of Chinese members going on short fact-finding tour of the leading Chinese cities, while Fox plans to go together with American trained Chinese economists to investigate Shanghai conditions. Fox is having Freese accompany Chinese members. Arrangements authorized for meeting of board on eighteenth. Technical organization deferred until board reassembles. Expect to leave Chungking on the twenty-second. Convenient time for trip as our quarters are not ready and may not be for some time. Furthermore, Chinese members are hesitant to organize formally immediately for fear of offending the British. No time is being lost however as Chinese members, Fox, and Taylor are holding many informal and profitable discussions and much good will is being built up. Conferences with local bankers, economists, and others

SECRET

- 2 -

are also being held. Because of time lost through air-raids, the following hours are established: seven to eleven, mornings, and four to seven, afternoons.

At board meeting on fifteenth, courtesies were exchanged. Subject to later formal ratification, a number of decisions were made. Chungking headquarters to be in Central Bank building; Dr. Y. L. Lin, appointed secretary pro-tem. Agreed that a small and flexible economic research division should be organized depending primarily on existing government ministries and other bodies for source material. Emphasis laid also on importance of organizing competent accounting division to keep records and render periodic reports as per agreement. Fox affirmed that operations must be in complete secrecy. No decision reached on branches, agencies, vice-chairman, <sup>general</sup> Counsel. National financial conference opened Chungking on sixteenth. Primary purpose to achieve transfer of land tax from provincial to federal government. Generalissimo addressed opening of the meeting and pointed out that in Manchuria one hundred per cent Chinese assets were confiscated and therefore any sacrifice in Free China, no matter how great, was justifiable for war purposes. The tax structure must be improved and centralized. Stressed the fact that the food supply represented one of the most pressing and serious problems and that every effort will be taken to improve the situation.

Have had several conferences with officials in the Ministry

SECRET

- 2 -

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Have had several conferences with officials in the Ministry

of Finance. Freese is helpful in advising on American practices and turned over to Vice Minister of Finance Koo some materials he has with him. They hope to cable for more in the future. Freese will continue to assist Koo until technical work with board becomes too heavy.

Fox was invited to address the financial conference. Will stress the need for political unity, increased democracy, insured production, expanding tax revenues, modernization of fiscal system, tax centralization, budget control, and relationship of board to broad economic problems.

Stated on good authority that British ambassador told Generalissimo that unless Rogers was reappointed, the exchange value of FAPI would be seriously affected. Generalissimo then abruptly terminated the interview.

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Y

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking.

DATE: June 23, 1941, 4 p.m.

NO. : 252.

This telegram is from Fox for the attention of the Secretary of the Treasury:

I have received your instructions telegraphed on the 18th, inst.

(1) I am sending a separate telegraph message with reference to the confidential secretary.

(2) With regard to the appointment of Rogers, the position outlined in the telegram has already been taken by Fox.

(3) I am endeavoring in every way possible to set up the board in a formal way at the earliest occasion that presents itself, and during the delay I am exploring the problems of economics.

(4) Taylor and Fox are on their way to Shanghai without Lin, the Chinese economist, who is dubious about accompanying them. In the meantime Pei, Chen and Frese are observing the conditions in various Chinese areas. Contacts with economists and Government Ministries are being followed up by Hsi and staff in Chungking.

(5) Having been summoned by the Generalissimo, I had a three-hour conversation with him yesterday, at which time he stated that his chief concern was over the formal organization of the board at an early date. However, he completely agrees with the steps which



have been taken in an informal way thus far. He wants to have the board organized inside a month with or without a member from Great Britain.

According to our advices in Chungking, it is impossible to establish a five-man board without the British. Although Chiang is prepared to allow the board to proceed on a four-man set-up, he considers it best for diplomatic reasons to wait for only one month to permit a member to be appointed by the British. Chiang is adamant in his opposition to any compromise or to the appointment of Rogers.

(6) Although I am not sure of the advantages to be gained from a tour of the Chinese members, it may render less conspicuous the visit to Shanghai. All publicity will be avoided. The contacts with U. S. bankers and others in regard to Fapi will be emphasized.

(7) The living arrangements are poor; have moved once already. Frese and Fox are indisposed to a slight extent. It is hoped that before we return, suitable accommodations can be located. Living accommodations are of great importance under conditions in Chungking. I will telegraph my next message through the Shanghai consulate.

GAUSS

EA:MSG

TO THE DIRECTOR  
TECHNICAL DIVISION  
BUREAU OF AERONAUTICS  
WASHINGTON, D. C.  
MAY 25 1945  
RECEIVED

BRITISH EMBASSY,  
WASHINGTON, D.C.

