BERNARD M. BARUCH
597 MADISON AVENUE
NEW YORK

March 23, 1939.

166

My dear Mrs. Roosevelt:

I am returning herewith the letter from Madison College.

I gave some money to each of twelve educational institutions in South Carolina. I do not feel I have any more money to give at this time. Later on if I should have some money for this purpose, I shall confine its use to other schools in South Carolina where the means and opportunities are very limited.

The check for $4,000. was sent to Miss Fuller.

Sincerely yours,

B. M. B

Mrs. Franklin D. Roosevelt,
The White House,
Washington, D. C.

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

# WESTERN UNION

1201

(49).

SYMBOLS

DL = Day Letter
NL = Night Letter
LC = Deferred Cable
NLT = Cable Night Letter
Ship Radiogram

N. B. WHITE
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

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Received at 113 Cherry St., Seattle, Wash. Always Open

1939 APR 2 PM 3 52

MA89 16=WASHINGTON DC 2 635P

File

MRS ELEANOR ROOSEVELT=
SEATTLE WASH=

GOOD LUCK TO YOU AND THE NEW BABY MY LOVE TO ANNA AND REGARDS TO JOHN=
B M BARUCH.

Janet

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

for file

May 6, 1939

Dear Mr. Baruch:

I wrote you sometime ago about going to Arthurdale on May 25 with us and I am afraid that my letter did not reach you.

I do not want to urge you to go, but if there is a possible chance of your going I do want you. We are motoring down from here on the 25th, spend the 26th there, and return here to Washington on the morning of the 27th.

Affectionately,

SO

Mr. Bernard M. Baruch
597 Madison Avenue
NYC

TELEGRAM

The White House
Washington

10WU.RA. 28-D.L. 1:52 p.m.

New York, May 16, 1939

Mrs. Eleanor Roosevelt.

Please dismiss matter entirely from your mind and accept my apology for thoughtlessly adding to your burdens when my constant desire is to lessen them. Affectionate good wishes.

B. M. Baruch

file

160

May 29, 1939

Dear Mr. Baruch:

I was so sorry that you could not go to Arthurdale, but of course quite understood the reason. I had a most interesting visit and I will tell you all about it.

How are you feeling now and are you going to be able to come down here when the King and Queen are here? If so, it may be possible to arrange for us to have a little talk.

Affectionately,

SO

Mr. Bernard M. Baruch
597 Madison Avenue
NYC

TELEGRAM

The White House
Washington

9WU.RA. 12- 9:57 a.m.

New York, N. Y., May 23, 1939

Mrs. Franklin D. Roosevelt.

Am dreadfully disappointed but Doctors will not let me out.

Best wishes.

B. M. Baruch.

Do you [illegible]
[illegible]
[illegible]

AMERICAN FRIENDS SERVICE COMMITTEE
20 SOUTH TWELFTH STREET
PHILADELPHIA, PA.

July 12, 1939.

Mr. Bernard M. Baruch
597 Madison Avenue
New York City

Dear Mr. Baruch:

Mrs. Roosevelt tells me that you have again been good enough to assure her that you will give five thousand dollars ($5000.) toward the subsidizing of the Arthurdale School for next year. I share Mrs. Roosevelt's deep gratitude that you have been willing to back up the school again next year.

Our commitments to the school will begin in September. Any time up to September 15 will be entirely satisfactory for sending the cheque.

I hope you are completely recovering from your hospital experience. Some of these days I want to talk to you about Angola.

Very sincerely yours,

CEP:A

Executive Secretary

Copy to: Mrs. Franklin D. Roosevelt

September 1, 1939

Dear Mr. Baruch:

I have been thinking about you and hoping that you got back to Saratoga without too much fatigue.

We have collected about $1000 for Miss Durand and I wonder if you would like to give $400, which will make up the sum actually needed for the present and the near future. There are a number of people who said they would give later on, around Christmas time, and I thought anything extra which came in above what she needs at present could be put in the bank and saved until later on. I have just had a letter from her young man saying that she has had a serious set-back - kidney infection and pleurisy and a flare-up of the tuberculosis in the lung which they had thought was healing nicely. She will be in Asheville at least until the middle of next summer.

Do you think you will be able to send themoney to Friends Service Committee now, because if you do, they will then be able to send my money to the American Youth Congress, nd I know that these youngsters

need this money now.

I hope you will stop here again for lunch before I leave on a lecture trip on the 10th of September. Otherwise, I am afraid I may not see you again until October.

My very warm good wishes.

Affectionately,

Mr. Bernard M. Baruch
Gideon Putnam Hotel
Saratoga Springs
New York

SO

fe

100

September 5, 1939

Dear Mr. Baruch:

I sent you the original of this letter to Saratoga Springs and I now have a feeling that you may not have gone back to Saratoga and my letter may be lying there.

I do not suppose you feel any happier than I do over the situation which we are now in. I would like very much to talk to you. Perhaps when I am in New York on Friday, if you are there, we might meet.

Affectionately,

SO

100

September 9, 1939

Dear Mr. Baruch:

Mrs. Roosevelt asked me to thank you very much for your check fof $400 toward the fund for Midd Durand. We have forwarded it.

Very sincerely yours,

Mr. Bernard M. Baruch
597 Madison Avenue
New York
N.Y.

BERNARD M. BARUCH
597 MADISON AVENUE
NEW YORK

September 7, 1939.

My dear Mrs. Roosevelt:

Enclosed find my check for $400.00 toward the fund for Miss Durand.

Sincerely yours,

BMB

Mrs. Franklin D. Roosevelt,
The White House,
Washington, D. C.

100

Hyde Park, N.Y.
Sept. 10, 1939.

Dear Mr. Baruch:

I was sorry not to be here when you called and I am so appreciative of the messages which you left with Tommy.

Mr. Hoover is being sounded out on the general idea of being willing to develop a relief organization for the countries and the President has suggested to him that he would be glad to see him if he is willing to undertake it.

Of course, if he does the President will suggest my ideas, but it will be left to Mr. Hoover to develop. He will also suggest that I would be especially interested in the organization of women and young people and the things that could be done in conjunction with whatever Mr. Hoover develops.

Of course, beyond calling the first meeting of prominent women and young people, the actual organizing would have to be left in the hands of those present and they would be asked to elect their own chairman and officers to do the real organizing.

Affectionately,

100

October 12, 1939

Dear Mr. Baruch:

I was deeply touched by your wire on my birthday. It is grand to know I can count on your friendship.

These days are especially busy, but I do not feel I am accomplishing very much. I do wish we could get started on something really constructive.

I also want to thank you for your wire about the Embargo fight and to tell you that I do appreciate your seeing Joe Cadden. Apparently you gave him a wonderful time and won his ardent admiration.

I look forward to seeing you soon.

Affectionately,

Mr. Bernard M. Baruch
597 Madison Avenue
NYC

SO

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WESTERN UNION

1201

R. B. WHITE
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

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(36)

NB170 37 DL=NEWYORK NY 11 156P 1939 OCT 11 PM 2 38

MRS ELEANOR ROOSEVELT=

WHITE HOUSE WASHDC=

MAY YOU BE SPARED MANY YEARS TO BRING HAPPINESS COMFORT AND COURAGE TO THOSE WHO ARE PRIVILEGED TO CALL YOU FRIEND AND TO THOSE COUNTLESS THOUSANDS WHO ARE BETTERED BY WHAT YOU SAY DO AND STAND FOR=

BERNARD M BARUCH.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

TELEGRAM

47WUD16

The White House
Washington

New York NY 139pm Oct 11 1939

Mrs. Eleanor Roosevelt

The White House

The embargo fight is now won I have also seen Cadden who made a favorable impression

B.M.B.

2pmd

100

October 27, 1939

My dear Mr. Baruch:

Mrs. Roosevelt has asked me to send you the address of the Fikany Shoe Company. It is 12 Commercial Street, Rochester, New York.

Very sincerely yours,

Secretary to
Mrs. Roosevelt

Mr. Bernard M. Baruch
597 Madison Avenue
New York, New York

DD

November 2, 1939

Dear Mr. Baruch:

I am sending you this copy of a letter I received, because it would seem that the time had come when money should go for Polish relief. I have sent a copy to Norman Davis and to the President asking what they have been able to arrange.

I hope you have seen Franklin by this time and that there may be some move towards the plan which you suggested to me. If nothing else can be done, or has been done, I think I will publish this letter, asking that women's organizations undertake to join together in a relief organization which shall cover all civilians as they need it, the money to be distributed through the International YWCA, YMCA, Friends Service Committee, and Red Cross.

I will not do anything, however, until I get back and have a chance to find out if the gentlemen have any plans.

Affectionately yours,

Memo. to
The President
and
Mr. Davis

Mr. Bernard M. Baruch
597 Madison Avenue
NYC

Make three copies of this letter

To the President:

It would seem from this letter that the time had come when either through the YMCA or the Red Cross, this relief work should begin. What have you been able to arrange.

E.R.

To Norman Davis

same thing

to Mr. Baruch:

I am sending you this copy of a letter I received because it would not seem that the time had come when money should go for Polish relief. I have sent a copy to Norman Davis and the President asking what they have been able to arrange.

I hope you have seen Franklin by this time and that there may be some move towards the plan which you suggested to me. If nothing else can be done, or has been done, I think I will publish this letter asking that womens organizations undertake to join together in a relief organization which shall cover all civilians as they need it, the money to be distributed through the International YMCA, YMCA Friends Ser. Comm and Red Cross. I will not doing anything, however, until I get back and have a chance to find out if the gentlemen have any plans.

E.R.

Bucharest, Romania,
Sept. 26, 1939.

Mrs. Franklin D. Roosevelt,
The White House, Washington, D.C.

My dear Mrs. Roosevelt:

I am writing to you not as to the wife of the President of the United States but as to an American woman. You are, I know, already familiar with the present situation of the Polish people, but as a resident of Poland for the past 17 years - my husband, Paul Super, and I are both Americans with no Polish blood, - I would like to write you of what we ourselves have seen and experienced. As a point of contact, however vague, I may say that in August 1931 my husband, national secretary of the Polish YMCA, loaned by the American Association, and home on business, was recovering from an operation in the Fort Ticonderoga hospital at a time when you called and had the pleasure of a few minutes chat with you by his bedside. As for establishing my identity, I refer you to Ambassador and Mrs. Biddle or Mr. J. Rosser Drummond, editor of the Christian Science Monitor, for whom I have written a number of articles on Poland. I have continued sending to him since the war began, but I am by no means sure he has received any of them.

So much for who I am. Now for recent events.

My husband has for long had extremely close contact with the Polish government and worked in cooperation with several ministries, especially those of Foreign Affairs and Social Welfare. My writing has brought me in contact with the former. Before the actual outbreak of hostilities, the Polish YMCA, a very strong organization, with government support, planned to carry on its share of service for soldiers and

civilians in case of war; but when fighting began, such work was immediately shown to be out of the question, since present methods of warfare are so utterly different from those of the past.

Hence when the Minister of Social Welfare requested my husband to go with him and his staff south to Lublin and work from there in caring for refugees from the German occupied regions, we naturally agreed, but neither of us thought for an instant that we would be out of Warsaw more than a few days. Once having begun to move, however, we had to keep going. Lublin was crowded with fleeing refugees and increasingly menaced by German air attacks and the coming advance. The organization of Y work was only just begun when we were moved on to Dubno, far to the east. And two days later Lublin was bombed and burned, with great loss of life. Chelm's hospital, which sheltered us one night, was utterly demolished 2½ hours after our departure, Luck, where we halted an hour, and left a section of our party, suffered a terrible bombing the following day.

At Dubno, we were able to stay 5 days and got a beautiful piece of Y work going, primarily for soldiers but with plans for refugees. There was a big social and rest room, reading room, bath house, hotel, movie house, information service, buffets, etc., etc.

Then we had orders to again move on, this time to the little town of Sniatyn just across from the Rumanian frontier. Here my husband hoped to set up the Y headquarters for the southern sector. Dubno was to be headquarters for the central sector, and was left in charge of a capable man with money and instructions to develop neighboring centers as fast as possible. A second able man had been sent north to Vilna with similar instructions. And with a third secretary we started to the Sniatyn sector.

There we had only begun organization when word came that we were to report at once with our bags as we must get out before a Russian advance. We were caught between the Germans and the Russians. That was a thunder clap. But thanks to the Minister of Social Welfare we are safe in Romania, where my husband is busy day and night, working with the American secretary of the Romanian YMCA and representatives of the Red Cross and the American and Polish governments in organizing relief work for the refugees, to be carried on by the American, Polish, and Romanian YMCAs and the Red Cross.

It is of these Poles I want to write you. From the hour we left Warsaw we have been travelling with crowds of them. The roads have been full of trucks, cars, wagons, motorcycles, bicycles, and lastly people afoot. There were comparatively few motor vehicles in Poland, but even then gasoline has been almost unobtainable. We always waited for hours for it, and then got a limited amount. People fled with what they could quickly get together, and every vehicle was overcrowded. I saw children strapped to motorcycles while mother and father occupied the seats and other children and baggage packed the sidecar. The dust was bad, for this year, of all years, Poland had magnificent summer and autumn weather, perfect for the German offensive to roll its tanks into the helpless land.

In the little towns where people stopped for food or to rest, the restaurants were frightfully crowded and service of course hopelessly inadequate. There were no restrooms, flies swarmed, it was extremely difficult to prepare food for babies and young children and no place to bathe or rest them but in the houses

of kindly people. And let me say here that all these good people did what they could, offering their homes and their help. Nowhere would Poles take money from us, American guests, though we were abundantly able to pay. But a word more about the children. We do not see how a half of them could survive this awful retreat. Then there were the old and the ill, who could endure it no better. It was dreadful to see the wan, worn faces. Many folk were without funds and some had walked for days. What cold weather will do to these helpless ones if they still live one can only surmise.

In addition to the insanitary conditions of such life, there was constant danger from bombs and machine guns. Since coming here we have talked with a young doctor who was in charge of a train load of women, children and wounded soldiers being taken out of Krakow before that city fell. And he told of how more than once they had to stop to take out the dead - 8, 10, 12 at a time. The Germans planes continually bombed the train though it was evident that it was filled with people being evacuated. I could write pages of similar atrocity stories related to us by eye witnesses.

On the road German observation planes would come over - we saw them time and again every day - to be followed shortly by bombers or planes with machine guns. How many times our cars ran under the trees bordering the highway to escape observation, or we ourselves got out and ran like chickens before the hawk's shadow to hide in the fields!

We heard of such monstrous happenings all around us and saw the bandaged injured. Whole villages were destroyed by dropping an incendiary bomb or two.

Lithuania small towns, and manor houses. Railroad sta- 2.
tions were the first targets. But oftener than not they missed
their mark and had to drop bomb after bomb before they got
what they were after. For brutality and savagery and fiend-
ishness the world has never conceived of anything like the
methods used by Hitler and his men.

—How many Poles have escaped from Poland nobody knows.
None has come because he was a coward. They have come as did
we, to avoid falling into German or Russian hands. We had no
fear of bombing or bombardment. That, if it strikes, is death
and the end at worst, and since death must come some day,
no decent person will run from it, leaving his honor behind him.
But the Poles well know the fate that would be theirs if they
came under German or Bolshevik authority, no matter what
promises were held out to them. They have been neighbors to these
people and lived subject to them. None knows them better. Hence
those who had no means of getting into the army — for the Polish
lack of equipment made it possible to use only a limited num-
ber of men — got out of the country if possible.

It is, then, the most tragic of situations that today confronts
the civilized world. Here in Romania alone are some 10,000 aviators
and soldiers who could no longer be used in Poland and sent here
for internment — young men eager to get on to France and the
army. Here are thousands of civilians, practically penniless, for
their little Polish money, of so little value now, will last no
time. Many are absolutely dependent upon charity. They are
men and women from all classes of society. One class considers
itself fortunate — that is the young men in civil life. They may
go to France to join the army. That will take a great many.
But no man already a soldier may go. These are in prison
camps. There are a few individuals who came across the
border in their own cars, and will sell their cars and any
valuables they have with them in order to live. But there are

many, many times that number who came walking with packs on their backs. I saw 8 young women travelling thus together.

The spirit of these people has been praiseworthy beyond compare. No one of them would have had Poland yield to Germany's demands, though their eyes are wells of suffering and at times hopelessness. For all of them the catastrophe that has befallen their country is a blow almost beyond endurance. And then there is always a terrible personal loss, loved ones dead in battle or left behind, caught as it were by unavoidable circumstances. Men are here while wives and children are in Poland, and wives here without husbands. Every person I meet among the refugees tells me a tale of tragedy.

Here, these people are still stunned by the passing, even though it be but temporary, of the state their ancestors and they fought through 150 years to restore and rebuild on the basis of respect for personality and human rights. The material and social advance accomplished in the 20 years of freedom was little short of marvellous. The German will to destroy this neighbor going quietly about its own affairs, developing the land and helping a people so long oppressed, is something beyond the comprehension of Christian men and women. It is only gangsterism on a national scale. Yet even in this dark hour the Poles say it is not Hitler but God who will rule Europe. They will not believe a just cause will in the end fail. But it is a bitter thing that the Polish nation must pay with its life for a just verdict. How many will be left to rebuild the Poland that arises from the blood and ashes?

Those who are here are not sitting helpless. They are working with the YMCA - and may I say that they look to my husband as their greatest friend - to get themselves established and organize relief work. Money they have not, but they have brains and courage. Money must come from rich America, which should have no war bills in this battle for world freedom, and which, unless Hitler wins, will need little money for armament in future years.

My husband and I shall stay here and do everything we can, he as head of the Polish YMCA and director of American Y relief work for Poles, I to help wherever I can, chiefly, so far as America is concerned, by writing. We have little more than the clothes we have on, having had to leave everything in our beautiful Warsaw home, now without doubt a mass of ruins. We shall get over enough things to keep us warm. This is no time when good clothes are necessary.

The Poles will do their part in keeping up morale. At Pascani (Romania), where we, too, were interned 4 days because our passports had not been returned with Romanian visas, I saw the wife of a department director industriously cleaning the interior of their car with broom and brush and soap and water. When I laughingly asked if she were cleaning house, she replied gaily, "Yes, this is the only home we have now, and why not keep it in order? It is better than sitting crying." She insisted upon being busy and making life as normal as possible. And that is true of most of them. I have not seen one in tears, though their eyes will haunt me as long as I live.

But these people must have money or die. They must have occupation, and for a time that must be a more or less non-remunerative occupation — the learning of a trade or anything to keep from being idle and brooding. Romania, it seems, will let them stay here, and life fortunately is not dear. But if a man has not one lei, bread might as well cost a 1000 lei as 1.

And so, Mrs. Roosevelt, in the name of humanity I appeal to you to do what you can for these peoples who have been robbed of their all and driven from their homes. Russia, I know, has urged all Poles to return, saying that Russia will take care of them. The Poles know the Bolsheviks well, and how much faith can be put in their fair promises. They cannot trust themselves to Russia. It is to England, France, and America they must look for help. If England and France give their sons and share the sufferings and loss of war, surely America will come forward with relief funds. I am not addressing you,

I repeat, as the wife of the President, but as a woman deeply interested in human destiny.

You are free to use what I have written in any way you may see fit, using please, my pen name, Ann Cardwell, instead of my real name if you quote me. For the present there are reasons why that may be advisable. In ordinary times such a lengthy letter, or any at all, from me, a comparatively unknown woman, to you would be more than presumptious. In these bitter hours I hope you will not consider that I have overstepped my privileges as one of your countrywomen in appealing to you to use your influence in the work of supporting Polish relief. All YMCA money will pass through the hands of Mr. James W. Brown and my husband, Mr. Brown having been asked by the American Legation to be treasurer of American funds received through Legation channels. YMCA money can be remitted to my husband through regular YMCA channels — Mr. E. E. Barnett, Executive Secy of the Int. Com. of the YMCA, 347 Madison Ave, New York City. To the extent that it is able the Polish government will continue to back my husband's work.

This letter has been written bit by bit — I am so often interrupted. But I hope it is not too incoherent, and that we may count upon you for assistance.

Sincerely yours
(Mrs. Paul) Margaret L. Draper.

Address for the present,
Care YMCA, Str. General Berthelot 10, Bucharest.

TELEGRAM

The White House

17WUAB 19 1:132 p.m. Washington

NBN., New York, N.Y. Nov. 8, 1939

Mrs. Franklin D. Roosevelt;

I have some information on Polish matter I expect to be at the White House tomorrow night for dinner.