23rd June, 1941.

PERSONAL  
AND 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,

*Halifax*

The Honourable

Henry Morgenthau, Jr.,  
United States Treasury,  
Washington, D.C.

Telegram from London dated 25th June, 1941.

1. H.M.S. Vanessa arrived at Yarmouth. Two mine-sweeping trawlers bombed in Peterhead Bay a.m. 29th June. One sunk, other damaged. A coastal command aircraft obtained direct hit on merchant vessel of 5,000 tons off Staples.

2. Royal Air Force.

Successfully bombed docks at Havre on 19th June. Enemy air activity against United Kingdom very slight. Night of 17th/18th June enemy aircraft dropped bombs in harbour area of Alexandria, damage small.

3. Imports into United Kingdom in convoy week ending 14th June exceeded one million tons, average 795,445 tons for past ten weeks. Last week 900 British, Allied and Neutral ships were convoyed and only one lost, making total 68,202 ships convoyed and 344 lost since the beginning of the war.

4. German and Italian war expenditures estimated at £16,000,000 a day.

5. Benghazi bombed nights 17th/18th June and 18th/19th June also Derna.

Syria. During morning 19th June our troops advanced at Hesse and Damascus but held up by heavy artillery fire. Free French attacked Jebel Kelb 6 miles north Kiseb but Vichy troops counter-attacked inflicting heavy casualties. Note sent to General Dentz informing him we would shell Damascus unless declared an open town. In centre we attacked

- 2 -

Merjayoun where estimated three Vichy battalions holding out from north. After initial success advance was held up on outskirts of the town. Coastal sector, our patrols pushed ahead.

6. Night of 19th/20th June. 48 aircraft sent to Cologne and Dusseldorf, 2 are missing. At Cologne 23 tons of high explosives including 9 one thousand pound and 5,300 incendiaries were dropped, and at Dusseldorf 18 tons of high explosives including 10 one thousand pound and 3,800 incendiaries. Results difficult to observe but fires seen in both target areas.

Telegram from London dated 21st June, 1941.

---

Reconnaissance Cole 20th June showed Leipzig class cruiser in Harbour. On 20th June 65 mines exploded or were detonated off the British coast. British submarine on 11th June torpedoes ship in Benghazi harbour causing fire and explosion. She also sank one ship in convoy on 12th June. No further details received. His Majesty's Trawler Capstone shot down enemy bomber off Mounts Bay a.m. 20th June.

2. Libya and Egypt.

No activity frontier area 19th June over mobile columns reported no enemy escarpment area east of Bir Sofafi. 17th June four aircraft with French markings bombed locality south-east of Sidi Barrani.

3. ABYSSINIA.

Large enemy concentration reported near Mendi about 50 miles from the Sudan border. Enemy's morale there reported low. Gunina area enemy appears to be burning petrol and M.T. A force has been sent to support patriots being attacked 70 miles south south-west of Lecamoti.

4. SYRIA.

Damascus area. We opened road to Mezza 19th June. Free French have successfully held counter attacks. Quneinam area Vichy French still occupying area 5 miles north-eastwards. Situation in Mardjayoun obscure our troops hold position 1,000

- 2 -

yards to south-west and Vichy-French on high ground 5 miles to the south. Coastal area we are advancing slowly against M.G. fire. In Jebel D-ruse country our bombers attacked Suweida fort 18th June where local tribe reported to have surrounded Vichy garrison on afternoon of 19th June.

5. 13th June. Bomber command aircraft sank small vessel off the Dutch coast.

20th/21st June. 128 aircraft despatched to Kiel shipbuilding yards battleship Tirpitz and industrial targets. Small numbers also to Boulogne, Cologne and Essen. Two aircraft missing.

German Air Force 20th June

Two Spitfires intercepted three German bombers escorted by five fighters south of Plymouth and destroyed two fighters. 20th/21st June. Forty-two enemy aircraft were plotted of which 17 came overland. One was damaged by a night fighter.

6. Comprehensive photographs taken 16th June to 18th June of all important ports Kiel to Bordeaux reveal practically no movement of ships or barges except merchant shipping activity at Bremen, Emden and Rotterdam though that not abnormal. Believed much activity on defences and storage Cap Grisnez and Boulogne areas. Work continuing on the projection and extension of ammunition dumps N. Holland and Germany.

CONFIDENTIAL

MILITARY INTELLIGENCE DIVISION  
WAR DEPARTMENT  
Washington, June 23, 1941

TENTATIVE LESSONS BULLETIN  
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NOTICE

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BRITISH SURVEY ON GERMAN ARMORED FORMATIONS IN ACTIONSOURCE

This survey is based upon notes compiled by a high British official source in February 1941.

CONTENTS

1. HISTORICAL
2. THE CAMPAIGN IN POLAND
3. THE CAMPAIGN IN NORWAY
4. THE CAMPAIGN IN THE WEST
5. FACTORS CONTRIBUTING TO SUCCESS
6. MAINTENANCE AND SUPPLY DURING OPERATIONS

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The combined maneuvers in Mecklenburg in 1937 saw the first appearance of a German armored division. During the years of secret training and preparation of equipment which had been devoted to its development, the German General Staff had been considering three principles of tank warfare:

- a. Use of tanks in close cooperation with infantry;
- b. Independent use in order to break through and penetrate the enemy's defensive position;
- c. Best use of air cooperation.

It was necessary to choose between the first two of these principles, for the former sacrificed speed and the latter armor. The final decision favored speed in order that tanks might act without being tied to slow moving infantry and justify their independence by exploiting a break-through to the full. Close support bombing was to be used to increase striking power to the utmost.

No large-scale experience was gained from the Spanish Civil War, for German light tanks with the Nationalist forces did not exceed 300 to 350. But certain lessons were learned. First, the 15-mm. armor of the light tank proved inadequate. Second, light tanks showed their chief usefulness in reconnaissance work. Third, a strong tank attack well supported from the air, as at Guadalajara, proved irresistible against a weaker enemy. Finally, the antitank gun, in German opinion, showed itself a stage ahead of armor. Hence, the Germans concluded there was a necessity for developing speed at the expense of armor.

Valuable experience in performance was gained from the moves into Austria and Czechoslovakia. Results in March, 1938, were below expectations, but the defects were remedied before the occupation of Sudetenland. The occupation of Czechoslovakia, carried out early in 1939 in the most difficult weather conditions, proved that armored divisions could operate on frozen roads and in very difficult country. For example, on the first day of the march to Prague, one armored division is reported to have covered nearly 100 miles over bad roads and in a snowstorm without disabling of a single vehicle.

In broad outline, a German armored division consists of the following:

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- a. A divisional reconnaissance unit comprising armored cars and motorcyclists;
- b. A tank brigade of two mixed tank regiments;
- c. A motorized infantry brigade consisting of motorized infantry and a battalion of motorcyclists;
- d. Remaining divisional troops.

By the summer of 1939, the number of armored divisions had been increased to six, and there were in addition four light divisions whose role was that of strategic cavalry. In place of a tank brigade, the light division had a truck-borne light tank battalion. These divisions proved unsatisfactory and by May, 1940, they had been converted into armored divisions, making a total of ten. In this connection, there are indications that armored divisions are being divided into two groups, heavy and light, and that the latter may represent a compromise between the old light division and the normal armored division.

At present there are believed to be 13 armored divisions, including converted light divisions, and a number of independent tank regiments.

## 2. THE CAMPAIGN IN POLAND

### a. General Factors

Three factors need emphasis when the Polish campaign is considered:

#### (1) Relative Strength of Opposing Forces

More marked than Polish inferiority in numbers was inferiority in equipment, particularly as regards lack of antitank guns. Further, the Polish Army was not fully mobilized at the outset.

#### (2) Weakness of the Polish Air Force

#### (3) Ground

The flat nature of the country and the hard, dry condition of the ground in general facilitated progress of armored vehicles.

### b. Principal Methods in Employment of Armored Formations

- (1) In Cooperation with Infantry with Object of Breaking Crust of Polish Resistance

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The flexible organization of an armored division permitted the detachment of part or all of its tank strength to support the infantry.

(2) Independently

Tanks were often used in an independent role, as for instance against enemy flanks, lines of communications, or centers of resistance. In such cases, armored divisions operated in groups which varied according to tasks. The main thrust was entrusted to a group of three armored divisions and two motorized divisions advancing from Silesia under General Guderian. At the end of the first week, the deepest penetration was about 90 miles. This employment will be described in greater length in the paragraphs dealing with the campaign in the West.

c. Attack by Tanks on Enemy Defensive Position in Cooperation with Infantry.(1) General

Thorough ground and air reconnaissance preceded the attack, which was launched after artillery preparation and supported by machine gun fire from aircraft. Generally the whole tank brigade - that is, 400 to 450 tanks - was placed in support of the attacking infantry.