B. M. Baruch.

100

December 2, 1939

Dear Mr. Baruch:

I very much appreciate your calling up the other day. As a matter of fact, I needed no lawyer at the Dies Committee hearings. My mere presence created an atmosphere of great gentleness and even the young people needed no assistance.

I wish, however, that you could have been there because you would have enjoyed both days, and would I think, have been as proud of these youngsters as I was.

These young people are again faced with financial difficulties because all the people they have approached have told them that as long as they were under a cloud before the Dies Committee, they would have to wait before giving them any contributions. I do not of course, know whether they will be able immediately to collect any money.

The two girls who work in the office permanently have worked without salary for three months. They haven't paid their office rent or telephone or printing bill. Their outstanding bills amount to $1,100 at the moment.

I should like very much when you come here on the 10th to discuss with you how we can help them to finance on a five year basis, looking toward their financing themselves after that period. Do you think you and I could share in putting these young people on their feet until the first of January and then helping them to formulate a really good plan for the next five years?

Also on the 10th, I should like to talk over with you the Arthurdale school situation. It seems to me that we are going to have to make a change in the way the school has been running by turning it back permanently to the county authorities who resent it very much and who never did cooperate. They could let the high school children go to the nearby high school and use the high school buildings for an NYA resident project which will give all young people down there an opportunity for real work experience. This seems to be the best solution that we have been able to arrive at.

I should also like to talk over with you the situation of the industries. None of them seem to me in a very healthy condition, though none of them are completely off the books at present.

Affectionately,

100

December 12, 1939

My dear Mr. Baruch:

I have been feeling ever since our talk that I ought to tell you that I agree with you getting Kuhn and Browder was a valuable contribution. However, on the whole, I think the Dies Committee is doing work which the Federal Bureau of Investigation could do a great deal better. What the Federal Bureau of Investigation discovers has to be proved in court and they have to have real evidence. They cannot just make statements about people and take any amount of time to prove them.

I am impelled to say this to you because of Mr. Matthews' statement about the consumer groups which I read with care yesterday, and Jerry Voorhis' statement that except for Mr. Dies no one on the Committee was consulted before the statement was given out.

I have a feeling that if we allow ourselves to be so conditioned that we cannot believe in people whom we see and meet and work with for fear that somewhere in the background there may be a sinister influence, we are never going to be able to do anything again. I belonged to the League of Women Shoppers once. We did good work and I wish to goodness I belonged to some of these groups today as I should like to stand up for them. This feeling that we should not be found to be helping the Youth Congress because it might be proved in some way to be tied up with a subversive group, I have thought over a number of times and I have decided it is not a feeling we should have. Undoubtedly there are some people in any group that we would not approve of, but as long as the work done is creditable work, I think we must go ahead and help the group.

I have always been honest with you about my feelings and do not want to leave you with an impression which is not exactly correct.

~~Very sincerely yours,~~

Mr. Bernard Baruch
597 Madison Avenue
NYC

DD

160

December 13, 1939

My dear Mr. Baruch:

This letter from Joe Cadden arrived after I had written you. We seem to reason alike, and I thought you would like his explanation.

Affectionately,

Mr. Bernard Baruch
597 Madison avenue
New York City

d.

100

BERNARD M. BARUCH
597 MADISON AVENUE
NEW YORK

December 14, 1939.

My dear Mrs. Roosevelt:

What I tried to say the other day was that the Youth Congress had made a mistake attacking the Dies Committee on what it thought the Committee had done to the liberal groups generally. It seems to me the Youth Congress statement covered too much territory and should have been confined to what had been done to the Youth Congress and how the Committee had acted towards it. That was my objection and I thought it was yours too. We both felt this would make it harder to help them and particularly at this time.

I do not seek in any way to defend Matthews or his statment. Nor am I defending the general manner and method of conducting the Dies Committee. I only said they are doing good work as far as Kuhn, Browder, Pelley and all of that ilk are concerned. And the people generally think so. I do not think any harm comes from these investigations if we get the truth.

I regret that the Youth Congress undertook to attack the Dies work as it seems to me young men of their age are really not in a position to judge whether it is entirely good or bad. But they have a right and an obligation to say what they, themselves, are doing and hope to accomplish, and they had a real chance to do this. These young men and women are even more bewildered than some older people are. They have been taught to believe, very wrongly I think, that there is not much chance in the world for them. The leaders of this movement are casting around to see what it is all about.

I have seen no Communistic leaning in any of the young men I have met. But, now when they are asking people to help them and join with them and uphold them, they ought to make their position perfectly clear as to what they want to do and who their fellow-travelers are.

If they had done that and not taken to task the Dies Committee for all its work, they would have made it easier for themselves and others whose aid they seek.

Sincerely yours,

Bernard M. Baruch

Mrs. Franklin D. Roosevelt,
The White House,
Washington, D. C.

P.S. Please always be frank with me - We should always be friends - as I have enlisted with you -
Your answer to question about Communist in paper today was clear to point -

100

January 25, 1940

Dear Mr. Baruch:

It seems an age since your letter of January 12 was received. You were most kind to write.

I am wondering if you are not coming north before long. There is always so much that I want to talk to you about and I do want to see how you are and what your time in the south has done for you physically. You are too important to many of us to neglect our checking up on you whenever we get the chance.

Do write me when there will be a chance to see you.

Affectionately,

Mr. Bernard Baruch
Georgetown, S.C.

O

LETTERS TELEGRAMS AND STATION.
GEORGETOWN, SOUTH CAROLINA.

Jan 12th, 1940

HOBCAW BARONY

My dear Mrs Roosevelt—

Thank you for the box of cookies which I never saw because my children ate them up—declaring they were delicious

Thank you for buying Diana Stephens present for which she sent me a nice little letter.

Whom shall I say?

After engaging Dr. Bowman & John Stephens for the inquiry for peace, I see Hitler [illegible] announced a committee for

same inquiries. There was no such committee before and I had spoken to the authorities.

It would be a mistake for us to go ahead in these circumstances. It would seem like butting into the state departments bulldock.

I may proceed on other lines.

I have not much confidence in their efforts. They are so occupied. But it is their business not mine.

I am inclined to break out publicly instead of being shushed because of international barber myth. If one remains silent when one knows, one becomes a certain kind of second class citizen.

I have tried so hard to work

with the authorities but so far not encouraging.

I feel particularly strong by about Rural Settlement, Army and Navy and Agriculture. I know how you feel at times. I want to be helpful but perhaps I can be more useful my own way. The young men who came down to see me went away with pressing needs met. You know their plan is all for larger expenditures which conflict with President's desires to bring his budget nearer balance –

I am sure I showed the P. the way to proceed but so far heard nothing about it –

I do not believe we should cut down unemployment relief until jobs

are in evidence. We must activate new increase old enterprise first. Not by changing present laws except for new enterprise - no further burden on our people necessary except in war when taxes must be heavily increased

Women more of this when I see you. Some of the recent appointments were great surprise to me in view of what P. told me - Edison & Cromwell.

I hope you are well and happy. I keep up with through your column. This letter is already too long. I must catch up with you soon as I can. seeing you.

Affly B. M. B

Mr. Bernard M. Baruch
597 Madison Avenue
New York N.Y.

February 5, 1940

Many thanks for your telegram. Are you going to stop in Washington on the way south. If so I shall hope very much to see you.
Affectionate regards

Eleanor Roosevelt

TELEGRAM

The White House
Washington

Copy sent to Poughkeepsie Hyde Park

9wuc 22

NBN NEW YORK, N.Y., February 3, 1940.

MRS. FRANKLIN D. ROOSEVELT.

Thank you so much for your letter. I am feeling just splendid and am leaving for the South again in few days.

BERNARD M. BARUCH.

Back of the Clipper on way South

TELEGRAM

The White House
Washington

30WUAB 6 6:52 p.m.

NBN., New York, N.Y. Feb. 6, 1940

Mrs. Franklin D. Roosevelt:

Mr. Baruch left for Washington yesterday.

M. A. Boyle.

February 6, 1940

Mr. Bernard M. Baruch
597 Madison Avenue
New York, New York

When are you coming to Washington? Want so much to see you.

ELEANOR ROOSEVELT

# TELEGRAM

The White House
Washington

15WUAb 17 5:00 p.m.

PN., New York, N.Y. Feb. 5, 1940

MRS. ELEANOR ROOSEVELT:

Confidentially am coming to help on reciprocal treaties and shall be there for a day. Affectionate regards.

B. M. B.

B M Baruch
597 Madison Ave
NYC

TELEGRAM

The White House
Washington

25WUAB 6 8:40 p.m.

Georgetown S.C. Feb. 15, 1940

Mrs. Eleanor Roosevelt:

Of course my invitation includes Tommie.

B.M Baruch.

100
file

100

March 8, 1940

Dear Mr. Baruch:

Tommy did give me your note and it caused me great relief. When we were last at Hyde Park I found the books "The Nazarene" and Carl Sandberg's "Life of Lincoln", and I could find no card, and I have wondered ever since who my generous friend could be.

I was delighted to have them and more especially so now that I know you sent them. Evidently your card was lost in packing or unpacking, and I am sorry if you have thought me unappreciative. All you need do now is provide me with the time to read them! However, I will find the time this summer.

With belated but very sincere thanks, I am

Affectionately,

O

Mr. Bernard M. Baruch
597 Madison Ave
NYC

We have no record of receiving any
books from Mr. Baruch.
However, do you recall that when you
were at Hyde Park this winter you
received THE NAZARENE AND CARL
SANDBERG'S LIFE OF LINCOLN and
we had no record of who sent them?
They came from the retail shop of
Dutton's. Could they be the ones?

mth

THE Carlton
WASHINGTON, D.C.

Thursday

My dear "Tommy" will you finally inquire whether Mrs K received a "Lincoln" autographed and "Christ" two volumes for me - I want ask her first see - If she thinks she neglected to write my cause her ignorance - all I

C

want is to know who has them
for her library —

Yrs
B W Barnard

100

March 8, 1940

Dear Mr. Baruch:

I am sending you all this as a result of our conversation in Florida.

I do not see anything so dreadful in it.

Affectionately,

Mr. Bernard M. Baruch
Georgetown
S. Car.

DD

March 17th 1940

1055 Fifth Avenue

F.D.R.

My dear Mrs Roosevelt -

Thanks for the data on census - Tempest in tea pot and glad discussed now before rather than mean campaign -

Glad also Labor board brought into discussion now

Only issue left is unemployment which we must do something about before election - as I have said before can be done -

Good news from abroad - discussing peace - If commence to talk about it and the P. gets his foot in door he will get peoples thinking about peace and then we will have peace -

Need you congratulations about anniversary - It would be

president gift if you & P could always think of it as also the C.,
on which peace was initiated.

Yours B. M. B

Garnier's campaign blown up.
B.

Ma rch 18, 1940

MEMORANDUM FOR MR. BARUCH:

See Mrs. Roosevelt's note:

"Dear Mr. Baruch, Have you any one who could investigate this without hurting the husband? If O.K. I'll go on her note.
E.R."

Mrs. Margaret Burns, P.O. Box 564, Closter, N.J. Is in debt, husband ill, wants to borrow $3,000 to be paid back at 6% in six years.

fu 160

BERNARD M. BARUCH
597 MADISON AVENUE
NEW YORK

March 20, 1940.

My dear Mrs. Roosevelt:

Here is a letter which I have typed so you can read it. It is typical of many I receive.

I am always deeply affected and wonder what I can do. I do not think we can do anything by caring for specific cases. It must be something that will be helpful generally.

I do not think we have done anything to help the situation other than by alleviating through relief or public works. And that is only temporary. I think many of the things we undertook, thinking they would be helpful, have had the opposite effect. I think it is cruel to take people off relief, as we are doing now, when there are no jobs for them. And again I say I think it is simple to provide those jobs. That I am almost alone in that belief does not make me feel that I am wrong. We have provided easy money on easy terms for people to borrow but we have not provided them with work enabling them to make a living and to pay off the loans which we have made it so easy for them to obtain.

Sincerely yours, B.M.B.

Mrs. Franklin D. Roosevelt,
The White House,
Washington, D. C.

Mrs Blanche B Outlaw

C O P Y

Dear Mr. Barouch -

I have heard so much and read so much about your goodness and willingness to help people in distress I am going to beg you to help me and my two little girls. One is 5 years and 1 is 16 months old. I have no way or means to take careof them. My husband has not had work in nearly 2 years and it is up to me to provide for them.

I am not a educated woman as I married at only 16 years so you see in these days everything is so modern I cannot find work. I am now 40 years old. Have raised a large family - all girls, and now am trying to raise these two little ones. Will you please help me in some way so I will not have to take charity from the county.

I have a lot of pride. It would break my heart to ask for charity. I am a Methodist. Belong to the Methodist Church so does the children.

If you would loan me enough money to take a course of some kind so I could be self supporting I am sure God would bless you for it. And I would pay you back some day.

Please let me hear from you as we hardly have enough to eat.

Thanking you in advance

Mrs. Blanche B. Outlaw

Georgetown is my home town. I was raised in Georgetown County. Any help you can give me will be so much appreciated.

100

March 25, 1940

Dear Mr. Baruch:

Thank you so much for your wire. I am enclosing a copy of my itinerary. As you will see, we do a lot of traveling, but on the whole it isn't a very hard trip.

It was grand seeing you and I shall look forward to seeing you soon after I get back.

Affectionately always,

SO

Mr. Bernard M. Baruch
Georgetown
S.C.

TELEGRAM

ar 3/25

The White House
Washington

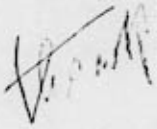
39wumc 30 642p

Georgetown, S.C., March 24,1940.

Mrs.Eleanor Roosevelt.

Hope President well and all is well with you and yours. Please mail me your itinerary.That young man last night good example of cock sureness and misinformation. Affectionate regards.

B.M.Baruch.



100

April 16, 1940

Dear Mr. Baruch:

I have been asked by Mr. Clarence Pickett to ask you to become a member of the Board of Director's of the Non-Sectarian Foundation for refugee children. Its purposes is "to bring over to this country under the quota children, of whom there are now a great many, whose parents can not come, at least for the present and for whom there await placements under the guidance of existing child-caring agencies here".

I am the honorary vice president and I am sending you a list of the members of the Board.

I do not, of course, want you to do this unless you really feel it is something in which you are interested.

Affectionately,

Mr. Bernard M. Baruch
597 Madison Avenue
New York, N.Y.

mlt

# American Friends Service Committee

20 South Twelfth Street

Philadelphia Pennsylvania

APR 11 1940

Chairman, RUFUS M. JONES
Treasurer, WILLIAM R. FOGG

SECTIONS
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Peace, EMILY COOPER JOHNSON, Chairman
Social-Industrial, BERNARD G. WARING, Chairman
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Telephone
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Executive Secretary, CLARENCE E. PICKETT

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Mary M. Rogers, Anna Naomi Binford

Associate Secretaries
Edward W. Evans, J. Barnard Walton
Walter C. Woodward

April 9th, 1940.

Mrs. Franklin D. Roosevelt,
The White House,
Washington, D.C.

Dear Mrs. Roosevelt:

We want very much to have Mr. Bernard Baruch become a member of the Board of Directors of the Non-Sectarian Foundation for Refugee Children. Its purpose, as you know, "is to bring over to this country under the quota children, of whom there are now a great many, whose parents cannot come, at least for the present and for whom there await placements under the guidance of existing child-caring agencies here."

I don't think I have very much weight with Mr. Baruch of this kind. Would you be willing as an Honorary Vice President of this Foundation to write to Mr. Baruch inviting him to become a member of the Board. I am enclosing the names of the members of the Board thus far.

Very sincerely yours,

Clarence E. Pickett

Executive Secretary

CEP:ARR
ENCL.

Write Mr B -
Tell C. N. I have done so

BOARD OF DIRECTORS OF NON-SECTARIAN FOUNDATION FOR REFUGEE CHILDREN

Mrs. George Backer
Hon.Bruce Barton, United States Representative from New York City
Mr.Paul T.Beisser, President of the Child Welfare League of America
Dr. Viola Bernard
Mrs.Dorothy Bernhard, Chairman of Foster Home Bureau of the Hebrew Sheltering Guardian Society

Mr. Jacob Billikopf of Philadelphia
Miss Charlotte Carr, Head worker of Hull House, Chicago
Dean Dudley D.Carroll of the School of Commerce of the University of North Carolina

Mr.Howard S. Cullman, Vice-Chairman of the Port of New York Authority
Judge Lawrence Dunham
Dr. John Lovejoy Elliott of the Ethical Culture Society
Mr. Marshall Field
Dr. Hugo Freund, Head of the Children's Fund of Michigan
Bishop Charles K. Gilbert of New York
Mrs. Maurice Goldman, President of the National Council of Jewish Women
Mr. Sidney Hollander of Baltimore
Miss Agnes King Inglis
Dr. Marion E. Kenworthy
Mrs. Adele Rosenwald Levy
Dr. Owen R. Lovejoy
Mr.Eugene Meyer, Publisher of the Washington Post
Hon. Newbold Morris
Major Benjamin Namm
Dr. Otto Nathan of the School of Commerce of New York University
Mrs. Caroline O'Day, United States Representative from New York
Judge Justine Wise Polier, Judge of the Domestic Relations Court
Dr. Paul E. Scherer, Pastor of Holy Trinity Church
Dr. Robert W. Searle, General Secretary of the Greater New York Federation of Churches

Rev.Dr. Maurice Sheehy, Head of Religious Education Dept., the Catholic University of America

Bishop Bernard James Sheil
Mr. Lewis Strauss
Miss Ruth Taylor, Commissioner of Public Welfare of Westchester County
Mr. George L. Warren
Mr. Louis S. Weiss
Monte Lemann, Lawyer in New Orleans

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

1230-B

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This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable sign above or preceding the address.

# WESTERN UNION

(30)

R. B. WHITE, PRESIDENT
NEWCOMB CARLTON, CHAIRMAN OF THE BOARD
J. C. WILLEVER, FIRST VICE-PRESIDENT

SIGNS
DL = Day Letter
NM = Night Message
NL = Night Letter
LC = Deferred Cable
NLT = Cable Night Letter
Ship Radiogram

The filing time as shown in the date line on full-rate telegrams and day letters, and the time of receipt at destination as shown on all messages, is STANDARD TIME.

**Received at** 1940 APR 13 PM 11 36

Z132 72 NT XC=GEORGETOWN SOCAR 13

MRS ELEANOR ROOSEVELT=

BATTLE CREEK SANITORIUM

=I HOPE TOMMY WILL CONTINUE TO ENJOY AIR RIDING STOP FROM EVERYTHING I SEE IN THE PAPERS YOUR LECTURES ARE GOING SPLENDIDLY AND I AM SO PLEASED STOP I THINK THE PRESIDENT HAS EVERYTHING IN GOOD SHAPE IN WASHINGTON STOP I PRESUME THAT YOU LIKE ALL THE REST OF US ARE WAITING FOR NEWS FROM NORWAYWHICH I THINK WILL BE GOOD STOP MY BEST WISHES AND GOOD LUCK FOR YOU BOTH=

BMB

100 Parish

Breach

BMB

THE QUICKEST, SUREST AND SAFEST WAY TO SEND MONEY IS BY TELEGRAPH OR CABLE

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

1220-8

CLASS OF SERVICE

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# WESTERN UNION

(30)

R. B. WHITE, PRESIDENT
NEWCOMB CARLTON, CHAIRMAN OF THE BOARD
J. C. WILLEVER, FIRST VICE-PRESIDENT

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**Received at** 1940 APR 13 PM 11 56

Z132 72 NT XC=GEORGETOWN SOCAR 13

MRS ELEANOR ROOSEVELT=

BATTLE CREEK SANITORIUM

=I HOPE TOMMY WILL CONTINUE TO ENJOY AIR RIDING STOP FROM EVERYTHING I SEE IN THE PAPERS YOUR LECTURES ARE GOING SPLENDIDLY AND I AM SO PLEASED STOP I THINK THE PRESIDENT HAS EVERYTHING IN GOOD SHAPE IN WASHINGTON STOP I PRESUME THAT YOU LIKE ALL THE REST OF US ARE WAITING FOR NEWS FROM NORWAY WHICH I THINK WILL BE GOOD STOP MY BEST WISHES AND GOOD LUCK FOR YOU BOTH=

BMB.

file

BMB.

THE QUICKEST, SUREST AND SAFEST WAY TO SEND MONEY IS BY TELEGRAPH OR CABLE

April 17, 1940

My dear Mr. Baruch:

I asked the Attorney General what is being done about the small loan companies and I thought you would like to see his reply.

Very sincerely yours,

Mr. Bernard M. Baruch
597 Madison Ave., NYC

DD

100
3-22

# Office of the Attorney General
Washington, D.C.

April 5, 1940

APR 8 194

Mrs. Franklin D. Roosevelt
The White House
Washington, D. C.

My dear Mrs. Roosevelt:

I have your note of March 22, 1940, regarding the high interest rate charged on small loans. Certain phases of this problem have been receiving attention in the Department for some time, and a Post Office investigation into one of the more aggravated operations is now under way. In general, our approach to the problem under existing law is necessarily confined to cases where deception accompanies the oppressive practice so that a mail fraud case can be established. It may be that the ultimate solution of this important problem can be provided only by Federal legislation, but in the meantime I wish to assure you that we are doing everything in our power to reach the evil.

With kind regards,

Sincerely yours,

Robert H. Jackson

Attorney General.

June 10, 1940

Dear Mr. Baruch:

I am sending you some correspondence from Clinton College in Rock Hill, South Carolina. Do you know anything about this school?

Affectionately,

Mr. Bernard M. Baruch
597 Madison Avenue
New York, New York

L

June 14, 1940

Dear Mr. Baruch:

Thank you so much for your letter and the information about the college. I only asked because it was one of the places to which I thought I would send a small contribution.

Mrs. McAllister of the Women's Division of the Democratic National Committee came to see me about money for the Digest. Have you found out yet whether or not you can make a contribution to them? I really think they are doing such a good piece of work they are worth anything you can do for them.

It has been a long time since we have had any time to talk, and I hope we can meet before long. I plan to go to Hyde Park more or less permanently on Tuesday, the 18th, and would be delighted to have you come up there if you care to. There does not seem to be much that I can do here, and I have told everyone that I am ready to come back if they need me.

Affectionately,

August 23, 1940
Hyde Park, New York

100

Dear Mr. Baruch:

I wonder if you know any one who has any influence with two of the lecture managers in New York. One is Harold Peat, 2 West 45th Street, and the other is

The Women's Division of the Democratic National Committee is anxious to have Ruth Bryan Rohde make two or three radio speeches during the month of September. She has a number of lecture contracts and cannot speak unless it is agreeable to the lecture managers.

Affectionately,

Mr. Bernard M. Baruch
597 Madison Avenue
NYC

DD

Write Speaker Bankhead:

The women's division of the natl. dem. comm is trying to get Mrs. Ruth Bryan Rhode to make two or three radio speeches during the month of Sept. She has a number of lecture contacrs and can not speak unless it is agreeable to the lecture managers.

One of her managers is Mr. C. Russell Bridges, Mortgage Bld Atlanta, Ga. I wonder if you know anyone who could say a word to him and find out if he would allow her to do this for the natl. com.

E.R.

Mr. B.M.Baruch 597 Madison Ave, N.Y.C.

Dear Mr. B.: I wonder if you know anyone who has any influence with two of the lecture managers in New York. Harold Peat 2 West 45th Street and the Emerson Bureau (look up, NYCity)

The natl. com. women's division is anxious to have Ruth Bryan Rhode make two or three radio talks, etc.

Mrs. William Denman, San Francisco

Ask her same thing about Mrs. Gauze, 15 Parkway, Piedmont, Calif.

write Elliot R. asking him same thing about Mrs. M. C. Turner, Wilson Bldg, Dallas.

Crystal Byrd Fauset - Phila.

I spoke to Mr. Flynn today and the same man who was responsible last time will be running the bureau this time. Mr. Flynn will speak to him and get in touch with you very shortly.

E.R.

100

August 26, 1940
Hyde Park, New York

My dear Mr. Baruch:

I do not know whether you know of any one or any group of people who would be interested in helping this girl. I had thought if she only needed a small amount of help, I might be able to do it as she does seem to have real talent, but I cannot send her $150 a month.

If you do not know of any group or individual, just return the correspondence to me. I do not know her.

Very sincerely yours,

All correspondence from Larra Browning, 445 S. Fountain, Wichita, Kansas and letter from Bernard Taylor, Juilliard School of Music recommending her.

Mr. Bernard M. Baruch
597 Madison Ave.
NYC

DD

AUG 30 1940

445 S. Fountain
Wichita, Kans.
August 28, 1940

Mrs. F. D. Roosevelt,
White House
Washington D. C.

Dear Mrs. Roosevelt,

I received a letter from my teacher Mr. Bernard Taylor, in New York City stating he had received a letter from you concerning me. I feel so grateful for the interest you are showing.

Today I learned that some of the people whom I gave as references are away on their vacation and I fear you have not been able to reach them. Since this is the situation I would like to give you two other names;

Miss Frances Eaton, assistant to the Editor of "Musical America" in New York City. She

is home at this time visiting her parents at 237 S. Rutan, Wichita, Kansas;

Mrs. Lillian Thorpe 705 S. Glen Wichita Kans. Mrs. Thorpe is one of the fine arts teachers in the Friends University School of Music.

I don't recall whether I told you that this past year I was granted a years leave of absence from my teaching position. Our school opens September the ninth and even though I am not due back in New York until September the fifteenth I must know before the opening of school what I am going to be able to do, if at all possible.

Thanking you most kindly for all you have done I am

Sincerely
Laura Browning

September 14, 1940

My dear Mr. Baruch:

I should very much like to see you fairly soon. I will be in New York City on Monday, Wednesday, and Friday, and if you are in town will you let me know at my apartment, Stuy. 9-6848, when it would be convenient for you?

Affectionately,

Mr. Bernard M. Baruch
598 Madison Avenue
NYC

DD

100

November 7, 1940

Dear Mr. Baruch:

Both Franklin and I deeply appreciate your telegram and want you to know that we are grateful for your constant friendship and loyalty.

I am glad for the sake of the country that Franklin was reelected, although I appreciate the serious responsibility which is his.

Affectionately,

Hon. Bernard M. Baruch
597 Madison Avenue
NYC

O

# CONGRATULATIONS

by WESTERN UNION

NA805 LD337 RL 37 3 EXTRA

NEWYORK NY VIA HYDEPARK NY NOV 6 940

MRS FRANKLIN ROOSEVELT

THE WHITE HOUSE WASHDC

YOU MUST HAVE BEEN A HAPPY PARTY LAST NIGHT I CONGRATULATE YOU AND WISH YOU HAPPINESS AND SUCH PEACE AS CAN COME ONLY FROM A DIFFICULT TASK FACED UNDERTAKEN AND OVERCOME MOST AFFECTIONATE REGARDS.

B M BARUCH.

TELEGRAM File

The White House
Washington

42wumc 26 DL 945p

New York, Dec.17,1940.

Mrs.Eleanor Roosevelt.

I find that new Dupont plant, employing approximately 3,000 men in construction work, and will employ regularly 600 men, at Morgantown, approximately 25 miles from Reedsville.

B.M.Baruch.

BERNARD M. BARUCH
597 MADISON AVENUE
NEW YORK

December 17, 1940.

My dear Miss Thompson:

You need not bother about that negro college. I have found the correspondence. It was Clinton College.

Sincerely yours,

BMB

Is one for?

Miss M. Thompson,
Secretary to Mrs. Franklin D. Roosevelt,
The White House,
Washington, D. C.

100

THE WHITE HOUSE
WASHINGTON

December 18, 1940

File

My dear Mr. Baruch:

Mrs. Roosevelt asked me to send you the following name:

Mr. William H. Chisolm
Durkee Training Institute
Rock Hill, South Carolina

Very sincerely yours,

Secretary to
Mrs. Roosevelt

Mr. Bernard Baruch
597 Madison Avenue
New York, New York

Return to Mr. Baruch
Mr. Baruch

THE WHITE HOUSE
WASHINGTON

From the desk of—
Malvina C. Thompson

~~Mrs Hurd~~ —

Do you keep a file of calleqs - organizations, people, etc who ask for money or to whom we write up & when Mrs R gets a radio contract she'll consider?

attached

THE WHITE HOUSE
WASHINGTON

Mrs. Roosevelt has promised the following people that she will contribute to them when she gets a commercial radio program.

Dr. D. D. Willcox
118 West Tabb Street
Petersburg, ~~Xxxxxx~~ Virginia

Mr. William M. Chisolm
Durkee Training Institute
Rock Hill, South Carolina

Dr. Wm. Lindsay Young
Park College
Parkville, Missouri

and she has said to put in file for future contribution the orphange in Poughkeepsie (Mrs. Stewart Ross Anderson.).

MT

Lord that's to do.
Can come of grace

This book is sent with the compliments of

BERNARD M. BARUCH

NEW YORK CITY

*Reprinted from*

CONFERENCE BOARD REPORTS

# PROBLEMS OF INDUSTRIAL MOBILIZATION

*January 16, 1941*

NATIONAL INDUSTRIAL
CONFERENCE BOARD, Inc.
247 PARK AVENUE
NEW YORK

Do. le Release 1/20/41

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National Industrial Conference Board, Inc.
Printed in the United States of America

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**The Conference Board**

# Problems of Industrial Mobilization

*Statement by Bernard M. Baruch at meeting of the Conference Board's Consulting Committee on Industrial Mobilization Problems, December 19, 1940*

## STATEMENT BY BERNARD M. BARUCH

I HAVE HERE endeavored to get into as short a form as I could the outline of what we were doing in the World War, accentuating several phases of the problem which seem to be receiving more attention, priority, draft of capital, draft of labor and price fixing. But before I go into this outline, if you will bear with me, I should like to read to you some quotations from my presentation of the work of our Board before the War Policies Commission of the Congress in 1931.

"President Wilson once stated such a policy thus:

" 'The power against which we are arrayed has sought to impose its will upon the world by force. To this end it has increased armament until it has changed the face of war. In the sense in which we have been wont to think of armies there are no armies in this struggle. There are entire nations armed. Thus the men who remain to till the soil and man the factories are no less a part of the army that is France than the men beneath the battle flags. It must be so with us. It is not an army that we must shape and train for war; it is a nation.' "

*Objectives of War Industries Board*

Then my remarks on the War Industries Board activities go on as follows:

"In specific terms what we seek is:

"1. The adequate supply to our fighting forces of every item in the vast congeries and astonishing volume of things required for modern armies, navies and air fleets, when they want it, where they want it and in the quantity they want it.

"2. Provision to meet this tremendous additional task of our industry without undue dislocation of its normal functions and without too rigorous deprivation of our civil population.

"3. Maintenance of superiority of economic strength vis-a-vis the whole world to the end that we may not fail in the economic struggle which in modern war has become almost if not quite as vital as military conflict.

"4. Avoidance of the economic and social aftermath of war."

*Requirements*

"Industrial mobilization requires the creation of a central control agency charged with the entire problem of industrial mobilization. It must:

"1. Provide an immediate and effective organization of both supply and demand.

"2. Insure proper functioning of the interior control of each such organization and constantly regulate them both.

"3. Bring them together, compose their differences and insure the uninterrupted flow of goods from one to the other."

*Functions*

"The central control agency must act as arbiter of conflicting demands—the greatest of which is that of the civilian population. No single competitor such as the War Department should be intrusted with such arbitration.

"The job of the War Department is our armed forces. That is a big job. To pile on top of it the task of economic mobilization would insure the failure of both.

"There is an inevitable tendency in the War Department to forget these principles even in planning. Their function is to say what they want and when and where they want it. The job of industrial control is to see that they get it strictly on their specification. We must neither militarize industry nor industrialize the Army."

*Organization*

"The War Industries Board was slowly developed by a method of trial and error during the war . . . All the power of the War Industries Board and complete and undivided responsibility for the performance of its tasks were vested in the chairman . . .

"This organization was created on the principle 'Committees for counsel—a single responsible head for action.' The Board members had no vote. The object was to obtain their views, to discuss their problems in common council, and to coordinate their action. As a matter of practice there was never a lack of unanimity

and the chairman never was called upon to overrule a member. This organic principle was carried down through every committee and commission of the Board. The chairman of each was individually and solely responsible and he had undivided authority."

*Three Key Functions*

"The very essence of the Board's positive control of industry lay in three of its functions: (1) the determination of priorities; (2) its exclusive control over commandeering; (3) power to fix the price of basic commodities through the President's Price Fixing Committee."

You are probably all familiar with the organization: Priority, Commandeering, Conservation, Conversion, Commodity Sections, and so forth. I don't want to take your time to go over those matters because you must be familiar with them. I want to say this on the Commodity Committee: That was the backbone of everything; that is where demand and supply were balanced.

From this rough outline I am going to dwell more upon, as I said, the functions which are occupying more of the public mind today.

As you know, war has become a conflict of the total nation against the total nation. In modern war the military front cannot be separated from the home front and the economic front.

*Industrial Mobilization*

It must be remembered that industrial mobilization is only a part of total defense and is for the purpose, first, of getting what the Army and the Navy need when and as they need it with the least dislocation of the civilian life, which must be freed from profiteering or exploitation. To do this, one must mobilize men, money, materials, maintenance (food). The wisdom with which these are done makes for the greatest of all—morale.

All resources must be mobilized so as to be tapped at will with as much speed as possible to meet changing conditions of our own offense and defense, as well as that of the enemy. This means an organization for each commodity and facility, as in the War Industries Board. On each such organization or committee there should be a representative of each interested department. Here all the needs will be exposed. To this division will be given the prices and priorities. At the head of each of these committees will be the representative of the chairman who has the final authority, in the committee's decision, to carry out the policies enunciated. Always, we endeavored to have some one man who could finally decide. He represents the decentralized authority of the chairman, who gets it from the President.

On the other side of the table will sit representatives of production, i. e., industry. To them will be given allocations or priorities and prices. To them will be addressed questions of increasing production, of lessening demands, what conservation can be evolved and what substitutes can be found. After the Wisconsin Oil Decision there is a grave doubt as to the clearance that a committee of industry can get from the Anti-Trust Act.

*The Wisconsin Decision*

I have been informed by the highest legal authority in Washington that any members of an industry can be called together at the request of the government to do specific things for the government. What I was discussing with him was price and allocation. I have been informed by equally high authority that no one can give a clearance or freedom from the action of the Sherman Anti-Trust Law unless Congress itself does it by changing the law.

When the Defense Commission was first announced, the only public statement I ever made regarding it was that they had to clear the committees of industries if they wanted to get the fast, quick work that is necessary. The committees have never got it yet and I think that is one of the plugs that will have to be pulled if speed is to be attained.

*Mobilization of Capital*

Capital, under the Secretary of the Treasury, will be mobilized like anything else. It will be told for what purpose it can be used and for what purpose it cannot be used and the rates which it can charge.

In war a man should no more be permitted to use his money as he wishes than he should be permitted to use the production of his mine, mill, or factory except through a general supervising agency as it should be set up in the general plan. This was being done toward the end of the World War.

What is the use of vain talk of drafting dollars when dollars can be made to serve every purpose of government by the regulation of their use?

*Mobilization of Labor*

Under the system of putting a ceiling over prices with proper adjustments, to which I shall refer later, there will be no necessity for the drafting of labor, to which I am opposed.

It might be well to insert at this point that we hear much talk about labor's demands. There are certain statutes upon the books. This is no place to discuss them, but they should be observed, and modified only in an emergency. War should be no reason for changing any status quo "ante" unless it should become self-evident. I am now quoting again from my War Industries Board report:

"If no action is taken to stop the rise in the cost of living and huge profits are in prospect, any man who

labors will feel that he is entitled to greater pay. This includes all those working for wages and fees. I think too much stress is laid upon the shortcomings of labor. That they should be inordinately rewarded is unnecessary, wrong and easily avoidable, but not by drafting men to work for other men. A soldier serves the nation directly. There is but one master in the case, and that master is America. He serves to profit no one but the country as a whole. There is no distinction between him and his comrades. He enters an immemorial status. His entry is not contractual. He is clothed, housed and attended.

"As long as our present industrial organization maintains, industry is in the hands of millions of private employers. It is operated for profit to them. The employee therefore serves in private industry operating for gain. Enforced and involuntary service for a private master is and has been clearly and repeatedly defined by our Supreme Court as slavery inhibited by the Thirteenth Amendment to the Constitution of the United States."

*Work or Fight*

"If any such provision were made it might be used to break a perfectly justifiable strike and so at one sweep destroy all the social advance of our labor system in the last century.

"This does not mean that men not under military discipline are free agents in war. The government cannot say, 'Work here, work there,' or ' Work for Mr. A.' But it can say—'Work or fight!'

"The draft of men for industrial employment is not only impossible, it is wholly unnecessary. What I have suggested is compatible with our institutions and far more effective than any chain gang or impressment that could be invented."

The above few paragraphs are almost a verbatim copy of what was written many years ago.

Labor already has an agency within the government and on the present Defense Commission. I think labor should be given broader representation in the conduct of the war.

An organization should care for imports and exports and carry out the policies found necessary either in the conduct of war or the diplomatic moves to be carried out by the President and the Department of State.

*Few New Organizations Needed*

It would not be necessary to create many new organizations. There are in the various departmental activities the means to carry out war policies. They need to be drawn together, centralized and understood by an act similar to the Overman Act. For instance, the R.F.C. can be used for advancing money and the Export-Import Bank for the purpose of controlling exports and imports and the blockade. They should be fitted together in such a way that every necessary power is centralized in the President, so he can give his orders as to policy and have the various agencies execute or carry them out.

To do that, there have been two schools of thought which have objected to the centralized power. One is that which you hear much about in Washington and which, I think, has caused the present setup instead of the one that did function: the cry that it will be a superagency, superimposed upon governmental function. Nothing could be more ridiculous than that or further from the truth. If there is a chairman, a centralized authority which he sends on down the line, he gets his authority from the President, who can revoke it or change it at will.

The others are those who say, "If you make this kind of setup, we will give up all our liberties and we will never get them back again." We did it once before and we did get back our liberties. I don't know what else could be done in the circumstances if we want to fight a war.

*Priorities*

Priority of men, money, materials and transportation is the most important function in war and in the scheme of mobilization. It is a synchronizing device whereby each factor does its part in the right column. It was by far the greatest mechanism of industrial control the World War produced.

It became the most efficient implement of government ordinance of industry. "It was the sturdy shovel—" I am now quoting from Grosvenor Clarkson—"It was the sturdy shovel with which the War Industries Board cleared up the blockade and kept the tracks open. It was nothing less than a great system of industrial and transport precedence, automatic in the main, manipulated in the exception, whereby production was ordered, restrained, or stimulated to meet current and projected war demands and prevent the civil population from suffering destitution in the midst of prosperity.

"In its ultimate effects, often under other names, such as allocation and curtailment, it impinged not only upon industries, but also upon persons. To some it brought business and prosperity, to others hardship and poverty. None escaped its mandates. The nation was 'prioritized' and yet there was no collective statute of priorities. Founded on limited legislative enactment, it was without statutory buttresses or punitive supports, and it pursued its way from particular to general and back to particular power by the circuitous route of 'request,' instead of the straight highway of command. Based on reasonableness and obvious necessity, few questioned its decisions and none dared oppose them. It was cooperative democracy at its highest power, even in an institution which was predicated on the 'consent of the governed.'

"In the beginning supply departments poured out orders with as little concern for the consequences as though they were merely dumping letters into mail boxes. This was due to the decentralization of purchasing authority imposed by statute and to the failure of the army to appreciate that if, in modern war, the nation's industry as a whole is the commissary department of the nation in arms, it is subject to overstrain and exhaustion just as much as the more particular commissary of the tactical army.

"The only rule of preference was the good, old one of the feeding trough—first come, first served; except that as between the Army and the Navy there was an understanding between the two Secretaries that the Navy was for a time to have the right of way over the Army. This understanding—which was more honored in the breach than in the observance—was probably based on the hypothesis that, as the Navy was on a near-war footing in time of peace, it should be allowed to complete the comparatively small effort that would effect the transition and thus get into action at an early date, whereas the Army was so remotely distant from readiness that early precedence for the Navy would not appreciably affect its exertions.

"Between this preference of courtesy and what it seized in the ancient way, the Navy had about all the preference there was at first. The Navy had the advantage of a compact organization, a very clear knowledge of what it wanted and of about where it could get it. Indeed, the Navy was so well conditioned that it was inclined to view with distrust the injection of civilian assistance into the situation. Its own good fortune inclined it to question whether elaborate direction of the production and delivery of supplies was necessary and when it did see the gravity of the situation, it seemed that for the Navy to surrender any of its advantages for the prior benefit of others would be merely to dissolve the last solid support in a slithering morass of confusion."