The detailed preparation and execution of such an attack in support of a division is summarized in the ensuing paragraphs.

About 30 hours before the attack took place the armored division moved by night to a bivouac area some 20 miles in rear of the division which it was to support. Strict measures were taken to ensure concealment from ground and air observation during the preparatory period.

Supply units moved into the same area, while administrative and medical units bivouacked some seven or eight miles in rear. The antiaircraft battery of the division provided antiaircraft defense for the bivouac area.

Upon arrival in the bivouac area, all units were supplied with copies of a report containing the latest intelligence of the enemy and indicating probable future tasks. The intervening time before the attack was devoted to reconnaissance and preparation.

(2) Tasks of Reconnaissance Groups and SpecialistsCONFIDENTIAL

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Reconnaissance groups and specialists - such as engineer and signal personnel - proceeded to the assembly area, about seven miles behind the forward troops, before dawn on the day preceding the attack to carry out the following tasks:

- (a) Reconnaissance of assembly areas, routes forward to the leading infantry, and suitable location for battle headquarters;
- (b) Liaison between commanders of the two tank regiments and commanders of the forward infantry regiments;
- (c) Execution of engineer tasks required in the assembly areas or on routes forward, including concealment and camouflage in cooperation with engineer detachments from the forward division where necessary;
- (d) Establishment of a line telephone system within the assembly area, and of line telephone communication with the forward division and corps;
- (e) Arrangements for traffic control, including detailing of guides to wait at suitable points for directing vehicles and troops moving forward on the following night.

Tactical and battle reconnaissance were carried out during the day by the reconnaissance flight of the division.

To mislead the enemy regarding the true direction of attack, detachments of armored vehicles were used to carry out moves in various directions during daylight. In the evening the fuel column was brought forward into the assembly area.

(3) Operation Order for the Attack

The operation order for the attack contained the following details:

- (a) Information About the Enemy - This included location of enemy reserves and battery positions.
- (b) Intention - The armored brigade was to support the infantry division, which was attacking encaadre. The object of the attack was to break through enemy positions on the front of the infantry division. The armored brigade was to push forward to an objective some eight or nine miles in rear of the enemy position, where it would hold itself in readiness for further operations.

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(c) Method. Subsequent paragraphs dealt with:

1. Routes forward.
2. Time at which the first wave was to cross the line of the forward infantry - about 30 minutes before dawn.
3. The axis of attack. This was, as in all similar cases, a road running at right angles to the armored brigade's objective.
4. Penetration of the enemy position in depth and destruction of strong points.
5. Destruction of enemy reserves.
6. Artillery tasks. Artillery support was to be given by the whole artillery of the infantry division with which tanks were cooperating. Initial tasks were counterbattery and harassing fire, which would begin five minutes before the first wave of tanks crossed the line of the forward infantry. Thereafter, the following tasks were to be carried out on demand from the tank brigade:
  - a. Lifting from the area of the break-in and screening the tank attack with concentrations on the high ground on the right flank;
  - b. Concentrations on two small villages - possible points of resistance - which the tanks were going to avoid;
  - c. Counterbattery fire on battery positions located some 5,000 yards in rear of the enemy's position;
  - d. Smoking the forward outskirts of a small town situated some two miles to the left of the objective, and counter-preparation fire on two roads leading out of the town towards the German left flank.

On demand of the tank brigade further support was to be given by the artillery of the neighboring infantry division on the right as follows:

- a. Counterbattery fire on the right flank of the tank attack
- b. Smoke on the outskirts of a small village overlooking the right flank. A forward artillery observation officer accompanied the tank brigade.

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7. Motorized infantry to move in rear of the armored brigade and support it after the break-through.
- B. Air tasks. These included:
- a. Direct support bombing on enemy reserves in the area of the tanks' objective;
  - b. Close support bombing where required as the tank attack progressed - especially against enemy battery positions - to be carried out by two Gruppen, of 39 aircraft each, allotted by corps;
  - c. Reconnaissance by the 12-plane reconnaissance Staffel of the armored division. Message-dropping and message-collecting posts were to be established by the armored division, first at a point some three miles in rear of the enemy's position and subsequently in the area of the objective;
  - d. Fighter support was to be given to the reconnaissance aircraft by fighters from the fighter Geschwader of 120 aircraft operating from army.
9. Antiaircraft tasks. These included protection of the armored brigade and the motorized infantry at any defiles. The subsequent task was protection of the armored brigade when it had reached its objective and was preparing for further operations.
10. The Reconnaissance unit was to move with the motorized infantry and, as soon as the armored brigade had reached its objective, to push on and reconnoiter to a line some 12 miles in advance.