Priority cannot work alone. It is the heart, but it needs the other organs. Above all, it must have the coordination of all commandeering, price fixing, conservation and substitution. As soon as enforced priorities are put into effect, there must be a fixing of prices. They can struggle and use words, kick and scream, but that will come, despite what any authority says when there are real shortages. Normally the ebb and flow of supply and demand will rule, but in war there is no time for supply and demand to work and government must fix prices, the order of consumption and ration everything.

*Price Control*

There is no method of price fixing which has not its shortcomings. I know of none which has so few as that of placing a ceiling over all prices of goods, services, rents, everything, as of a date before the declaration of war, when there is some relationship between the activities within and without the nation, such as now.

I do not suggest the rigid fixation of any prices. An Adjustment Committee or Price Fixing Committee can make any necessary changes. For instance, agricultural prices may have to be revised up, or some wages. The effect of the proposal is simply to say that unless adjusted upward by the President on the advice of his Price Fixing Committee, no price shall rise above a figure at which it stood on a certain named date. In a word, we put a ceiling over the existing price structure. All prices are free to fluctuate below that maximum.

This is not the artificial determination of price by fiat or otherwise. All want to fix prices individually. Now that means studying the costs of a few producers selected at random or by design and, based upon such study, taking somebody's judgment as to what a particular price should be. My proposal suggests nothing of the kind. It addresses the whole interrelated pattern of prices as it exists under natural economic law and says of it, "Since arbitrary governmental rationing will henceforth govern supply and governmental determination of priority—and not price—will control demand, we propose to keep intact so far as possible this last natural price schedule or relationship which we are likely to see for many a day."

It is a preservation of a natural determination rather than substitution of a collection of artificial determinations. As I said before, it necessitates the immediate appointment of a price fixing committee which reports direct to the President for any changes necessary in the circumstances. It starts with some relationship to normal activity where there is a free exchange between the people within a nation and those without.

*Profits and Taxes*

To make this price control effective, priority is the most important agent. But one cannot work without the other and not without the following: There must be a control of men, money and materials and of all prices. There must be an avoidance of profiteering or—and I go even further—of any undue profits from war.

Profits from war efforts should be limited to continue a full flow of munitions—and I use that term in the broadest sense to include everything; not alone guns and ammunition, but clothing, all accouterments, airplanes, ships, powder and what not.

Taxes should be increased to pay as we go as far as is possible—and I think we can go very far. High taxes will be of no avail unless there is a stoppage of prices. I do not favor leaving it to any one method. I think we should do it by priority, by taxation, by control of all our resources, by the limitation of the uses of money through the Treasury and the Federal Reserve System.

All this to avoid the social aftermaths which come from that terrific economic spectre—inflation.

In order to make price regulation effective, we should make the buyer and the seller equally guilty for infractions of the rules.

There is one civilian activity which I think should be second to war aims and that is increased housing.

*Conservation*

A very important part of industrial mobilization, with its priority system, price regulation and the stopping of profiteering, is the development of the conservation system and the use of substitutes.

Prodigious efforts must be expended upon both of these. This will have an effect upon prices and also upon our ability for self-containment. The faster and the wiser we proceed along these lines, the better we will be prepared, not alone for war, but for peace and the terms which will be made at the peace table.

Furthermore, industrial mobilization should envisage the mobilization of workers by trades, by professions such as doctors, engineers, accountants, mechanics, chemists, nurses, lawyers, scientists and physicists. These must be available and used by the government if and when needed. American research can surely do as well as others in finding new materials and in discovering new engines of destruction.

*Research*

The President has appointed two boards which I hope are functioning, although we do not hear much of them. One is for the purpose of finding new substitutes and the other is composed of men like Kettering and Coolidge, who should examine all the various suggestions and inventions for destruction. The depth bomb came from the World War. Perhaps there are others lurking in the minds of inventors and there should be some committee to which these inventors can go.

The organization set up in the World War was working and I think it should be more closely followed in the present setup.[1] I feel that American industry—and in that I include labor, management and capital—if given the orders and the opportunities, can outdo any other nation or combination of nations.

The Chairman has referred to the German's copying our plans. I made it a point to study what other people are doing and the German statement was to the effect that they meticulously copied our plan of industrial mobilization, even to the point of recommending that their factories should be scattered all over the German territory, as far removed from each other as possible. You may notice that there have been a good many bombings in the Baltic region. There is where they have the oil refineries, coal and what not.

I think it is important that this thing should be taken up more seriously than it has been. We are far removed from danger for the moment, but this is not a game of mumblety-peg or parchesi. This is a terrific battle for the survival of civilization and a system of government and a treatment of men different from what we have been brought up to believe here. We have to throw everything we have into it. I, myself, have never advocated our taking part in anybody else's battles and I am not advocating it now. I have advocated that America should prepare herself and in that preparation we would be ready, if we cared to, to help others. If we cannot help ourselves, we cannot help others. If this country ever got going, we would soon know it. The American people would know it and those in the rest of the world who are downtrodden and downcast would have hopes because they would know that America was waking up. And our possible enemies would be disturbed at the thought that America was waking up.

[1]This has been changed, somewhat, but not enough, since this was written.

B. M. Baruch

*Mr. Baruch's Statement is reported from the meeting of The Conference Board's Consulting Committee on Industrial Mobilization, December 19, 1940, and is reprinted from* Conference Board Reports, *issue of January 16, 1941*

January 13, 1941

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Dear Mr. Baruch:

I have been so busy since Christmas I can't remember whether or not I wrote you to tell you how much I appreciate your very extravagant gift. I am sure you will forgive this typed letter (which is easier reading than my hand-writing) because you know how busy life can be.

The Napolean china is too lovely and I feel a great responsibility to keep it intact. You are always so generous I never can find an adequate way to tell you how much I appreciate your friendship and all you do for me.

I hope I shall see you soon. In the meantime, my very deep thanks.

Affectionately,

Mr. Bernard M. Baruch
597 Madison Ave.
NYC

DD

file

January 21, 1941

Dear Mr. Baruch:

I was delighted to get your letter and I have asked Mr. Baldwin, now head of the Farm Security, to put you in touch with the man who is handling the employment problem in Arthurdale. His name is Mr. Braxton Bryan and he is going to communicate with you at once.

I shall be so relieved if this question is finally solved, not only for Arthurdale but for any other place.

I am sorry you will not be here on the 23rd, and I am sorry that you do not think we are apt to meet for some time. Do let me know if you are going to be here or any other place where I might have a chance to see you. What are your plans?

I liked your speech very much.

Affectionately always,

Saturday Jan 1941

file

1055 FIFTH AVENUE

PARKER

My dear Mrs Roosevelt.

I may not see you soon and I must tell you of a scheme that can save Reedsville and perhaps one other place in Wat. Va.

That large new plant at Morgantown could easily absorb all the employables in Arthurdale and adjacent settlements. If the home

owners wanted to live at
Arthundale they could go
by bus but for them to
and from work each day.
This will relieve us of
the headache & partial
failure and show we
profited by our experience.
Shall never forgotten
those people's faces when
you first spoke to them.
Because of these people
and your connection with
it I want to map up

this situation and make
a go of it.

Please accept for yourself
and the President my
best and affectionate
wishes for success and
happiness and peace
for us all. B.M.B.

Answer here: 1055.
Sorry will be away for 2-3 wks.
Put the man in charge
in touch with me. Then
if I need you shall call.

Herbert Malkin, 1441 Broadway, NYC - Has a friend who has invented a mechanical device essential for the safety of our country and of value to the British.

February 15, 1941

My dear Mr. Baruch:

Mrs. Roosevelt asks me to send you the enclosed letter. She would appreciate it very much if you could get it investigated to see if the device mentioned is of any value.

Very sincerely yours,

Secretary to
Mrs. Roosevelt

Mr. Bernard M. Baruch
597 Madison Avenue
New York, New York

BERNARD M. BARUCH
597 MADISON AVENUE
NEW YORK

February 20, 1941.

My dear Miss Thompson:

There was established in Washington a committee or commission for the purpose of investigating all inventions. I think Charles Kettering is the head of this committee. You can easily find out by telephoning Mr. Knudsen's secretary. Or, if you will wait until I am in Washington again, I will undertake it personally.

During the World War I had a very active body of men who looked at everything that came along.

Sincerely yours,

BMB

Tell Mrs Roosevelt will be delighted to come Tuesday for tea — BMB

Miss Malvina C. Thompson,
Secretary to Mrs. Roosevelt,
The White House,
Washington, D. C.

Pending
Feb. 25

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February 20, 1941

Mr. B. M. Baruch
597 Madison Avenue
New York, New York

Sorry to have missed you Hope you can come in at five thirty Tuesday the twenty fifth.

ELEANOR ROOSEVELT

February 20, 1941

MEMO FOR MISS THOMPSON:

Mrs. Roosevelt will see Mr. Baruch on February 25th, at 5:30 p.m.

M.T.L.

February 20, 1941

My dear Mr. Baruch:

If you had come in today I was going to ask you about the enclosed. It sounds to me rather interesting and I think I might be able to help them get the money. If you think it a good idea, please let me know. I do not want to go to work on it until I get your advice.

I am looking forward to seeing you at 5:30 p.m. on Tuesday, the 25th.

Affectionately,

Mildred D. Babcock, 320 E. 42nd St., NYC - about a health program in Western Mississippi carried on by the Alpha Kappa Alpha Sororiety of Negro college women

Mr. B. M. Baruch
597 Madison Avenue
NYC

100

February 21, 1941

Dear Mr. Baruch:

I am enclosing correspondence I have received from the National Defense Exposition. Is this undertaking all right and should I mention it in my column?

Affectionately,

O

Mr. Bernard M. Baruch
597 Madison Avenue
NYC

Smith W. Brookhart, Southern Bldg. Washington, D.C. - National Defense Exposition to be held at Uline Arena May 21 - June 4.

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March 18, 1941

Dear Mr. Baruch:

Franklin and I both deeply appreciate your telegram of congratulations and good wishes on our anniversary. We wish you had stayed over to dine with us, as we both always enjoy seeing you at any time.

I am looking forward with much pleasure to my visit with you in South Carolina.

Many thanks and affectionate good wishes from us both.

Cordially yours,

Mr. Bernard M. Baruch
597 Madison Avenue
NYC

Given to Miss Delaand

May 10, 1941

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My dear Mr. Baruch:

Will you let me know if you think the enclosed plan has any merit? I have been asked to mention it in my column but do not want to do so until I findoout if it really is good.

Very sincerely yours,

Plan for defense using middle-aged men sent in by George Bye

Mr. Bernard M. Baruch
597 Madison Ave.
NYC

DD

BERNARD M. BARUCH
597 MADISON AVENUE
NEW YORK

May 15, 1941.

J.M. 160

Re: Spare Time Mechanics
Training Plan

This plan has merit and should be initiated under Hillman who has direct charge of such matters now. I have already brought it to Knudsen's attention but no answer yet.

If I find the man will back it myself in the place give me a few days

BMB

This is the copy I sent to Canadian business leaders ~~[illegible]~~ and defense officials

For Mr. Roosevelt from GBS

This has much merit GBS

From Dudley Holland, 38 Bush Ave., Greenwich, Conn.

Re: SPARE TIME MECHANICS TRAINING PLAN

This plan is a practical, economical, flexible way to provide basic mechanical training for military purposes. Due to the mechanized nature of modern warfare, fighting soldiers must be surrounded by other men who know how to operate, service and repair tanks, motorized artillery, and mechanized equipment; and how to service and repair airplanes. But due to production delays, and the necessity of providing mechanized equipment and airplanes to England, it may be a year or more before the United States and Canada have sizeable amounts of mechanized equipment, tanks and airplanes for training purposes.

This plan, therefore, is a temporary, emergency proposal to provide as much mechanical training as possible during the year or more delay before mechanized military equipment can be delivered.

WHO: Let men 18 to 55 - employed and unemployed, volunteer to train in their spare time, evenings 7-10 P.M. and weekends - as SPARE TIME MECHANICS. ("mechanics" applies to men for both military and industrial service).

WHERE: They will train in space not now in active use...old or unoccupied factories and warehouses, or public buildings in after hours.

TRAINING METHOD: They will tear down and rebuild old automobile motors and chassis, from wrecked cars, and the automobile "graveyards"...instructed by volunteer garage mechanics, using any tools and equipment available locally.... learning to grind valves, re-bore cylinders, weld parts, use micrometers and calipers, fix carburetors and generators...all preparatory to working on tank and airplane motors later on, whenever ready. They will also work on old caterpillar tractors, radio sets, office machinery, electric motors...any equipment to provide basic mechanical and electrical training.

RESULTS: Will soon become a huge, fast growing reserve of trained, semi-skilled SPARE TIME MECHANICS, available for the following:

1. Military Training: Most important. Spare Time Mechanics in the conscription age group, 21 to 35, can keep their jobs, train at home in their spare time, at no expense to the government for food, clothing, housing: (men do not have to go away to camp for basic mechanical training). When called for active duty, perhaps a year or more later, they are ready to proceed at once to advanced training on actual tanks and airplanes, without delay.

   Alternative: Otherwise such men remain at home, untrained, or else enter the army, train as infantry, at drill, for a year or more, until tanks and airplanes can be delivered. Even then, they need three months full time basic mechanical training before they are ready to learn how to service, operate and repair mechanized equipment and airplanes.

2. Industrial Work: Some of these men, unemployed or hitherto unskilled, as clerks, can after 6-12 months training enter factories and release older operators for more highly skilled work.

Alternative: Otherwise many men may find it hard to obtain adquate industrial training. Machines and instructors normally available for training are now busy full time on war orders. New machines require a year to build. Vocational schools are crowded with apprentices, and are only located in larger towns. Soon the cry will be "How else can we train new operators?" Here, at least, is a way to extend training even to smaller towns, and to utilize equipment on hand everywhere...old automobiles, caterpillar tractors, radio sets.

NOTE: Spare Time Mechanics obviously cannot solve the problem of training men for turret lathes, milling machines, planers, shapers. This must be done in factories and vocational schools, and requires a year or more. But while waiting that year or more for skilled machinists, this is a means to prepare the semi-skilled workers who will be needed in far greater numbers.

3. HOME GUARDS: Spare Time Mechanics, under 21 and over 35, can after 6 months training, become the nucleus of a mechanized Home Guard, for service of supply, and to staff:
   A. EMERGENCY TANK and MOTORIZED ARTILLERY REPAIR DEPOTS...there can be located even in smaller towns.
   B. AIRFORCE...emergency airports and landing fields, and airplane motor repair depots...for towns of all sizes.
   C. RADIO and TELEPHONE TECHNICIANS for Signal Corps and Air Force.
   D. ANTI-AIRCRAFT and SEARCHLIGHT BATTERIES.
   E. MOTOR PATROL and TORPEDO BOATS...for harbour duty along seacoast, Great Lakes and St. Lawrence River.

Alternative: Home Guards trained as infantry are merely an auxilliary police, much needed, but badly restricted by the mechanized nature of modern warfare.

Public Reaction: I have already talked to several hundred men at length, individually, in the U.S.; men of the "average citizen" type. Their reaction is uniformly "Yes, I would gladly devote my spare time to such training. When do we start?"

Same reaction in Canada, though I only talked to some 20 men in Windsor, Ont., and 10 men in Prescott, Ont. in November.

METHOD OF ACTION: Theoretically, in the U.S. the best way is for the U.S. Federal Government to launch, supervise and finance this training, as the cost is very small. But, Messrs. Roosevelt, Knox, Stimson, Knudson and Hillman are so rushed with matters like the Lease Lend Bill and defense production delays that it is hard for an unknown "nobody" like myself to reach them now.

So, in practice, it will be necessary for business leaders to SPONSOR this plan by starting actual Spare Time Mechanics groups in training, to present the plan to the government. We are trying to do this in Greenwich; to take over an old barn, start 200-300 Spare Time Mechanics in training to have a definite plan to present to Washington.

PROGRESS IN CANADA: Since U.S. Defense Officials have been so rushed, many suggested: Start this plan first in Canada. Canada needs skilled men for her army and industries far more urgently than the U.S. Once under way in Canada, the resulting publicity will quickly get this plan copied in the U.S. and once under way in the U.S. Spare Time Mechanics in training will mean speedier aid to Britain, and more tanks and airplanes for Canada.

I have already written Defense Officials in Ottawa; Col. Ralston, C. D. Howe, Labour Minister Norman McLarty, as well as many leading Canadian business men. So far their replies indicate they think this is merely a plan to train semi-skilled LABOUR.

This is a far more comprehensive, ambitious scheme. Primarily it is a plan to provide basic mechanical training for men during the year or more delay before tanks, mechanized equipment and airplanes can be delivered, when these men can proceed to advanced military mechanical training.

This plan is practical, economical and flexible....since many men will also find themselves prepared as semi-skilled workers for industry, especially as more and more parts are farmed out on a sub-contract, "bits and pieces" basis to smaller factories in smaller towns. Still other men will be prepared to serve as mechanized Home Guards.

Since Defense Officials, Army, Navy and Air Force officers are all overloaded with work, this is an efficient way for experienced, patriotic, private citizens to take over at least some of the burden of basic military, industrial and Home Guard training.

Can you pass this along to your friends and associates for their comment? But not the government. Each department already seems to have several copies, sent by men who prefer to "let George do it." But "George" in the person of several government officials, writes me "we cannot initiate this training. It must be commenced and developed by private individuals."

So, some group of patriotic private citizens somewhere will have to start one or more Spare Time Mechanics groups in actual training in as many communities. The idea will quickly spread, then the government can take over.

Please bear in mind....this is not a LABOUR training plan. This is first of all a MILITARY TRAINING plan....but it can be adapted for training some semi-skilled labour.

Please write if interested further....I will be glad to answer all questions.

DUDLEY HOLLAND
38 BUSH AVENUE
GREENWICH, CONNECTICUT.

BERNARD M. BARUCH
597 MADISON AVENUE
NEW YORK

June 12, 1941.

hel

My dear Mrs. Roosevelt:

I have received the Mogensen correspondence.

Speed up is one thing and more efficient operation is another.

A good fellow will set a steady pace and will spurt, if necessary, at tne end.

I used to have a guide on the marsh where you had such a nice day crabbing. If we were late getting started on duck shooting, he would say, "Mr. Bernie, we must have a kind of a slow hurry." By that he meant we should go as fast as we could but not so fast we lost our breath and arrived at our destination unable to perform the real business of the morning - to shoot ducks.

Sincerely yours,

B. M. B.

Mrs. Franklin D. Roosevelt,
The White House,
Washington, D. C.

August 9, 1941

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My dear Mr. Baruch:

Mrs. Roosevelt asks me to send you the enclosed copy of letter from Mrs. Harriet M. Gottlieb, of Croton-on-Hudson to the Office of Production Management. Mrs. Roosevelt wonders if you can tell her what people like this should do.

Very sincerely yours,

Secretary to
Mrs. Roosevelt

Mr. Bernard Baruch
597 Madison Avenue
New York
New York

ds

Mr. Barnett

Croton-on-Hudson, N. Y.
July 27th, 1941.

Mrs. Franklin D. Roosevelt,
Hyde Park, N. Y.

Good evidence of F.D.R.'s interest in the people's welfare

JUL 30 1941

Mrs. Roosevelt:

> "They can do anything—anything!" she maintains. "And, if need be, they will!"

Thus concludes Kathleen McLaughlin's very fine story of her interview with you appearing in July 27th (to-day's) TIMES MAGAZINE.

I am always attracted to anything you write, or to anything you say in your public appearances.

I found "This is my Story" not only interesting, but inspiring. I am most deeply impressed by the things you say because I am always left with the feeling that your remarks go deeper than mere journalistic cliches. May I, therefore, take the liberty of asking you to be a little more specific about your concluding statement in to-day's TIMES MAGAZINE story.

I confess there is a personal bias to this request, since I find myself "in a spot." You will see from the attached copy of a letter I have sent to the OPM (to which, alas, I have had no acknowledgment), what my situation is.

May this letter find its way to your personal attention, and may you find it possible to help me in my present predicament.

With thanks,

Sincerely yours,

Harriet M. Gottlieb

Harriet M. Gottlieb

Aug 19th

BERNARD M. BARUCH
597 MADISON AVENUE
NEW YORK

Left

100

My dear friend -

Thank you so much for your letter of good wishes

I took the baths at Saratoga for 10 days and feel wonderful -

I am as happy as one can be in the present circumstances

I have been fortunate

in my friends opinion
I count you at the top
Affectionately
B.

STANDARD FORM No. 14A
APPROVED BY THE PRESIDENT
MARCH 10, 1926

FROM The White House
Washington

# TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

MR. B. M. BARUCH
597 MADISON AVENUE
NEW YORK CITY

QUITE CONVENIENT FOR ME IF YOU CAN COME EITHER SECOND AT FIVE FIFTEEN OR THIRD AT FIVE WILL BE DELIGHTED TO SEE YOU AFFECTIONATE GREETINGS

ELEANOR ROOSEVELT

Letter from Harry C. Johnson, Arthurdale, West Va., complaining of the unfairness of contract - Homestead Lease and Purchase Agreement. Letter dated September 22, 1941. Letter and copy of contract sent to Mr. Baruch.

Box 63

100

September 29, 1941.

Dear Mr. Baruch:

Could you have someone read over this contract and determine if these complaints are valid?

Affectionately,

Mr. Bernard M. Baruch
597 Madison Avenue
New York, New York.

VDS

Mr. B. M. Baruch
597 Madison Avenue
New York, N.Y.

October 2, 1941

Delighted to have you go to office. Wont you please lunch at White House with me Monday at one o'clock and go to office with me after lunch

Eleanor Roosevelt

0

# TELEGRAM

23WUD 22

**The White House**

**Washington**

NBN NEW YORK NY 225PM OCT 1 1941

MRS. F D ROOSEVELT

THE WHITE HOUSE

IF AGREEABLE TO YOU WOULD LIKE TO GO TO YOUR OFFICE EITHER MONDAY OR TUESDAY TO GO OVER YOUR PLAN WITH YOU

B M BARUCH.

324PMD

Would you please lunch at N.Y. with me Mon. at office & work me after lunch - E.R.

Phone lunch for you & Sister

# TELEGRAM

The White House
Washington

17WUC 25 3:14PM

Monday is right
he is over refusing
lunch

NBN NEW YORK, N.Y., OCT. 2, 1941

MRS. FRANKLIN D. ROOSEVELT.

REGRET I CANNOT TAKE LUNCH BUT WILL BE IN YOUR OFFICE AT 2:15 AND WILL WAIT FOR YOU. LOOKING FORWARD WITH PLEASURE TO SEEING YOU.

B. M. BARUCH.

I wish I could get to change the luncheon
LWH

I thought he asked for Monday!

100

October 23, 1941.

Dear Mr. Baruch:

Thank you for your letter and for your commendation. Your approval means more than I can say.

I have "some" money put away for my income tax!

I shall hope to see you soon.

Affectionately,

Mr. Bernard Baruch
1055 Fifth Avenue
New York, New York.

VDS

Saturday aek 10/23/41

1055 FIFTH AVENUE

My dear friend — thank you for the letter — yes I keep in touch with all classes — You have probably discovered that I have a deep conviction about helping the disadvantaged. I have had it all my life and lived it but I think we must always try to get them to

help themselves.

You right I was about hopefulness. I wished I had been wrong. It is not right now. The yes men and not for thinkers are our masters now.

We must get hold of this. We are not headed right yet. Thanks.

Read Sense

apply
J. M. B

You are doing well and I am proud of you.

But have you got your taxes put away. B.

Hyde Park, N.Y.
November 15, 1941

Dear Mr. Baruch:

Of course, I want you to have my telephone number, and it is only because I have been so busy since we moved that I have not sent it to you. It is Rhinelander 4-2143. I am living in the house at 49 East 65th Street, but have done very little settling as Franklin hopes to sell both houses. When he does I shall have to look for an apartment and move again.

I want very much to see you. It has been much too long since our last visit. I have two more lecture contracts to fill on the 17th and 18th, and then I expect to be in Washington pretty much of the time until I go out in January for about a week on civilian defense. If Franklin does not get off to Warm Springs for Thanksgiving, I will be back in Washington the afternoon of the 18th. Otherwise I will be in Washington the morning of the 21st. Will you be there then? If not, do let me know when next you are to be in Washington, as I am so anxious to have a chance to talk to you.

Affectionately,

101

December 18, 1941

Dear Mr. Baruch:

I am sending on to you the letter from Farm Security on the proposed sale of homes at Arthurdale.

They want me to go down in early February for the transfer. Would you care to go?

Sincerely,

Mr. Bernard Baruch
597 Madison Avenue
NYC

File

Telephone Whitehall 5734

Wright Howes

AMERICAN HISTORY AND TRAVEL

100 EAST CHICAGO AVENUE

CHICAGO

December 26, 1941

Mrs. Franklin Delano Roosevelt
Hyde Park
New York

Dear Madam,

At the request of Mr. Bernard M. Baruch whose card is enclosed herewith I am sending you today by prepaid express a set of the Lakeside Classics. This set does not include this year's publication which is de Trobriand's Army Life in Dakota. This is an extremely interesting narrative and is the first translation into English. We can supply this title if you are interested for $3.50.

Trusting the set arrives in good order and that you are pleased with it, I am,

Sincerely yours,
Wright Howes
Wright Howes

WH:SY

DEC 30 1941

MR BERNARD M. BARUCH

1055 Fifth Avenue

January 14, 1942

Dear Mr. Baruch:

Thank you for your letter about the Arthurdale contracts. I do wish we could get this situation settled.

I do want to see you, but I have been so busy I haven't had time to do any of the things which give me pleasure.

Do let me know when you are here.

Affectionately,

BERNARD M. BARUCH
597 MADISON AVENUE
NEW YORK

January 12, 1942.

My dear Mrs. Roosevelt:

I have the letter of January 7th addressed to you by Major Walker.

If, as he says, the homesteaders, after an examination by their attorney, Judge Charles G. Baker, feel that the contract is fair and just, I can see no reason why any of us can object.

I am not yet satisfied that the prices we are charging them are low enough but as long as they are satisfied, I see no further position for us to take in the matter.

Major Walker refers to the Arthurdale Inn which lost $4,483.37 for the year 1940. Who paid that? That would have been a very considerable item toward the payment of the houses, wouldn't it?

I presume there is nothing you have in mind concerning which you wish to see me, or I would hear from you.

Sincerely yours,

BMB

Mrs. Franklin D. Roosevelt,
The White House,
Washington, D. C.

UNITED STATES DEPARTMENT OF AGRICULTURE

FARM SECURITY ADMINISTRATION

WASHINGTON

OFFICE OF THE ADMINISTRATOR

Send in Gabrielle

Mrs. Franklin D. Roosevelt
The White House
Washington, D. C.

Dear Mrs. Roosevelt:

This will acknowledge Miss Thompson's letter of December 19 and your recent letter regarding the sales contract for Arthurdale.

The new lease and purchase contracts have been completed and will be effective as of January 1, 1942. The draft of the proposed contract was first given to the homesteaders on August 29, 1941, but as a result of recommendations received from the Homestead Committee and its Attorney, Judge Charles G. Baker, several changes were made to clarify the terms and conditions of the contract. The contracts are now being processed and it is expected that all eligible homesteaders will receive their copies within a very short time.

For your information, I am enclosing copies of the contracts which are being used at Arthurdale and also a copy of a memorandum from Mr. James T. Gobbel in which is fully outlined the actions taken in putting the contracts into effect. I would like for you to note particularly the fifth paragraph of Mr. Gobbel's memorandum regarding credits to be given homesteaders for rental payments made since May, 1936.

We are all very pleased at the record the homesteaders are making in reducing their rental delinquency. When it is remembered that in less than two years the cumulative delinquency of Arthurdale residents has been reduced from around $7,000 to less than $800, it can be seen what a good job they have done. We plan to continue pressing this matter and expect to liquidate all delinquency within the next few months.

We have not yet reached any decision regarding the continued operation of the Arthurdale Inn. In spite of increased business, the Inn is still operating at a deficit, and even if all depreciation and interest charges are completely eliminated, the operating expenses exceed income. For the month of November, the Inn operated at a loss of $687.09, of which only $90.34 was chargeable to building depreciation and $134.18 to interest expense. Thus there was an operating loss of $462.57, over and above building depreciation and interest expense. For the eleven months period ending November 30, 1941, the excess of expense over income, not including building depreciation and interest expense, amounted to $3,020.10. For your information, the loss for the full year of 1940 amounted to $4,483.37, exclusive of building depreciation and interest expense.

We hope to work out some plan to keep the Inn operating; but as yet we have not been able to reduce actual operating expenses to a point where they can be met from income. We have not made any final decision but you can see from the above figures that the Inn cannot continue to operate indefinitely on the present basis.

If there is any further information we can furnish you, please call on us.

Sincerely yours,

Assistant Administrator

Attachments - 3

RP-JTG

TO: Major John O. Walker, Assistant Administrator

FROM: James T. Gobbel, Acting Director, Resettlement Division

SUBJECT: Arthurdale - Sales Contracts

In order that you may have a complete picture of the contract situation at Arthurdale, I wish to outline the steps which have been taken in connection with the sale of homes to homesteaders.

You will recall that we originally planned to sell the houses to the homesteaders through a Homestead Association, but as a result of the recommendations of the Arthurdale Advisory Committee, the Administrator approved the use of individual contracts between each homesteader and the Government. This necessitated a complete revision of selling plans, but I believe that much more satisfactory results will be obtained from the use of individual contracts.

A proposed lease and purchase contract for use at Arthurdale was drawn up by the Solicitor's Office with the help of the Resettlement Division. This contract provides that upon the payment by the purchaser of all sums due the Government under the provisions of the contract, the Government will execute and deliver to the Purchaser (homesteader) a quitclaim deed covering his property. The payments are calculated on an amortization period of forty years, but the homesteader is allowed to pay the entire amount anytime after ten years if he wishes to do so. The monthly payments include various amounts for principal, interest, taxes, insurance, community expenses, and maintenance reserve.

The homesteaders who enter into lease and purchase contracts will be given credit for all payments made on their Temporary Licensing Agreements (rental contracts) since May 30, 1936. This amount will be credited as a final payment on the contract after all other required payments are made. For example, suppose a homesteader, who has paid a total of $300 between 1936 and 1941, signs a lease and purchase contract for a house which has a sales price of $750. After he makes payments on principal totaling $450, he will be given credit for his previous payments of $300, provided that a minimum of ten years has elapsed since the date he signed his lease and

purchase contract. No homesteader can be given a quitclaim deed until at least ten years after the signing of the lease and purchase contract. Although he may make prepayments of principal in amounts of not less than ten dollars at anytime he desires. The final payment of ten dollars will not be accepted until at least ten years after the contract goes into effect. Interest charges cease when all principal payments, except the final payment of ten dollars, have been made.

I would like to call your particular attention to the fact that homesteaders will receive credit only for the rent payments made by them since May, 1936. You will recall that the early homesteaders were given so-called sales contracts when they first came to Arthurdale at an average sales price of $5,000, which required monthly payments of approximately $22 per month. These monthly payments did not include taxes, insurance, interest, maintenance, or community expenses. Because the homesteaders were unable to meet these large monthly charges, the so-called sales contracts were later cancelled and Temporary Licensing Agreements calling for rental payments of approximately $10 a month were substituted. The fact that payments made prior to May 30, 1936 will not be credited is more than offset by the fact that the sales prices have been reduced from an average of $5,000 per unit to an average of around $1,000 per homestead unit.

The selling prices of the various units have been based on the ability-to-pay of the average homesteader with the prices varying between the individual houses and the several types of houses. In arriving at the selling prices, we tried to consider what we thought would be the average incomes of the homesteaders under normal conditions rather than the present high wages being earned by most of them. You will recall that in 1936, we made an appraisal of each separate unit and arrived at a valuation which was to be used when the homes were sold to the Arthurdale residents. The average valuation placed on the houses at that time was approximately $3,200 per unit. In working out our present plans for selling the homes, it was realized that the homesteaders would not be able to pay any where near this amount, and as a result, the selling prices for all units were reduced proportionately to an average of slightly more than $1,000 per unit. For your information, I am listing below the average selling prices of the three different types of houses and also the average appraised values of these same houses as determined by an independent appraiser in 1936.

| Type | Value 1936 Appraisal | Average Selling Price | Average Monthly Payment |
|---|---|---|---|
| Hodgson Houses | $2584 | $ 750 | $13.19* |
| Wagner Houses | 3818 | 1,108 | 16.33* |
| Stone Houses | 4304 | 1,249 | 18.83* |

*Note - Includes insurance, taxes, community expenses, interest, and maintenance reserve.

In order that all homesteaders might fully understand the sales proposal, we prepared mimeographed copies of the proposed contracts and distributed copies to each homestead family at a general meeting of all the homesteaders which was held on August 29, 1941. Nearly 300 Arthurdale residents were present at this meeting and the FSA was represented by Mr. Clarence E. Pickett, Mr. Walter Simon, and myself.

The terms of the contract, sales price of each individual unit, monthly payments, and other conditions of the proposed lease and purchase contract were gone over and explained in detail. The homesteaders were given an opportunity to ask questions and every effort was made to explain fully the various points raised by them. After about three hours of explanation and discussion, a committee of homesteaders, with Mr. Dan Houghton as chairman, was elected to go over the contract in detail and submit recommendations for any suggested changes which the homesteaders thought should be made. This committee had several meetings with representatives of the FSA and later employed Judge Charles G. Baker, an Attorney of Morgantown, West Virginia, to advise them on the legal points which they raised in connection with the contract.

The committee was given every opportunity to submit any recommendations for changes in the contract. They did a very thorough job, and with the help of Judge Baker, drafted quite a number of proposed changes which they submitted to us for consideration. Most of the changes were accepted by the FSA and were incorporated in the revised contract which will be used at Arthurdale.

A final meeting of representatives of this office and the homesteaders' committee was held on Tuesday, December 30, 1941. Judge Baker, the committee's attorney, was present at this meeting and he expressed himself as being satisfied with the revised contract and advised the committee to accept it. The committee then voted to hold a meeting of all homesteaders on January 1, at which time Judge Baker would answer any points which might be raised by the homesteaders. I am unofficially advised that this meeting was held and that the homesteaders appeared to be satisfied with the contract.

The old Temporary Licensing Agreements under which the homesteaders occupied their homes have been cancelled as of December 31, 1941 and the new contracts will be made effective as of January 1, 1942. The new lease and purchase contracts are being drawn up for all eligible homesteaders who have indicated that they wish to enter into a lease and purchase agreement. Those homesteaders who do not wish to purchase will be given a new rental contract which is similar to their old rental contracts except that monthly rental payments made subsequent to January 1, 1942 will not be credited towards purchase price if the homesteader at

some later date wishes to buy. However, the new rental contract does provide that all rental payments made between May 30, 1936 and December 31, 1941 will be credited on the purchase price of the homestead unit if a lease and purchase contract is signed at some future date.

The following criteria for eligibility for lease and purchase contracts has been established.

1. The homesteader must be current in obligations to the Government for rent, electricity, etc.

2. The homesteader must not be on work relief.

3. The homesteader must not owe more than $50 to Arthurdale Cooperative Association.

4. If a homesteader has received a notice of cancellation of contract for non-payment of obligations to the Government and such notice is later revoked for payment of his past due obligations such homesteader will not be eligible for lease and purchase contract for at least six months after date of revocation during which time he must meet all current obligations as they become due.

It is expected that about one half of the homesteaders will be eligible and will wish to enter into lease and purchase contracts immediately. Most of the remaining homesteaders are making a very real effort to pay up their past due obligations and it is believed that most of them will apply for lease and purchase contracts within the next several months. In this connection, I think you will be interested to know that the total delinquency for rent of all homesteaders now residing on the project has been reduced from a high of around $7,000 two years ago to less than $800 on December 30, 1941. I feel that this is an excellent record and that the homesteaders have made real sacrifices in order to reduce their delinquency. They now take great pride in being current in their obligations, and in fact, many of them pay several months in advance. Naturally, we are pleased with this progress and we are doing everything possible to encourage the complete payment of all old debts in addition to meeting current obligations.

The new Manager, Mr. Milford B. Mott, has now reported for duty and I feel that with him on the job we can expect continued improvement on the project.

Arthurdale, W.Va.
December 7 1941

Mrs. Eleanor Roosevelt
The White House
Washington, D.C.

DEC 9 1941

Dear Mrs. Roosevelt,

In your letter to Harry Johnson written in October you asked for word of the progress of the discussion of the permanent contracts. This letter was turned over to me last Friday, Dec. 4,

The lawyer that we asked to advise us is (Judge) Charles G. Baker who has been interested in Arthurdale since it started. He wanted first of all to see the law which authorized the sale of the homestead property by the government. He wrote to the Resettlement Office three times about this and finally received a satisfactory answer to his inquiry. This correspondence took considerable time, but he felt it was necessary before he could advise the committee. We finally met with him and agreed on what seemed to us necessary changes. Mr. Baker told us that he expected to be in Washington soon after our meeting (Monday Nov. 24) on coal business. While he was there he would try to contact Mr. Barr's office and talk over the changes with the legal division there.

On Friday, November 28, whenthe cancellation notices came out, I called Mr. Baker and found that he had not gone to Washington as he had planned; but he said that he would write immediately asking that someone from the Legal Division come to Arthurdale so that we could discuss changes in the contract with them. I wrote to Mr. Barr also, mailing the letter Friday Evening (28). On Tuesday, Dec. 2, I wrote another letter to Mr. Barr in which I said that if it was not possible to get someone from the Legal Division to Arthurdale in time to consider revision of the contracts that I would try to arrange to come to Washington myself to discuss this matter. It would be better for Mr. Baker to do this but we cannot afford to send him.

To date these letters have not been answered. Our present contracts expire the end of this month. I am afraid that the contracts which we are to sign will be drawn up without giving us a chance to discuss with Washington the questions raised by Mr. Baker. The basis for these questions is that some of the provisions in the contract might be used later to cause the Homesteaders trouble since the government agency administering them is likely to change; especially as the contracts specify that they "may be assigned by the government."

At a meeting of the Homesteaders held November 30, a motion was passed requesting the Advisory Committee to have its next meeting with the Homesteaders at Arthurdale, if possible, before the contracts are signed. They felt the need of advice. If it is not possible for the committee to meet they will appreciate it if any of the members ~~of the members~~ of the committee can meet with them. How-ever, until the Resettlement Division of the Department of Agriculture can give us the final form of the contracts, it will certainly be difficult for the Advisory Committee to advise us. I can send you a list of the changes we consider necessary if you wish to see them.

We wish to thank you for your interest in this matter and hope that we can report something more definite soon.

Sincerely yours,

Daniel E. Houghton

Daniel E. Houghton
Chairman Homesteaders
Contract Committee

DEH/ah

100

April 28, 1942.

Dear Mr. Baruch:

The Arthurdale Commencement is on May 29th this year, and I hope it will be possible for you to go down with me. I want you for a special reason this year.

Affectionately,

Mr. B. M. Baruch
597 Madison Avenue
New York, New York.

VDS

May 25, 1942.

Dear Mr. Baruch:

The enclosed correspondence is self-explanatory. After reading it, I wonder if you would be willing to see Mr. Reeder and Mr. Thorpe.

I will appreciate it if you will return the file after you have finished with it.

Affectionately,

File enc. (see attached sheet)

Mr. Bernard Baruch
597 Madison Avenue
New York, New York.

VDS

SENT TO MR. BARUCH

Letter G. Allan Reeder to Mrs. Roosevelt dated April 6/42
" Mrs. Roosevelt to Reeder, dated April 9/42
Copy of letter from Reeder to Merle Thorpe, dated 4/15/42
Letter Reeder to Mrs. Roosevelt, dated 4/16/42
Letter Mrs. Roosevelt to Reeder, dated 4/27/42
Letter Reeder to Mrs. Roosevelt, dated 5/1/42
Letter ~~[illegible]~~ Miss Thompson to Reeder, dated 5/7/42
Copy of letter Merle Thorpe to Reeder. dated 5/1/42
Letter Reeder to Mrs. Roosevelt, dated 5/14/42
Letter Mrs. Roosevelt to Reeder, dated 5/21/42

Mr. G. Allen Reeder,
170 East 77th Street
New York, New York.

Reeder –

I am going to Arthurdale on May 7 for their high school commencement & will be very glad to have you go with me at that time.

Arthurdale is of course only one place but it is an example of the others. Whether what you see will encourage you ~~to your policy~~ that your taxes were well spent

I can not say. That will depend on whether you believe it worth while to save human lives + forestall heavier taxes for hospitals, prisons insane asylums etc -

E R

THE WHITE HOUSE

WASHINGTON

Via BALTIMORE & OHIO RAILROAD --

5:25 P.M. - Lv. Jersey City
10:40 P.M. - Ar. Wash.

11:00 P.M. - LV. WASH.
6:14 A.M. - AR. NEWBURG

**********

11:10 P.M. - LV. NEWBURG
6:25 A.M. - AR. WASH.