(d) Administration - A gasoline point was established about three miles in rear of the original forward infantry positions. A supply point was established forward of the bivouac area. An ammunition distributing point was established in the assembly area, and a medical distributing point forward of the bivouac area.

(e) Intercommunication - Divisional signals provided radio communication between the division commander's armored command vehicle and higher formations, subordinate units, and attached troops. Divisional headquarters moved along the axis of attack.

(4) Tasks of Waves

It now remains to point out in general terms the tasks of the

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various waves of attacking tanks.

(a) First Wave - This wave, consisting of light tanks which advanced with about 100 yard intervals between tanks, generally had two tasks. The first was to draw the enemy's fire and disclose his defensive position, while the second was to penetrate the enemy's defensive position and attack antitank gun and artillery positions which artillery preparation and aircraft had not destroyed.

(b) Second Wave - This wave consisted of light and light-medium tanks advancing about 1,000 yards behind the first wave. Its task was to attack isolated points of resistance. Its formation varied according to circumstances. At times it was divided into groups to operate against specified objectives. As the attack developed, each group was ordered to attack and destroy one particular point of enemy resistance and to ignore any other objectives met.

(c) Subsequent Waves - The task of subsequent waves was to attack any remaining points of resistance. All types of tanks were used and medium and heavy tanks were employed to reduce strong points with dive-bomber support if necessary. Infantry followed the successive waves to mop up.

Once a break-through had been achieved, it was exploited to the full by attacking armored vehicles, supported by motorized infantry where needed.

(5) Conclusions on Tanks in Cooperation

Study of the best information at hand leads to the conclusion that the main principles of employment of tanks in cooperation with infantry in the Polish campaign were as follows:

- (a) Thorough reconnaissance of ground, supplemented by information received with the help of a well organized intelligence service;
- (b) Selection and definition of sectors to be attacked in order that they might be isolated and outflanked;
- (c) Penetration of the enemy's positions by the determined use of infantry, artillery, aircraft, and tanks working in close cooperation;
- (d) Avoidance of centers of resistance;
- (e) Destruction of enemy communications.

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Finally, two broad principles governed the employment of armored formations in general:

- (1) Armored Vehicles were Employed in the Maximum Possible Numbers.

The task set was to crush Polish resistance before winter and before a campaign could develop in the West. Therefore, the full first-line force of six armored divisions and four light divisions was thrown in at once.

(2) The armored division was employed in cooperation with whatever arm would enable its striking power to be used with greatest effect.

3. THE CAMPAIGN IN NORWAY

The Norwegian campaign produced no new lessons in German use of tanks. No armored divisions were sent to Norway, but small detachments of tanks, both light and medium, operated in the advance northwards up the Gudbrandsdal. When used in cooperation with infantry, the tanks advanced along the road at about six or seven miles per hour with the infantry following close behind. At the same time other parties of infantry, usually ski troops, operated on either side of the road.

Light tanks were also used for reconnaissance.

In Norway, tanks were not the main striking force, as in Poland, but were used in cooperation with other arms when circumstances permitted. Here, again, successful cooperation with other arms was very marked.

4. THE CAMPAIGN IN THE WESTa. General

The use of armored formations in the campaign in the West was governed by the same general principles which governed their use in Poland. The urgency of the task was not so great, though, for four months of summer lay ahead and there was no risk that a campaign would develop on another front. But the degree of resistance to be overcome was greater, and success could be achieved only by a quick and decisive break-through. Therefore armored divisions were handled with the same speed, and they cooperated closely with the other arms as in Poland. All ten armored divisions were used.

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The task of armored divisions was to break through enemy defensive positions and reduce further power of resistance by penetrating reserves and areas of lines of communications. The infantry, motorized or on foot, followed as quickly as possible to occupy the ground gained.

b. Differences from Polish Campaign

Methods of attack differed from those employed in the Polish campaign in three main respects:

- (1) The Schwerpunkt principle - feeling for the weak point and then driving through in force - was used in preference to the mass frontal attacks employed in Poland;
- (2) Strong points of enemy resistance, such as villages, were not always passed and left to be pinched out by the following infantry as in the Polish campaign: they were often smashed with the assistance of dive bombers before the tanks passed on;
- (3) The German armored formation, since it operated much farther in advance of the infantry, had to deal with points of resistance - such as tank blocks in villages and defiles, or antitank guns - without the help of the infantry; the only assistance available was from the air or from the motorized infantry in the armored division.

c. Organization

Such methods naturally made difficult the problem of control, but it was solved by grouping formations together for certain operations as occasion arose. For instance, at the time of the break-through north of Amiens, three corps comprising six armored divisions were grouped under the command of General von Kleist to exploit to the Channel ports to the North. Acting in cooperation with this group was the Hoth Group in Flanders, consisting of two corps of two armored divisions each commanded by General Hoth. Motorized divisions, including an S.S. division, were also operating with these groups.