6:45 A.M. - Lv. Wash.
11:18 A.M. - Ar. Jersey City

Mr. Mesh —

Please find out time night train leaves for nearest point to Arkwrdale, W. Va. I remember there was a new stop — much nearer — last time — but I have forgotten name of place —

Also time train leaves there around 11 or 11 30 & whether or not these trains leave & return to NYC ——

*Memorandum*
*from the Desk of*

MRS. FRANKLIN D. ROOSEVELT

I don't want to have letter.
Look the right Bill of Ly
to F. in a. c.

Reader –

I have your letter & I assure you I have no desire to educate you. I just want ~~[illegible]~~ you to see for yourself –

I do not think you really want to take so strenuous a trip though if you do I'll gladly pay for your trip.

Most people who know little about government management think they could do the same thing for less money. The record is often better in government

than in private business, however.

If you prefer not to take this trip at this time I'll ask one or two people who have been familiar from the start with this project to meet with you in NYC. Perhaps Mrs. Harper might like to join you.

ER

May 29, 1942

Dear Mr. Baruch:

I am enclosing a letter from my correspondent who is so wrought up about Arthurdale. Evidently he does not want to see you!

Affectionately,

Mr. Bernard Baruch
597 Madison Avenue
NYC

G. Allen Reeder

O

BERNARD M. BARUCH
597 MADISON AVENUE
NEW YORK

May 28, 1942.

My dear Mrs. Roosevelt:

Immediately upon receipt of your letter I called Mr. Reeder and had a talk with him over the telephone and we are going to get together on the subject.

I shall get in touch with Merle Thorpe when next I am in Washington and have written him accordingly.

I hope your Arthurdale visit will be pleasant and I will be waiting and watching the news.

Sincerely yours,

BMB

Mrs. Franklin D. Roosevelt,
The White House,
Washington, D. C.

THE WHITE HOUSE
WASHINGTON

May 29, 1942

Dear Mr. Baruch:

I am enclosing a letter from my correspondent who is so wrought up about Arthurdale. Evidently he does not want to see you!

Affectionately,

F.D.R.

Should I see him & say Bethea?

NO

I have talked with him and with Nathan Big - called O.K. and think former - don't answer Reeder. See you soon B

100

July 4, 1942

Dear Mr. Baruch:

I do not know whether I should bother you with the following, but I feel you are the only one who will give me an honest answer.

Mrs. Helm writes from Grayville, Illinois that "The Continental Oil Company keeps a derrick on every well in production and there are hundreds of wells in this area. This means that thousands of tons of steel are immobilized because these wells are frozen and production of new wells banned. The Independent oil producers insist the big companies have their representatives on the O.P.B. and they control the board's decisions.

There is a rumor that all oil leases are to be frozen (in this area) for the duration. The Gulf company has five year leases on the property around Gray ville, north and south. There is one more year for the leases to run. Gulf has done nothing and they are hoping (the farm people) to give the leases to one of the small companies when the leases expire. Freezing this would mean an indefinite delay. The Gulf can afford to hold the oil in the ground."

I understand that this oil is high grade, can be taken by boat to a place in Illinois and sent by pipe line to the east and also to Canada.

Mrs. Helm is not personally interested in continuing the production of oil on her own land, but so many of these small people have had cash incomes for the first time in their lives. If it is so difficult to get oil from Mexico, etc., because of the sinkings of ships, I do not understand why these fields have been frozen, and why the steel is not being used, if it is right to stop production.

Mrs. Helm says that the people in that area do not understand this situation, especially when they read of the shortage of gasoline and fuel oil in the east. They know Mrs. Helm lives in Washington in the winter and come to her for explanation and help.

I am leaving Washington on Monday to be gone about ten days, although I may return in the meantime.

Affectionately,

BERNARD M. BARUCH
597 MADISON AVENUE
NEW YORK

July 6, 1942.

My dear Mrs. Roosevelt:

Your letter of July 4th reached me at Port Washington where I am for two days. I shall make inquiries regarding its subject matter and report to you.

No matter how much money Congress votes Leon Henderson, nor how much in subsidies it grants, price control will be a failure and destructive inflation will overtake us (it is creeping upon us now) unless the cost of living is held in check. You cannot blame labor for demanding increased wages if the cost of living continually goes up. You cannot blame agriculture for asking increased prices for the things they produce if what they have to buy, including labor they employ, is continually increasing in cost.

We must show more intelligence and much greater courage in solving the problems that increasingly press upon us. Otherwise we shall lose the confidence of the public. Then, if peace terms are offered to us, you will find the people more willing to accept them. The appeasers will have readier ears into which to pour their suggestions. I do not wish to turn back the pages, nor do I ever say "I told you so", even when you were good enough to say how right I have been.

I have offered to the President a plan which I think will hold things where they are. It will require ingenuity and boldness. At this writing, I do not know whether my memorandum got to him.

Sincerely yours,
B. M. B

Mrs. Franklin D. Roosevelt,
The White House,
Washington, D. C.

BERNARD M. BARUCH
597 MADISON AVENUE
NEW YORK

July 15, 1942.

My dear Mrs. Roosevelt:

Herewith is copy of a letter from Mr. Ickes in answer to yours of July 4th. There is no reason why Mrs. Helm should not see it.

I am wondering whether your letter had anything to do with the speech Ickes made last night.

As ever, B M B

C O P Y

OFFICE OF

PETROLEUM COORDINATOR FOR WAR

WASHINGTON

July 14, 1942.

My dear Bernie:

I have your letter of July 7th concerning various questions that have been raised in correspondence with you and I offer the following comments in this connection:

With respect to the statement that the Continental Oil Company keeps a derrick on every well in production, I understand that this is not the case. Derricks are retained only on those wells which have low bottom hole pressures and in which they expect to have to do further work in order to maintain production. The whole question of material now in use in oil fields, but which might be reclaimed for use elsewhere, is being investigated at present by the industry and by my office as well.

Neither the drilling of nor the production from new wells is banned. Conservation Order M-68, which regulates drilling operations, was issued by the War Production Board for the purpose of controlling the use of steel and other critical materials in oil field operations, to the end that the most efficient use would be made of such materials.

Your correspondent writes of the domination of the "O.P.B." by the representatives of the big oil companies. I presume that he intended to refer to the Office of Petroleum Coordinator (O.P.C.) If so, I am at a loss to understand the basis for his charge. In bringing together a staff of men, technically trained and experienced in oil, we have necessarily drawn upon the industry for personnel. I am confident, however, that the members of my staff, whether drawn from the ranks of the large companies or the small, are wholeheartedly devoted to the cause of winning the war. In all cases, they have, I am sure, freed themselves of any previous affiliations to serve the public interest without reserve.

I know of no law or order "freezing oil leases for the duration". I am advised, however, that under the Vinson Act, the lessee might be able to protect himself against the expiration of a lease if he could establish that his failure to secure the production, which would automatically extend the lease, was due to his inability to secure the necessary material to drill the required wells. Permission to use material to drill wells is restricted under Conservation Order M-68, which order was promulgated under the authority contained in the Vinson Act.

I am not acquainted with the specific Grayville situation which your correspondent mentions. If it should refer to Grayville, Edwards and White Counties, Illinois, as I presume it does, I am informed that development in this area has not been restricted to a greater degree than elsewhere in the country. In fact, I am sorry to say that because of the lack of a decent conservation law in Illinois, production in the state for years has been virtually unrestricted, resulting in a sub-

stantial reduction in the ultimate oil recovery, as compared with what would have been possible if sound conservation practices had been observed.

The shortage of gasoline and fuel oil in the Eastern States has been due to a lack of transportation rather than to any shortage of oil production at the source. In pre-war days, the Eastern Seaboard area received about 95% of its petroleum supplies by tanker movements from the Gulf Coast. The sinkings and general submarine menace, together with the diversion of tankers to military service, have almost destroyed this method of transportation, and we have not yet been able altogether to make up the deficiency.

We are doing our best to meet this critical supply situation by pressing into service all available tank cars, barges, and pipe lines, and making every effort to see that they are utilized with a maximum degree of efficiency. For example, we are digging up and relocating 1,400 miles of used pipe. The War Production Board has granted the necessary priorities for the building of a 24-inch pipe line from Texas to Illinois. Tank car shipments, which in normal times average about 20,000 barrels daily, have not reached a level of over 720,000 barrels a day. I wish to emphasize that the problem is one of transportation rather than one of production shortage, as suggested by your correspondent.

When next you are in Washington, I should be glad to discuss with you personally any of the questions raised in your letter and I appreciate the opportunity that your letter has given me to answer, at least in part, some of the statements that have come to your attention regarding the oil situation.

Sincerely yours,

WAR DEPARTMENT
Headquarters, services of Supply
Washington, D.C.

To: Lt. Colonel Clifford V. Morgan, Chief of Commodities Division,

Headquarters, S.O.S.

Second Report on

Reasons for Strength of German Economic War Machine

With Complete Setup which made their Success Possible

Important Recommendations for the U.S.A.

with regard to

The Special Requirements of War

by

ALFRED BERGMAN
Consultant.

July 8, 1942

URGENT
MEMORANDUM FOR LT COL. CLIFFORD V. MORGAN, M. C

SUBJECT: Second report on reasons for strength of German economics War Machine, and extremely important outline of Germany's complete setup which has made their success possible. "Special Requirements of War"

1. Economic Mobilization for War in Germany, 1933-1942.-In view of the serious and critical position that this country is in at this moment, I feel that it is my duty to give you, without any delay, a rough outline of the economic setup in Germany, as there may be important factors even in this quick review of that powerful machine which might be used to help our program, I believe. These "Special Requirements of War" are so similiar in each country that there is very little difference.

2. May I refer back to my first report stating that it was the determination of the ex-soldiers of the last war combined with the desire of the German Army that this time their whole economic structure should be geared entirely to the Armed Forces to the smallest detail for a successful war. In my travels in the years just before the war in Germany, England, and France, and in reports to persons in this government, I continually warned my friends that this powerful machine could not be stopped by merely having a good Army and Navy. I had seen for years in Germany that the Armed Forces were only one pillar in this economic setup which was determined to conquer Europe, if not the world. Just as important was the economic setup for war. These German ex-soldiers, as well as many of the officers, has to go into private life and try to earn a living under various conditions. They were from practical experience well informed as to the problems they would have with the civilian population, industry, agriculture, banking, etc., when they were called into the service with the Nazis. They organized Germany down to the last pin. This is the reason for their success in spite of their lack of certain raw materials of great importance and the effects of the last war. In other words, the defeat of the last war was the thing which made these men realize what to do to win the next one, while the successful nations tried to prepare for war purely from a military basis. This was true until the time of the fall of France, as France waited too long to change its economic setup. France never woke up to what this Economic War Machine meant only until it was too late and their country was completely defeated. Hitler then organized France along the same lines as he had Germany to still further his plans. Although France Army had been preparing for War since the last war, they were without proper plans for directing industry and labor.

3. While in Germany traveling by car in 1936, 1937 and 1938, I saw at least 150 flying fields which were visible from the road, while in

England during this time I saw only one or two, and in France ver few. This shows a bit of the military set-up as outlined below. While in France in 1939, I had the opportunity of meeting the then Finance Minister and later Prime Minister and he ask me what I thought of the French situation. I said that, although I had been with the French Army and knew that their Army was quite good, they were only organized from a military point of view, while forty million people in France were not organized. Against Frace stood eighty million Germans all geared to war as wxplained in the following review. Here is the set-up of that complete organization which could and must, with certain changes, be used by any democracy under the requirements for war to save itself. It was the lack of such a total organization of the civilian and economic forces geared to the Armed forces that ruined France so quickly, that has put Britain in her perilous position and that is, in my opinion, of the greatest danger to this country. Serious study of some of its use immediately whereever possible is paramount if we are to save this country. I am convinced.

Point 1 - Total Solution

1. The actual system was set up by General van Secht, and the German war economists including General Thomas, a genius on organization, Colonel Warlimont, Major Hesse, and Colonel von Schell. The real brains was General Thomas. These men had studied industries in their own country, some had been in business after the last war, and I believe they had even been to this country. Their whole policy was a total solution which finally was the one accepted by Germany for a standing Army of about ten million men, and for a complete supervision of industry, agriculture, banking, etc., without which no nation can prepare for modern total war. Among other measures, it meant -

a. Withdrawing industry from the border regions which were vital to the conduct of the war.
b. Preparation for the immediate closing down of non-essential plants in time of war.
c. Complete independence from foreign sources of supply after war did break out.

Point 2 - Limited Solution

a. According to this the national economy was organized by grouping industries in compulsory association best suited for the purpose of industrial mobilation and exact information about the productivity of the nation to be gathered.
b. Otherwise, leaving the development of business and foreign trade alone, restricting government intervention in peacetime to a minimum.

Point 3 - Selective Solution

a. On the basis of dictatorial control over certain selected industries, particularly the purely armament industries and transportation, and over financial policy; as in the "limited solution" organizing industry for industrial mobilization, but permitting free industrial and foreign trade

development insofar as it is not detrimental to the "selected" industries.

b. Up until 1936-1937, the Army, under the influence of conservative industrial leaders like Thyssen, Kirdroff, Krupp and Bosch, believed that the "selective solution" would be sufficient to take Germany along the road to Empire.

c. But even before the Munich appeasement in 1938, Germany's economic, political and military leaders abondoned the "selective solution" and entered deeper and deeper into the phase of the "total solution".

d. German officers feared involvement in any "chinese incident," which might bring about a long war. This they wanted to avoid, since they felt Germany could not stand the burden of such a war.

e. This was the dread of all German economic strategists, and is the reason for many of the characteristics of the German war economy.

Point 4 - Total Solution in Effect

a. When Germany was waging war in Spain and Austria, the total solution had been accepted. It was always the idea of the Nazi leaders that this must be done so with the March into Austria the total solution was the law of the land. In spite of this fact France and England failed to act at all in changing their economy to such a solution and France fell, much as result of same added to sabotage within, on June 1940. England held on to her old ideas in spite of the warning and today her Empire is in peril.

b. I am now working on how far we are along the line toward total warfare, but I am convinced we are still far behind the axis countries and that we must adopt many of their total warfare ideas maintaining fairness and justice which can be done at the same time or we are in peril too.

Point 5 - Industries Cooperation with War Plans

2

1. Throughout the developmentof Germany's war economy industry cooperation was seen at nearly every step. Industry's willingness to cooperate was born out of the economic crisis of 1929-1932, when, as in other countries business turned temporarily to the government for support.

a. In Germany, however, the economic crisis was followed by a series of self-created crisis in the field of foreign policy necessitating the continuance and perpetualation of an emergency governmental control of business, which after 1934, developed into a full-fledged war economy.

b. The different stages through which German economy passed through from 1929 to 1940 may roughly be described as follows:

1929 - 1932 - Deflation Economy
1932 - 1934 - Public Works Economy
1934 - 1937 - Preparedness Economy
(Application of the selective solution)
1937 - 1942 - Total War Economy

c. No distinction can be made between the periods before and after the actual outbreak of the war in September 1939.
d. All economic legislation after September 1939 was a logical consequence of previous legislation and had no improvised emergency character.
e. It should be added, however, that the Germans do not look upon a war economy as a fixed thing, but believe that economic strategy must constantly be adopted to the changing military strategy.

Point 6 - Theory of German Army Economists

a. In this connection attention should be directed to the important theory of the German Army's chief economic strategists, led by Thomas and Hesse.
b. It is their belief that a total war economy - such as Germany has been completing since 1939 - must be retrogressive.
c. That is to say, the technical basis of the war economy must deteriorate, particularly if the flow of foreign trade is hindered and the gold fund lost.
d. They point to 1914-1918 when all production, even of arms and munitions dropped. (For example - steel production in the vital Ruhr area diminished by 40 percent in four years.) This process, if repeated, will have the effect on military strategy of increasing demechanization.
e. Theoretically the moment would come when even cavalry armies like those of Budyenny and Voroshilov in 1917-18-21 would be supreme. It is therefore imperative - according to the German economic strategists - that Germany avoid a long war.

Point 7 - German Army pleased with Nazi Economic Philosophy

a. The German Army's economic strategists are now completely satisfied with the political basis which the National Socialist State gives for the building of a total war economy.

b. They believe that in a parliamentary Germany the formation of a war economy could never have advanced beyond the preliminary stage. They are unstinting in their praise for the Nationals Socialist German State because it has served as the instrument of the military organization.

c. In Germany the economic emergency of 1929-32 gave National Socialism, with its rigid reimentation of capital and labor, its start.

d. Important difference in German and American systems. This system was easily adaptable to the gradual formation of a war economy after 1934. It was chiefly for this reason that Germany was able to dispense with a detailed system of procurement planning and procurement such as the United States has developed under our present progress. I am working now on a comparison of the German system as compared to ours sothat we can see where changes can be made if desired which can improve our set-up considerably. Nothing is more important in this report than this difference of systems, as it is the crux of the French defeat and the lack of the meeting of the situation by the British as explained above.

e. Another contributing factor was the unsurpassed statistical survey and economic information service which the Government and the industrial associations were able, since 1907, to supply the economic strategists with little extra work chiefly by reading from existing files or by setting existing machinery into motion.

Point 8 - German Industrial Machine as to Army's Importance of Economics in War.

a. To say that Germany's war economy began in 1934, completely without plan, would be the greatest error. Never since the World War years and the formation of the old Reichwwehr have military men in Germany forgotten the importance of economics in war. Even during the unwarlike Weimar republic days the Army was able to exercise considerable influence on economic planning.

b. Shadow factories were developed not only in Germany and Russia, but in Denmark, for example, the Neinkel Seaplane works in Copenhagen.

c. From 1934-37, the basic principle was not primarily to build up a system of careful war planning, but is to look upon the German industrial machine as a gigantic industrial "commodity bank" at which the Armed Forces had unlimited credit and which the Government merely had to organize if it wanted to supply the Army's needs.

d. Civilian needs were crowded out by stupendous credits and monetary inflation.

e. Unlike the M-day plan of the United States which provides for the recognition of both military and civilian needs as well as a return to norman economy after the war emergency, the German military minds think only in terms of the need to achieve victory, as no one knows how the world will look after the war. If we are to be win this war of existence we must also take this point of view.

Point 9 - Beginning of the Military Era of German Industry, 1936.

A. Only with raw material and food shortages in 1936 which threatened military supplies did Marshal Goering become Commissioner of the 4-year Plan, and at that time the economic strategy of the school represented by men like General Thomas and staff emerged from the advisory stage and began to exercise effective direct control over industry and industrial plans. Then really did the "military era" of German Industry begin.

Vitally Important:

b. In this study, the emphasis will not be on the planning of the Army's economic general staff -- important as that has been -- but on the vast administrative facilities and the economic resources which the National Socialist state has put at the disposal of the German powerful war machine.

Point 10 - War Economy within the Army

A. As in the United States, the approach of the Army, Navy and Air Force leaders to war economy is from two angles:

a. Procurement Planning

1. Procurement Planning is organized for all forces - Army, Navy and Air - in the War Economic General Staff.

b. Actual Procurement

1. While Procurement proper is separately carried out for the three forces each having a so-called Weapon Bureau which centrally undertakes Procurement for its branch of the service, that is - Army, Navy, and Air.

B. Procurement Planning. - The War Economic General Staff which is the procurement planning agency of the combined German Armed Forces and which took formal shape probably in the spring of 1936 and was organized, approximately as it is organized today, by the autumn of 1937. As far as has become known and can be inferred from available indormation, this organization is as follows:

1. The War Economic General Staff is a section of the Supreme Command of the Armed Forces and the other two sections of which are the combined Army-Navy-Air-Force Leadership Staff and the Section of General Administrative Matters of the Armed Forces.

11. The War Economic General Staff, which is in Berlin, is divided into four departments:
(1) Industrial Mobilization Department
(2) Armament (Economic Planning) Department
(3) Raw Material (Economic Planning) Department
(4) Contract and Price Control Department

111. The War Economic General Staff is formed within the Supreme Command of All Armed Forces for the Army, Navy and Air Forces.
a. Officers of all three forces are on duty therein.
b. Most of the executive officers are officers of limited military fitness who have been recalled to service.
c. Chief of the Office is General Thomas, who is considered Germany's leading authority in war economic matters. He had studied for the Army since 1922, and has actually worked in German factories.

1111. The Industrial Mobilization Department of the War Economic General Staff is subdivided into divisions such as the iron industry, non-ferrous metal industry, electrical industry, precision instrument and optical industry, mining, construction, chemical industry, leather industry, textile industry, foodstuff industry, agriculture, lumbering, the utilities and finance.

In all likelihood, some of these subdivisions are very small and only where there is actual need are they well staffed. The Armament, Raw Material and Contract Departments are also appropriately subdivided into sections.

Point 11 - War Economic General Staff
Contract with Industry

Important:
a. The War Economic General Staff maintains contact with industrial associations and in some cases has liaision men placed in the central offices of these associations.

b. Locally, the War Economic General Staff is represented by District Economic Mobilization Officers in the Corps Areas of the German Army and there are special divisions at Berlin for the Air Force and Navy.

There are fifteen Corps Areas.

a. Wherever necessary the District Mobilization Officers are subdivided into Industrial Mobilization Agencies which are located in cities where there are particularly important industries, or even in single strategic plants.

Point 12 - Surveys and Allocation with Amplified System

A. The procurement planning system in some respects similar to that of the United States.

b. This is true of the preparation of requirement and allocation lists.

c. It is not true of the survey and statistical material on which allocations are based.

d. The War Economy Staff and the Industrial Department, have at their disposal complete surveys and statistics. These surveys and statistics were prepared by industry and the Reich Statistical Bureau, under a system founded years before there was any thought of building a war economy. This system has been amplified as stated below.

d. The War Economy General Staff had little occasion to add to the survey ststem developed by the civil administration and industry except occasional surveys of munitions plants, etc.

e. The powers of the War Economy General Staff are supposed to be chiefly consultative and advisory, but under the German system, when the Army on the advice of its economic staff wants something done, it is done.

A. Arms procurement procedure.- The Army and Navy Air Forces have similar procurement systems, each centralized in a so-called Weapon Bureau. That of the Army will be briefly described since it illustrates all three.

a. Procurement is more centralized than in the United States Army and Navy. The following outlines the system which is centralized in Berlin at the Army Weapon Bureau.

(e) Engineer and Fortress Area.
(f) Motorization.
(g) Signals.
(h) Optical Instruments.
(i) Gas Protection.
(j) Anti-Aircraft.
(k) Research.
(l) Special Equipment.

(3) Procurement Division:
(a) Mechanical Equipment and Tools.
(b) Arms
(c) Munitions.
(d) Arsenals for Arms.
(e) Arsenals for Munitions.
(f) Pooneer Arms.
(g) Motorization.
(h) Signals.
(i) General Organization.
(j) Acceptance of Deliveries.

b. The Army Weapon Bureau has branches in most corps areas and at many other places. The subdivision for the formal acceptance of deliveries has branches even in single industrial plants.

c. Not included in procurement through the Army Weapon Bureau are construction work and uniform procurement. These are attached to the General Administration of the Army. It will be noted that the German Army's procurement system is different from that of the United States. Geographical concentration of industry facilities centralization in the Army Weapon Bureau which purchases for all services of the Army (Ordnance, Engineers, Signals, etc). As previously mentioned, the Navy Air Force have similar procurement agencies centralized in Navy and Air Force Weapon Bureaus.

## Point 13 - Direction of War Economy

Vitally Important

a. Period of gradual concentration of Command (1936-1939);- It must be emphasized that the center of gravity of Germany's War Economy lies in the administration and planning of the total economy of the Reich, not in the procurement planning by the War Economic General Staff of the combined forces. This system shows very little resemblance of that of the United States.

b. The somewhat similarity in a few respects of the American system of allocation by the German War Economic General Staff, therefore, does not have very great importance. The following paragraphs are a description of the German system of total war economy within Government and Industry.

1. In considering the following, one must carefully distinguish between governmental control, or administrative control.

a. Control of business by ministeries and other government agencies and economic or organizational control.

b. The control of business by associations of business men, farmers, bankers, etc., acting under the direction of the government.

This distinction, however, is made only for purposes of clarity and does not effect the quasi-governmental status of industrial associations.

c. The direction of Germany's war economy is completely and solely in the hand of the government.

1. This refers not only to the departments and agencies of the government proper, but to the associations of industrial finance.

ii. In other countries, these latter organizations are formed by private citizens and firms in order to promote their mutual welfare and enjoy self-government.

iii. But in Germany, they are organizations in which membership is invariably compulsory and which, even if their leaders are appointed from among their ranks, are under the complete control of the state, and are used by the state for the direction of the war economy.

iiii. <u>Vitally Important:</u>
<u>In fact, they are the most important instrument of Germany's war economy</u>. In the last analysis, it can be said that every entrepreneur in Germany is connected to the War Machine. <u>This is the strength of the German system over France, England, and the United States up till now</u>, as in these countries only a part of the nation is geared to war, while in Germany and Japan all the nation is geared to war.

Point 14 - First Steps for Total Solution

A. The creation of Germany's war economy is connected chiefly with Marshall Herman Goering and his close advisor in economic affairs, Dr. Funk.

b. Until the end of 1937, Dr. Hjalmar Schacht helped to prepare the ground for the total war economy which stood completed when the war broke out in September, 1939.

c. Goering's first tasks in the creation of a war economy came with his appointment on October 18, 1936, as Reich Commissioner of the Four Year Plan. The extent of this program was never delineated and the program remained a series of loosely connected individual programs, chiefly undertaken for the improvement of Germany's supply of domestic raw materials (iron, metals, etc.), synthetics (gasoline, rubber, plastion), and foodstuffs. It may be said that there existed no real Four Year Plan like the Russian Five Year Plan. Certain projects were initiated by the Four Year Plan, but as it had no funds, it remained merely a coordination and advicory undertaking living on Goering's personality.

i. As commissioner for the Four Year Plan, Goering had control over prices, raw materials, procurement and the distribution of labor, even though the plan itself was not involved.

i. Price control by a Price Commissioner, already existed - in fact, since 1931 - but under Goering, the Price Commissioners powers increased and a trusted Nazi, Herr Wagner, was appointed Price Commissioner.

iii. The Administrative organization of price control was also strengthened, Prior to the appointment of a Price Commissioner under the Four Year Plan industrial prices were supervised locally by representatives (with police powers) of the Minister of Economy in each governmental district.

iv. After the inauguration of the Four Year Plan, these officers were directly responsible to the Commissioner and were paid from the budget of the Ministry.

Point 15 - Raw and Material Supply

a. The Distribution of Labor Supply. - A function of the Commissioner for the Four Year Plan, consisted chiefly in restricting the right of workers to move from one job to another, and forcing employers to report the hiring and dismissal of workers. As the instrument for labor supply distribution, the Commissioner used the existing Reich Institute for Employment Agencies and Unemployment Insurance with its 400 employment agencies all over the country.

b. Raw Material Procurement. - Raw material procurement was the actual backbone of the Four Year Plan.

   i. An Army officer, Major Loeb, was appointed to coordinate events in this critical field.

   ii. The Four Year Plan was not essentially a production plan.

   iii. The effect in this field was chiefly coordinating and advisory.

   iv. The Office of the Four Year Plan frequently recommended projects and processes for government and private financing.

      a. In effect, such recommendation were orders.

      b. The Commissioner was issued a number of degrees directed toward the building of stockpiles and conserving of raw materials, particularly metals and instituted projects for the production of critical materials.

c. The Reich Commissioner for the Four Year Plan exercised policy-making influence on foreign exchange and foodstuff matters.

   i. The final executive powers rested with the Ministry of Economy.

Important: - Goering Takes Over

d. The end of 1937 found Goering taking over the full power in the field of War Economy.

   i. Dr. Schacht relieved.

   ii. Appointment of the radical economist and loyal Nazi, Dr. Funk, as Minister of Economy.

iii. Formation of the War Economy Consul. Herr Goering as chairman and Minister of Economy, Finance, Labor Agriculture, and representatives of business as boardmembers. This body still exists under Goering representatives, Dr. Kroener, whose main task is to maintain informal contact between business and government.

e. At the end of 1938, Goering strenghtened Dr. Funk's position and appointed him Economic Defense Commissioner. The General Economic Defense Commissioner was to coordinate all efforts of the Ministries of Economy, Labor Agriculture, and of the Price Commissioner. After Goering's representative, Dr. Funk, was made Minister of Economy, the General Economic Defense Commissioner, the purpose of the Four Year Plan, which was in fact a step to a radical centralized war economy ceased to exist. Most agencies under the Four Year Plan were transferred to the Ministry of Economy: Others remained.

i. Government orders relating to price, raw material, and labor mobilization were, until the outbreak of the war, mostly signed by Goering.

f. After the outbreak of the war, the different tasks and powers have all reverted back to the Ministry of Economics, and Agriculture (in connection with farm prices, etc.), and the whole Plan seemed to be in obeyance.

Point 16 - The Direction of War Economy Today

A. On August 30, 1939, after the start of hostilities, the formal centralization of command was effected over German economy.

b. Goering was then appointed Chief of the Supreme Council of Defense.

i. Board of civilian and military administration in war time - it consisted of six members.

ii. Dr. Funk, Commissioner, for Economic Affairs was directly referred to in all matters affecting Economy, Labor, Finance and Agriculture. The ministers for these respective fields are responsible to him, and healone represents them at the Supreme Council for Defense.

iii. As Reich Commissioner for Economic Affairs, he is the sole commanding minister in all national economic affairs and not merely coordinating General Defense Commissioner, as he was formerly. It must, however, be understood that Dr. Funk has been appointed to his present high position only because Goering, as Air Force Minister and Chief of the Supreme Council for National Defense, is too pre-occupied with other tasks. Actually, the broad outlines of policy will always be determined by Goering.

Point 17 - Reich Ministry of Munitions

A. Only important Change of Plans made long before war began.

a. On March 17, 1940, a special Ministry for Armaments and Munitions was established.

b. Dr. Todt, builder of the Reich's system and of the Westwall, was appointed to this post.

i. The duty of the Munitions Minister was to coordinate the production of munitions and arms by issuing applied order to business, government administration, labor, and the fighting forces.

ii. He was the only minister in charge of an economic field who is directly responsible to Hitler and Goering, and not to Dr. Funk.

c. His appointment reflects the need, after 8 months of war, of separating munitions procurement from the rest of the economy.

d. Experience in this respect shows that despite the single purpose character of the Nazi economic system - namely, economic preparation for war - a complete balance between all sections of economic life is not possible

i. War economy was to be organized so that arms procurement needs were logically and naturally satisfied on a preferential basis.

ii. In the end, however, the procurement needs of the armed forces could be adquately satisfied only through separate administration which could cut into the regular economy at its will.

Point 18 - The Reich Ministry of Economy,
Dr. Funk, Minister

a. The Reich Ministry of Economy is in charge of the following administrative fields, all of which are important to the war economy:

(1) German Raw Materials
(2) Mining, Steel and Power
(3) Organization of Economy (Associations of Industry, Trade and Finance)
(4) Credit Institutions
(5) Foreign Trade and Exchange
(6) Development of New Production
(7) Collection of Scrap and Waste

b. The Reich Commissioner for Stock Exchanges, the Reich Power (Load Distribution) Commissioner, the Reich Coal Commissioner and Price Commissioner function under the supervision of the Reich Ministry of Economy.

i. The local price control bureaus, which have the policy powers are also administered by the Ministry of Economy. Aside from the local Price Control Bureaus, the most important group of bureaus attached to the Reich Ministry of Economy are the so-called Raw Material and Goods Control Bureaus.

ii. There exist 23 such bureaus for every critical category of goods (for example, paper, milk products, cotton, wool, etc.). They grant export and import permits and allot foreign exchange for purchase abroad.

iii. They have complete up-to-date statistics on all stocks of essential raw materials, since firms must regularly report to them all changes in their raw material stocks.

iv. Virtually, not a pin is lost in Germany without the proper Raw Material Bureau receiving a full report.

v. In addition to such duties, the bureaus also exercise certain limited functions with regard to price control.

Point 19 - Reich Statistical Bureau

A. No office is more responsible for the success of Germany's war economy than the Reich Statistical Bureau, which is a subsidiary of the Reich Ministry of Economy.

a. It is the largest statistical organization in the world, with more than 8000 workers, occupying Berlin's largest office building and several small ones.

b. It collects a wealth of population and industrial statistics, most important of which, for military procurement purposes are:

i. "Enterprise and Vocational Statistics", covering every commercial and industrial enterprise. The vast fund of information collected in this series form a statistical background of Germany's War economy.

Point 20 - The Reich Ministry of Finance

a. The Reich Ministry of Finance is the central bureau for the system of Provincial Tax Bureaus and Local Tax Collection Bureaus which exist throughout Germany. It has far less function than the U. S. Treasury:

i. Plan and administer the tax system.

ii. Taxes yield only 1/3 to 1/4 of total financial requirements in war time.

iii. The rest is printed or borrowed. The Finance Ministry has become of little importance within the war economy of the Reich.

iiii. Banks, financial institutions and stock exchanges are all under the direction and control of the Ministry of Economics. There are agents for the control of all economic activities except agriculture.

iiiii. Public debt is administered technically by the Minister of Finance, but it has no power to decide when a loan is to be floated or treasury notes issued, these being under the control of the Ministry of Economics.

iiiiii. Control over the financial market, through the medium of Stock Exchange Commissioner and a Banking Commissioner, who is also under the jurisdiction of the Ministry of Economics, is exercised.

## Point 21

Important: Most important part of German Economic War.

The Organization of Industry, Finance, and Merchandising.

(a) As stated above, the most important part of the German set-up was the industrial organizations in Germany called the Reich Verbunt Deutch Industrie, which cecame the main pillar of the Army in their war plans. This organization was set up in the following manner:

a. All manufacturers must be members of industrial associations.

b. These associations exercise regulative power over their members.

c. They are completely controlled by the government and, since the beginning of the war, can be turned into outright government agencies under a government commissioner.

d. There ixists a central organization at Berlin, the Reich Industry group, which was before the war well organized.

This group is divided into economic groups for the following industries:

| | |
|---|---|
| Mining | Optical and Precision Instrument Industry |
| Iron Producing | Metal Products |
| Iron Casting | Ceramics and Glass |
| Iron Construction | Building Industry |
| Machine Building | Woodworking Industry |
| Automotive Industry | Chemical Industry |
| Electrical Industry | Paper Industry |
| Airplane Industry | Paper Using Industry |

Each of these economic groups has its own large offices and is sub-divided into specialty groups for particular industries like Agricultural Machinery, and if necessary, into sub-specialty groups like Harvesting Machinery.

(b) This unbelievably complex organization carries the principal burden in administering Germany's war economy.

a. Firms joining the group must be suited to their specialty.

b. Very often, these specialty groups are also regionally sub-divided. for example, a manufacturer of harvesting machines would belong to the Ruhr District specialty group of Harvesting Machines

within the Economic Group of Machine Building, which again is a member of a central organization, the Reich Industry Group.

(c) The associations distribute priorities and allocate production capacities among their members, advise the Price Commissioner on prices and what is most important, disseminate all vital information, production, exports, raw material, supply, etc. to their members.

(d) One of the most important functions of these industrial associations is the building up of funds for export subsidies. Certain associations collected a tax ranging from 2.5 to 8% of all domestic sales receipts, levied on all members and distributed the proceeds among those members engaged in the export business.

(e) Central organizations similar to the associations of industry have been built up in the fields of utilities, banking, insurance, wholesaleing, and retailing.

(f) They are also sub-divided into specialties and are under the final control of the Ministry of Economics -

i. Reich Utilities Group:
Electricity Production Group (Under a Commissioner)**
Gas and Water Production Group (Under a Comm issioner)

Special Commissioners of the Ministry of Economics were appointed for the steel, automative and a number of other important industries. The Commissioners, in collaboration with the associations, regulate priorities and production capacities.

(g) Reich Banking Groups:
Private Banks Group
Public Banks Group
Savings Bank Group
Credit Institutions of all kinds.

**Appointed by the Minister of Economy because of Special priority difficulties.

Reich Trade Group: (Wholesale and Retail)

| | |
|---|---|
| Iron | Glass and Ceramics |
| Optical Goods | Leather Goods |
| Jewelry | Ship Equipment |

and about 25 others

Vitally important. Without these organizations, the war economy of Germany would have been helpless. It is impossible to exaggerate their vast importance. The mere fact industry is grouped makes it possible for the government to actually get results through these organizations. The government can merge groups or parts of groups into a compulsory or "voluntary" cartel (Pflicht-gemeinschaft) to undertake any project desired by the government. For instance, a lignite producer was joined by a decree in the manufacture of synthetic gasoline, which the cartel members had to finance themselves. Expert groups with common warehouses and sales organizations abroad were similarly organized.

(h) It is difficult to see how any war economy can get along without having had at least the skeleton of such an organization which can be filled out after M-day. No effective control can be achieved without the cooperation of industrial associations, which allow for the following possibilities:

1. Formation of commitees for the elimination of duplication among industrial associations.
2. Establishment of media through which the dissemination of defense information can be effected.
3. Planning for the effective grouping of industries for war needs.
4. Eliminating unnecessary businesses.

## Point 22

## Ministry of Labor

(a) The Ministry of Labor is almost as important a position as the Ministry of Economy.

(b) The Reich Ministry of Labor regulates all labor matters.

(c) It uses for this purpose two instruments:

i. Trustees of Labor.

ii. The Reich Institute for Employment Agencies and Unemployment Insurance.

In other words, there are no private employment agencies.

(d) Thirteen regional Trustees of Labor function - one for each of the thirteen districts of the old Reich.

i. The Trustees of Labor regulate wages, hours, and working conditions by issuing Wage and Employment Orders similar in scope to the wage-and hour-agreements formerly achieved by collective bargaining between the worker and the employers. Such orders can be applied to one industry in one district, but where special Reich Trustees have been appointed to govern a nation-wide industry, the orders are nation-wide.

(e) The Reich Institute for Employment Agencies and Unemployment Insurance helps to regulate the labor market -

i. Central Bureau in Berlin.

ii. Thirteen district administrative and clearing bureaus.

iii. About 400 regional employment agencies. All employed persons must register at these offices where they receive their Labor Books or pasaports, which is called Arbeitsbuch.

iii. These agencies have complete vocational data about every single worker, They can, in peacetime, prevent a worker's employment in a certain plant or industry or allot a certain number of workers to a certain plant.

In the case of government construction work, they act as priority administrators by allotting workers to projects. For this work, they have special divisions known as "Labor Distributing Bureau for Government Contracts." Comment: Where possible, laboreres are moved with their families at the expense of the firm or the government with as little inconvenience to the laborer or his vamily as possible.

(f) Employment agencies, by refusing the dole, can in peacetime force a worker to take any employment that they consider to be in the interest of the

war economy. Since the war emergency has become acute, the employment agencies do not need "refusal of the dole" as a subterfuge for compelling workers to take certain jobs, but they can legally draft a worker whenever they need him and can send him wherever they wish.

Point 23

Organization of Labor

(a) The Labor Front is the organization to which all German workers must belong.

(b) It is supposed to be a trade union, but rather is the ideological branch of the Nazi Party in the field of labor. Its purpose is to reconcile labor and capital with National Socialist Doctrine, (this doctrine is for the State first and rather important in time of war).

(c) Through "Strength through Joy", an educational branch is set up to promote the workers' enjoyment of life and spiritual uplift.

(d) The Labor Front is geographically organized like the Nazi party in:

i. Provinces (Gaue)
ii. Districts (Kreize)
iii. Factory groups.

(e) It is also organized by industrie paralleling manufacturers' organization, called the Reich Verbant des Industrie and its subsidiaries.

(f) The Labor Front advises the Trustees of Labor and the Ministry of Labor on wage, hours, and employment conditions, and often, despite the original intent of its creators, actually assumes the functions of a union or federation of unions.

(g) In the factories, workers are represented by Councils of Workers -

i. These Councils have existed since 1919 and until 1933, were elected bodies.

ii. Now, they are appointed and their chairman is the owner or manager of the plant.

iii. Although they have become merely advisory bodies, they are not altogether as powerless as the leaders of Germany's war economy planned.

## Point 24

### Ministry of Agriculture

(a) The Ministry of Agriculture is the most Nazi of all sections of German war economy, its leaders being closed to the S. S. Hitler's elite guard.

(b) Nevertheless, it is now under the control of Dr. Funk, as wartime Reich Commissioner of Economic Affairs and Minister of Economy.