Similarly, the Guderian Group was formed under General Guderian for the task of attacking south from Chalons-sur-Marne to outflank the Maginot Line. Its composition seems to have varied during its existence, but broadly speaking it consisted of two corps of two armored divisions each and one motorized division.

As soon as the tasks for which these groups had been formed

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were completed, component formations reverted to their normal commands.

The group commander was equipped with an armored command car in which he toured the front line, conducting operations in person and communicating with subordinate formations by means of the wireless with which the vehicle was equipped.

The formation of such groups presented no staff problems, for staffs were so constituted as to be able to work with any additional formation temporarily placed under command.

d. Sample Order

The formation of ad hoc groups was not confined to divisions or corps. There were instances of groups formed of a tank regiment and attached troops, as is illustrated by the operation order of the 1st Armored Division, dated May 17, 1940. The order, brief and simple, was for the advance of the division along a given axis. It contained the following:

Paragraph 1 gave in very broad outline information regarding the enemy.

Paragraph 2 stated the intention of the higher formation. The German 1st Armored Division, normally in the XVI Corps, had been attached to the XIX Corps for the advance northwest between Leon and St. Quentin.

Paragraph 3 gave the axis of advance which was to be followed by the Krüger Group. This group consisted of the 2nd Tank Regiment and attached troops under Colonel Krüger, commander of the tank regiment. The composition of this group is not certain, but it probably included motorized infantry and/or motorcycle troops of the division.

Paragraphs 4 and 5 gave the tasks and approximate location of neighboring formations operating to the southeast. The River Aisne runs from east to west about 18 miles south of the line Leon - Chauny.

Paragraph 6 dealt with areas to be reconnoitered during the advance.

The Hedtwig Group consisted of the 1st Tank Regiment and attached troops under Colonel Hedtwig, commander of the tank regiment. Its composition is not known for certain, but it was probably similar to that of the Krüger Group. Its task, combined with that of the Krüger Group, illustrates the principle of movement along a given

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axis, with detachments or units of tanks operating on one or both sides and reconnaissance detachments thrown out a considerable distance in the direction of the enemy.

The No. 4 Reconnaissance Unit belonged to the 1st Armored Division, while the divisional reconnaissance unit whose task was to reconnoiter the south flank, was most probably the No. 2 Squadron of the No. 23 Reconnaissance Unit, a part of the 23rd Division, which was attached to the 1st Armored Division.

Paragraph 7 stated that the No. 666 Engineer Battalion, consisting of GHQ troops, was attached to the Krger Group, probably to assist its advance along the main axis, to render any assistance necessary at crossings of the Oise and the Crozat Canal, or to deal with obstacles on the outskirts of St. Quentin.

Paragraph 8 indicated that although a light antiaircraft unit was shown as part of an armored division, it was only attached. In practice at least one battery always moves with the division. All antiaircraft units are part of the Air Force.

Paragraph 9, the administrative paragraph, is noteworthy for its brevity. Problems of supply and maintenance are dealt with more fully in Section 6 of this bulletin.

Paragraph 10 indicated that it is a general rule in such operations for divisional and other headquarters to move along the axis of advance.

e. River Crossings

The crossing of defended water obstacles is illustrated by the crossings of the Aisne and the Meuse, which were effected with the cooperation of infantry.

(1) The Aisne

On June 9, 1940, six infantry divisions had the task of crossing the river and forming between Asfeld-la-Ville and Rehel, a bridgehead over which armored and motorized forces could pass and advance south towards Chalons-sur-Marne.

The Kleist Group, which had moved southeast after completing operations in the area of the Channel ports, consisted of three or four armored divisions and one motorized division. It was assembled west of the Forest of Signy, about 12 miles behind the forward infantry, on June 8.

The French were holding ground a few miles to the north of

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the river, and aerial photographs had revealed 14 battery positions south of the river on about one mile of the front.

At 4:40 A.M. on June 9, counterbattery and harassing fires against French CP's on the rising ground to the south were put down and maintained for an hour.

At sunrise - about 4:55 A.M. - the infantry attacked and took the high ground at Ecluy. During the morning, armored and motorized formations moved forward, and by noon they were in position a few miles behind the infantry. They had not yet been in action, and they remained in position so as to be able to take quick advantage of any bridgehead formed along the front of the attack.

The infantry attack was not altogether successful, and by nightfall only the division on the extreme right had succeeded in crossing and establishing a bridgehead. Bridges of 16-ton capacity were constructed at this point on the afternoon of June 9.

Two courses now remained open:

- (a) To move light and light-medium tanks into the small bridgehead during the night and attack the following morning;
- (b) To continue the infantry attack on June 10 in order to widen the bridgehead.

The first course was adopted, and by June 11 the whole of the Kleist Group had reached Rheims.

(2) The Meuse

The Meuse River was crossed just south of Namur at a point where the river runs through a deep valley with steep banks on each side.

On arrival the Germans found one bridge standing. An armored car troop and a light tank were ordered to cross, but the leading armored car was destroyed as the bridge was blown up. Destruction of the bridge was complete.

Reconnaissance revealed an undamaged weir with a footway across, but this was covered by a machine gun.

The original plan had been to force a crossing and establish a bridgehead, but the far bank was so lightly held that advance troops - a company of motorcyclists - crossed by the weir at once.

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They were not able to hold the small bridgehead they had formed and had to retire at nightfall, but the following morning at dawn they were able to regain a footing on the far bank without such difficulty. They were reinforced by other troops who crossed both by the weir and in rubber boats. The boats were apparently fairly vulnerable, and about 50 per cent were damaged by small arms fire. Tanks forming part of the advance guard could not cross by the weir and had to wait until a deeper bridgehead had been formed and ferrying operations could begin.

The Weuse at this point is about 50 to 100 yards wide, and the ground rises fairly steeply to about 200 feet on each side. As soon as the far heights had been taken, rubber boats and light rafts constructed of rubber boats were used for ferrying antitank guns over. The larger German rubber boats can take 20-mm. antiaircraft antitank guns; rafts are needed for heavier types. The Germans were thus in a position to offer strong resistance to a French counterattack with tanks, which developed later in the day.

By the time the bridgehead was from 2 to 2 $\frac{1}{2}$  miles deep, the first light tanks could be ferried across on rafts made of pontoons and towed by motor boats, which are part of the normal ponton bridging equipment. Heavier ponton ferries for taking 22-ton tanks were constructed later.

The bridgehead was by now well established, and the Germans made a tank attack. Although an extensive mine field was encountered, the mines were found to have been left at safety in the haste of the retreat. In this connection, it is interesting to note that, although the mines were not armed, the weight of the heavier tanks was such as to destroy the safety device, and in quite a few cases the mines exploded. One heavy tank under which a single mine had exploded, sustained damage to a track and shock absorber, but repairs were made later under unit arrangements. Another tank, under which three mines went off, had its whole side blown out; the crew only suffered from concussion.

To facilitate crossing water obstacles, armored divisions had, in addition to their own bridging unit, one or more bridging units attached from corps, and they were followed by special construction battalions.

## 5. FACTORS CONTRIBUTING TO SUCCESS

### a. Speed

The importance of speed was even more apparent in the West than in Poland. Its use was at times characterized by complete

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disregard for flank protection, which it was felt could be sacrificed so long as momentum was maintained. The distances covered by armored divisions, as the crow flies, averaged between 20 and 25 miles per day, although one covered 490 miles in 18 days, or 27 miles per day.

The speed of advance in the West was due to:

- (1) Good supply and maintenance arrangements;
- (2) Availability of spare crews;
- (3) High performance of armored vehicles due to technical lessons learned from past experience;
- (4) Short oral orders wherever possible.

b. Flexibility of Organisation

Flexibility allowed switching of armored and motorized units and formations from one command to another for special tasks. Thus the use of tanks in the largest possible numbers in order to reinforce success was made possible.

c. Training

All campaigns showed training to be of a very high standard. Preparatory training had aimed at a thorough knowledge of motor transport by all ranks; exercises were devoted to encouraging speed and initiative in all ranks, and great powers of endurance were expected of officers and men. Above all, it was stressed that inaction was criminal.

d. Initiative

The doctrine of initiative was inculcated in all officers down to the most junior commanders. Coupled with a high standard of training and knowledge of other arms, it has produced in all ranks initiative which contributed in no small measure to the success of campaigns.

e. Cooperation with the Air Force

A German armored division contains a reconnaissance Staffel of twelve aircraft, and it may have a dive-bomber group of thirty or forty aircraft attached. The latter provided direct and close support bombing at very short notice in the Polish and French campaigns. There was one instance of close support bombers arriving only thirty

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minutes after forward troops had called for them by radio.

On occasion, dive bombers also carried out the equivalent of artillery preparation before an attack by armored forces. The noise of the bombers covered that of the tanks, and thus surprise was achieved.

Cooperation was facilitated by the attachment of small air force staffs to army formations. These staffs were commanded by officers known as Koluft officers.

f. Elastic System of Maintenance

Elasticity of the maintenance system allowed armored formations to be supplied from the air if:

- (1) Speed of advance prevented supply and workshop units from keeping up with the forward elements;
- (2) Vehicles could not be supplied or repaired from local sources.

g. Intercommunication

Communication between units was maintained by radio and by light signals between tanks. Commanders' tanks were equipped with sending and receiving sets, while other tanks were equipped with receiving sets only. Radio discipline was very good.

The extensive supply of radios in armored divisions gave commanders much greater control over their formations than was possible in other divisions. Time was saved, and, having voice control over his subordinates, the commander could impress his personality upon them more forcefully and control their actions more closely.

6. MAINTENANCE AND SUPPLY DURING OPERATIONS

a. Maintenance

Each tank squadron and the headquarters troop of each battalion has a light aid section which carries spare parts on a generous scale and is organized to carry out running repairs with the utmost speed. It consists of mechanics, radio instrument mechanics, and drivers. Its transport includes light trucks for spare parts and tools, and a converted light tank for carrying spare parts and mechanics across country to stranded tanks. At battalion headquarters there is a light aid section under an officer who can, when necessary, dispatch all light aid sections to any part of the front where they

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are urgently needed.

Each regiment has a workshop company equipped with machine tools and capable of doing all but the heaviest repairs. It produces its own power and is, therefore, independent of stationary workshops. The company consists of two identical platoons which may be attached to a battalion or may leap-frog through in order to ensure continuity in repair work. The workshop company also has a breakdown platoon for bringing in stranded tanks as well as an armory and a signals repair shop.

Spare parts are also carried in the light tank column in each battalion.

b. Supply

The speed of the advance in both campaigns made supply largely a question of improvisation. Gasoline trucks were brought forward during hours of darkness. A number of tanks carried extra gasoline containers, each of which would hold about 5 gallons. Distribution of gasoline was also carried out by means of tracked vehicles carrying 100 such containers. They operated from the division where they exchanged empty containers for full ones. This system ensured speed, mobility, and minimum waste of containers.

A rather exceptional method was adopted in the Guderian Group. Tanks would assemble after 10 o'clock at night at a given rendezvous and park close together - about four meters apart - without any attempt at concealment. Here they would receive supplies, gasoline, ammunition, and any maintenance required, from convoys which had moved up close behind the division. It appears that a good deal of horse transport was used for these convoys.

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G-2/2657-220; No. 424 M.I.D., W.D. 12:00 M., June 23, 1941.

SITUATION REPORTI. Eastern Theater.

Germany commenced hostilities against U.S.S.R. at dawn, June 22. Italy has declared war on the U.S.S.R. Rumania is participating in the war on Germany's side.

Ground: To date the only reports received indicate German offensive action from the East Prussian border into Lithuania and pressure along the axis Brest—Litovsk—Moscow.

Air: The German Air Force is adopting its familiar pattern of attack on Soviet air bases and on communications. Some offensive Russian air activity is reported.

II. Western Theater.

Air: German. Limited activity.

British. Continuation of the offensive against the Ruhr and German ports.

III. Mediterranean and Near East.

No important developments.

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**SECRET**

Paraphrase of Code Cablegram  
Received at the War Department  
at 9:15, June 23, 1941.

By authority A. C. of S., G-2

Date JUN 25 1941 ( *de* )  
Initials

Cairo, filed June 21, 1941.

Ninety-nine hours is the greatest time on a Tomhawk. There is still trouble with new crews and pilots who do not know the airplane and have no desire to learn about it. The pilots and crews who have had a number of weeks' operation of this airplane like it very much. Troubles due to equipment have not hampered operations or maintenance.

To date there have been three engines which have had bearing failures, one of these was due, admittedly, to high R.P.M. and manifold pressure during combat. On the ground it was noticed that the oil in the small crank case had been cut and the Prestone was on fire due to the failure of four, five and six rods in both banks. Probably the other two failures seized on number six throw.

Two representatives of Allison are in the Middle East to set up an overhaul shop. The failures details are not known but expect they are due to high manifold pressure and R.P.M.

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