(c) The organs of the Ministry of Agriculture which are most important to the war economy are:

1. The special agricultural Price Control Bureau
2. The Control Bureau for Chemical Fertilizer
3. The Reich Board

| | |
|---|---|
| a. cereals | c. Milk products and vegetable oils |
| b. cattle and meat | d. Eggs |

(d) The last board listed under (3) regulates the prices and supply in that they have the right of first call in all farmer-wholesaler transactions relating to cattle, meat, etc.

i. In most cases, direct transactions between farmer and consumer are forbidden.

ii. Certain transactions between wholesaler and retailer are under control.

iii. A farmer or wholesaler of farm products must offer for sale to these agencies all pertinent products and the boards either purchase them with their own large operating funds at a fixed price or see to it that they are sold at a fixed price to the retailer or consumer.

iiii. The Boards maintain their own warehouses or establish "bonded" stock consisting of stores at farms, elevators, etc.

It can readily be understood how important these organizations are for the maintenance of an adequate food reserve for the German war economy. They also control exports and imports of farm products.

## Point 25

### Organization of Agriculture

(a) All German farmers must join the Reich Nutrition (or Food) Estate, which is divided regionally into provinces and regions, each geographical unit headed by an authoritative leader.

i. The Reich Nutrition Estate also unites farm producers into Central Marketing and Distributing Boards which have regional branches. These organizations have functions similar to those of the Reich Boards, except that they are administered by the farmers themselves. Originally, they emphasized marketing and distributing attempting to effect an equalization between surplus and deficit regions, rather than the formation of stockpiles and price control.

ii. In recent years, however, they have been increasingly charged with those tasks, too. Whereas, the Reich Bureaus control prices and stocks chiefly by their power of first call, the Marketing Bureaus exercise control by issuing binding prices and marketing regulations to their members who are not only farmers, but large foodstuff manufacturers like millers, sugar refiners and brewers.

iii. There exist Marketing Boards for the following products:

| | |
|---|---|
| Brewing Industry | Milk and Milk Products |
| Eggs (in conjunction with the Reich Bureau) | Milling |
| | Sugar Manufacturing |
| Cattle | Wine |
| Cereal | Margerine Manufacturing |
| Potatoes | Candy Manufacturing |
| Horticultural Products | |

## Point 26

### Reich Ministry of the Interior

(a) The Reich Ministry of the Interior is in charge of the civil administration of the Reich. There are federal administrations in all -

i. Provinces (Provinzen)
ii. Governmental districts (Regierungsbenirke)
iii. Counties (Kreise)

The provincial federal administrations have been charged, since the beginning of the war with duties vital to the success of German war economy.

(b) Under a degree of September 27, 1939, coordinating offices for war economy called Provincial War Economic Bureaus are to be established in every

federal provincial administration whose territory coincides with that of an Army Corps District. These bureaus are established as parts of the internal Federal Administration of a province, subject, however, to the orders of the Minister of Economy.

iiii. Similar Foodstuff and Lumber Bureaus are also to be established. Their duties are to establish a central regional control of all economic matters in order to:

I. Insure locally the functioning of vital industrial enterprises.

II. Aid locally in the procurement of raw materials.

III. Regulate locally the use of coal, liquid fuels, rubber, textiles, shoes and soap.

IV. Collect locally scrap and old materials.

V. Maintain liaison with the corps administration of the Army and the Army's procurement planning officer.

(c) The technical Emergency Corps is the only other organization with the Ministry of the Interior important to war economy.

i. A corps of voluntary enlisted citizens with special technical training are given special uniforms and posted in all industrial regions in small formations.

ii. Ordinarily, they are active in civil life and they are summoned only when technical emergencies occur such as strikes, utility breakdowns due to air raids, and catastrophes affecting industry whenever the regular staff is incapacitated or inadequate. They have excellent technical equipment and their leaders are especially trained at their own academy.

## Point 27

### Manpower Mobilization

(a) Manpower mobilization in Germany is both military and qussi-military.

i. The latter includes the uniformed Labor Service for men and girls 18 and 19 years old.

ii. For a one year term, boys learn military discipline, are engaged in public works and aid farmers in harvesting.

iii. Girls are used as harvest helpers in groups, or individually in housework on farms.

(b) The male Labor Service is now very small (about 100,000 members) because many young men below military age have "volunteered" for military service particularly in the Air Corps and U-Boats, where low weight and small stature are important.

1. The para-military forces of the Nazi Party, the SS and SA, have not had the importance in giving pre-military training which non-military observers have ascribed to them. Excepted, of course, from this broad statement are the strictly military regiments of the SS (Elite guard) one or two regiments of the SA (Body Standard Troop) and the NSKK (Automobile Corps) and the National Socialsit Amateur Flyer Corps.

(c) All men between 18 and 45 years of age are liable to active military service. Age groups up to 34 have been called to the colors and especially selected categories of elder men (technicians, administrative workers, etc.) have been enrolled.

(d) The mobilization of manpower for the Army bears a fixed relation to the national requirements of agriculture, industry, commerce and transportation, and there exist a large number of exempted classes.

(e) This principle corrects one of the major defects in the 1914 procedure when agriculture was seriously crippled by the loss to the Army of excessive man power, industries forced to shut down temporarily and commerce reduced to inactivity. It is apparent that the German mobilization plans are flexible and that not too many men are called up from any one branch of agriculture or from any single factory or trade. This limitation therefore restricts the size of the field armies. In March 1940, it was very apparent that the size of the German Army in the field was both absolutely and relative to population far below the numbers maintained at any state during the World War.

(f) Under peacetime conscription, a system of deferments are followed, the following classes being generally recognized:

I. Skilled workers for whom releases have been obtained by their employers with the approval of both the employment agencies which maintain special files for this purpose and the inter-regional and inter-industrial clearing system.

II. Sons of farmers, agricultural laborers or property owners in cases where the father is unfit for work.

III. Conscripts who are owners of, or heirs to, a farm when the maintenance of the farm would be impossible in their absence.

IV. Owners or managers of industrial or commercial enterprises which would suffer by their absence.

V. Men learning a profession or art, their service being postponed until they have finished their professional training.

VI. Students in secondary schools, their service being postponed until their graduation.

VII. Apprentice in an agricultural, commercial, navigation, marine engineering or shipbuilding school, their service being postponed until the completion of training.

## Point 28

### Lack of Conscription of Industry

(a) One of the most surprising facts about the German war economy is the lack of any general or specific legislation enabling the government to "conscript" industrial plants, if by "conscription" is meant any confiscatory measure enabling the government to take over an industrial plant temporarily or permanently. In sharp contrast is the fact that labor may be drafted, farms taken away from their owners, and small retailers and handicraft undertakings entirely put out of business.

(b) The explanation for this lies in the fact that the Nazi state does not need any law to compel an employer to do what it wants. It has other devices, which are:

i. If a manufacturer does not execute a regulative act of his industrial associations of all important employment agency of the Price

Commissioner, the Raw Material Control Bureau, the special Commissioners for steel, power, automotive and other industries will find himself without workers, raw materials or power, and will have made himself liable to fines and jail sentences. Furthermore, the regular economic legislation of the Reich government sees to it that a manufacturer does not suffer from any everabundance of private initiative. The government and industrial associations are in effect superentrepreneurs in Germany's war economy.

ii. If an employer nevertheless displays any recalcitrancy, he is subject to the laws against economic sabotage, mostly forcefully expressed in the War Economy Decree of September 4, 1939.

iii. Groups of firms or whole branches of industry have been joined into compulsory or "voluntary" cartels for the purpose of financing new plants for the production of synthetics or other materials of value to the War Economy. As has been previously mentioned, this was done by decree in the lignite industry to effect the manufacture of synthetic gasoline. The spinning industry formed several cartels for the production of spun rayon (synthetic wool). The artificial rubber and beechwood cellulose industries were similarly built up.

(a) All export subsidy funds were built up by industrial groups, each member being forced to contribute a percentage of his domestic sales receipts into the mutual subsidy fund.

(b) In the case of synthetic gasoline and rayon production, the cartel members are the shareholders in the newly established enterprise, or, as in the case of the export subsidy, every member of the industry can actually profit from the common fund.

(c) Shortly after the outbreak of the war, however, the German government decided on a measure affecting one vital and very critical industry, a measure in which actual confiscation was more visible than in any previous "cartelizing" measure. On October 6, 1939, there was established a common account by every functioning firm of the hard-hit German soap industry for the purpose of -

1. Aiding financially those firms that had been forced to close down.
2. Providing a reserve to meet further rises in fat prices. (Whale oil prices had risen about 250 percent).

(d) The confiscatory danger does not, however, lie in the mere establishment of compulsory reserves but in the amount which is to be paid in to this fund. The measure provides that 90 percent of the difference between sales price and production cost should be paid into the reserve. Only 10 percent of the gross receipts may be retained by the manufacturer.

(e) In addition to these measures, the German war economy has taken steps to cut business literally to its own pattern. War economy demands compace concentration of industry.

(f) The trend toward big firms and monopolies is evident both in Germany and Italy, where the number of large stock companies have increased considerably, whereas the number of small firms have decreased catastrophically.

(g) Since 1934, the German government has carried out an unofficial program of consolidation of industry by forming larger firms, trusts and actual monopolies. This, incidentally, is in direct contradiction to the original Nazi program, which was violently anti-monopolistic.

(h) Special corporation legislation has raised the capital minimum of stock companies, and has otherwise favored large companies. The legislation facilitates the transformation of small stock companies into partnerships. Small retail and handcraft firms - i.e., those employing less than five persons - may be shut down and liquidated if they do not pay their taxes or are otherwise "incapable of economic survival."

(i) Many hundreds of thousands of small enterprises have already been closed down and their owners and employees made available for the Army or for larger firms in war industries.

Point 20 - Financial Resources

(a) The most radical part of Germany's total war economy, however, is the method which the German leaders have employed to finance not alone a new war industry but the transformation of the world's second largest peacetime industrial machine into a war-time industrial fortress.

(b) The financial methods used are highly unauthordox and it is generally agreed that the German government was left no choice in its means after deciding on its goal.

(c) Economists are of the opinion that after once having set out on this path there was and is no way back either economically or politically.

(d) The start in the new financial era came in 1932, when, under Chancellor von Papen, an unemployment alleviation program was adopted providing that about 900,000,000 Reichmarks of so-called tax coupons should be given as subsidies to enterprising firms which increase their industrial production. The coupons were to be used for future tax payments spread equally over five years. Production did increase and unemployment did drop, perhaps coincidence.

(e) Under Hitler, however, it was decided to resort to the stimulent of industrial subsidies on a far grander scale; this time by subsidizing a vast program of public works "for the alleviation of unemployment." Four methods were employed to get money:

i. By increased taxation.

ii. By the flotation of loans which private and public banks, savings banks, private insurance companies, municipal health and state old age insurance systems were obliged to purchase and banks forced to underwrite.

iii. By encouraging the flotation of a few private heave industry loans for plant construction important to the war economy.

iiii. By the insurance of three-month notes for the payment of public contracts.

(f) Since 1933 the Reich has stopped publishing a budget, and from 1934 on there existed two forms of public debts, the one made public regularly through the normal channels, the other hidden from prying eyes.

(g) It is estimated by the London Times and the Economist that, early in 1938, the secret public debt amounted to about 50 billion Reichmarks.

(h) In 1938, however, Dr. Schacht, then President of the Reichsbank, decided that things had gone far enough, and a so-called "New Plan" was adopted. Sound financing was to be employed in the future and borrowing was to take place only in relation to the tax receipts that came in. The Tax

Coupon system was also

revived under the "New Plan". This time, however, public contracts were directly paid for with the coupons to the extent of 40% (later more) of the contract value. The new Spartan regime lasted a few months.

(i) The prospect of total war necessitated "total financing". The shorters Treasury notes that were to be issued on the basis of tax receipts (Lisfer-Schactez) were soon issued without relation to tax receipts. Within a short time the old "rubber" three-month notes (Sonder-Wechzel) blossomed forth again.

Point 31 - Money for War

(a) Once the war broke out, the Army was permitted to issue its own money in notes not smaller than 10,000 Reichmarks. These notes were to be used to pay for deliveries to the Army and to finance the transportation of peacetime into wartime plants. No body knows how much of such flat money has been issued. A new bank, the Germany Industry bank, was created for war financing. This bank gives notes which are accepted by the contractor.

(b) Aside from these giant financing schemes, a number of little ones flourished. "Voluntary" collections by deduction from wages and salaries for the Winter Aid Fund netted billions, which were used to assist the 14-17 million people who, although employed, needed relief. (Germany, unlike England, has no visible unemployment.)

(c) The labor front, for example, financed industrial and political undertakings from the fees it collected from workers.

(d) The Normann Goering Steel Works.

(e) The People's Car and even the Spanish War were to a large extent financed by "Union dues."

(f) Today the National debt, according to reliable estimates, is probably higher than it was at the end of the World War, when it was about 145 billion marks.

(g) Although the printing press has been busy and money in circulation has mounted from 4 to 13½ billion in six years, this has not necessarily meant inflation, since the money circulates within the artificial markets created by the war economy. The hope of victory has bolstered financial morals.

Point 32 - Ministry of Agriculture

(a) Use of agriculture in behalf of Germany's war economy can be very briefly described: -

i. Farmers were joined into the Reich Nutrition Estate which enabled the State to exercise better control.

ii. The entailment of Farms Law (Erobhofrecht) contained a clause making it possible to remove a lazy former from his form, but this has been rarely enforced.

iii. The annually revised Grain Law contained a paragraph making it obligatory for a farmer to deliver all his grain to the mills, the quantity to be judged on the basis of his last year's deliveries.

iiii. Until 1937, farm produce prices were raised in order to stimulate production.

iiiii. No grain can be used for fodder without a permit; potatoes and sugar beet tops and potato flakes were to replace the grain.

iiiiii. Expansion of oil crops and hog raising was undertaken.

iiiiiii. Recently desperate attempts have been made to alleviate seed shortages.

(b) On the whole, the farm program has not met with full success. Millions were spent by the I. G. Farbenindustre to develop soya crops in Bessarabia only to increase the Russian supply of oil cake when Rumania was dismembered.

The edible fat basis of the nation's nutrition has not increased sufficiently. Hogs and cattle had to be slaughtered as in the last war for lack of fodder. Tilled acreage has decreased despite all "back-to-the-farm" efforts

## Point 33

### Ministry of Labor

(a) German workers, manual and white collar, are at present subject to call for work in the interest of the State. This was not a sudden war-time measure, but was brought about like all the other restrictive legislation - gradually, step by step. It started in 1936, under the Four Year Plan, and progressed as follows:

i. 1936 - First farm workers and servant girls from the country who had recently gone to the city and had been employed in industry were forced to return to farm work whenever they sought employment at the employment agencies; otherwise they were refused the dole. However, the labor needs of industry soon made this law inoperable. But the method remained.

ii. 1936 - Shortages of labor in the metal and chemical industries were relieved by forcing workers who had left the metal or chemical industries, to return to these industries when they sought work; otherwise they were refused the dole.

iii. 1937 - Skilled workers were forbidden to seek employment abroad.

iiii. 1938 - Employers were required to register certain "critical" categories of their skilled workers at the employment agencies. Changes in "critical" personnel also had to be reported.

iiiii. 1938 - Permission had to be obtained from the employment agency if an employer wanted to hire a "critical" worker.

iiiiii. 1938 - Employers and workers had to obtain permission from the employment agency when they wanted to terminate an individual employment contract.

(b) The final step, namely, that of instituting actual compulsory labor service came on February 3, 1939, when a decree was issued under which the State (through the employment agency) could draft an employee for any type of work

in any part of Germany or even beyond its borders, thereby arbitrarily terminating any existing contract.

(c) Authority for centrally regulating the labor market lies with the Ministry of Lobor's agency, the Reich Institute of Employment Agencies and Unemployment Insurance with its thirteen District Bureaus, and more than four hundred local agencies.

(d) In the files of this agency are the names and vocational qualifications of every employed person in Germany. Since 1936, every employed person has to have a Labor Passport (Arbeitabuch) in which are entered his training and his record of previous employment, and which he must deposit with his employer. No one in Germany can find employment without such a Labor Passport. The complete record of the past employment and vocational qualification of every employed person is kept in a card index at the employment agency.

(e) The skilled labor shortage is one of the most serious problems of Germany's war economy, and one that has to date defied all attempts at solution, despite the constant efforts of the Reich Institute. The number of available skilled workers is constantly going down, although many exemptions from the military draft have been made. As early as 1936, employers were compelled to take on more apprentices. All children leaving school must immediately register with the employment agencies for allocation as apprentices.

(f) Increasing age, sickness and malnutrition are seriously affecting the labor situation and many workers, knowing their indispensability, just stay away from work reporting "sick" until they again feel like working or the employer yields to some demand. The increase of absences due to real sickness and the loss of working hours due to numerous "slow-down" strikes are causing a reduction in industrial efficiency which has been estimated at 15% below normal. Besides, deficient machinery causes further loss in labor efficiency. Where formerly one highly skilled worker was sufficient, now two are often needed for the same job.

35% of the entire population of U.S.S.R.
40% of Russia's industry
75% of her coal
60% of her aluminum
37.5 % of rolled steel
52% steel products

65% of pig iron
35% of manganese
50% potato crop
83% sugar beets
42% cabbage

All occupied territories including this territory and what Germany is getting further in Russia is or will be organized along the lines of the system explained above. Germany has attained a full or satisfactory self-sufficiency in:-

1. antimony
2. bauxite
3. iron
4. lead
5. magnesium
6. manganese
7. mercury
8. sulfur
9. titenium
10. zinc

There probably exists a shortage of one problem or other:-

1. copper
2. molydbenum
3. nickel
4. tin
5. tugsten

But many of the latter have been replenished through booty, which Germany knows well how to take out of occupied territories. To cast this machine with these recources will take complete gearing of our economic machine to the Armed Forces without delay.

The strength of the German Economic War Machine is that it is so well worked out that it works without much friction, but the weakness is that, as a war measure, most of it can be taken over by this country hardly without changes.

In conclusion, I believe that the organization set up and so successfully used by the Germans can be followed to a great extent in a democracy as a war measure and that an outline of this system to be followed as far as possible is one of the most important factors. Naturally, justice to all under war measures must be carried out even more carefully now than in peacetime. But everyone must give up a great deal more for their country and their liberty, as well as for their childrens. Without such an organization, it is impossible to fight Germans and Japanese successfully and with the least losses. Time again is so important as the Russian situation makes our position more precarious every hour and the whole burden of the war will be soon thrown directly and almost entirely upon the United States. I think that this whole matter is an urgent necessity demands immediate action. Naturally, any part of the organization which is objectionable to the American feelings can be worked out along our lines, but we cannot win this war only volunteer methods.

ALFRED BERGMAN
Consultant

Information on set-up
from Mr. Aric Albrich.

Breakdowns due to the inexperienced handling are frequent.

(g) Germany's experience shows that the supply of skilled workers can be seriously affected by a very few years of economic crisis. It appears that harm once done in this field cannot quickly be repaired, even if the state has the complete power of labor conscription. The skilled labor situation in Germany has always gotten more difficult.

(h) It should be noted that the Nazi regime has not always attempted to enforce its labor-regimenting measures too strictly. Handling the German worker, particularly in heavy industrial regions, has not been an easy task for the leaders of Germany's war economy. To this day unexcused absence from work and other forms of "slackness" have with few unimportant exceptions been handled only with the normal disciplinary means at the disposal of employers in the democracies.

(i) One question which has become increasingly important with Germany's victorious march through Europe, has been the question of employment of prisoners of war. Before the war, Germany had regularly imported agricultural laborers from Italy, Hungary and old Poland. But since the war, a veritable flood of prisoners of war has poured into the Reich. These workers must usually be employed in gangs not smaller than fifty. Government contractors employing prisoners of war may when calculating prices insert 60% of the wages of German "free workers as labor costs. From this amount, they must feed and house the prisoners.

## Conclusion

### Germany's Conquests

Germany now controls over one million square miles of European territory outside of the German Frontier. An area four and one-half times the size of Germany, Spain, Italy, Portugal, Sweden, Switerland, and Holland are at Hitlers' mercy and 82,000,000 additional population have been gained of all these conquests, which is -

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Y

July 16, 1942.

SUPPLEMENT NO. I
to Reports 1 and 2

Rough Translation of the Neuen Zuricher Newspaper, May 1, 1942.

Simplification in the German War Economy, Berlin, 27th of April.

Since the end of the year 1941, the organization of the German War Economy has received a revision or streamlining of their very efficient War Economic Machine from actual War experience, since the War began in September 1939. In the first line this change is made to increase the strength of the War Economy, and the adjustment of the War Economic Apparatus to the necessity of enlargement of production which from necessity is due to the longer duration of the war and the further expansion in territory caused by the German conquests. The great possibilities of this development in the war economic field do not allow it to be seen in its full proportions yet. The Minister of Commerce, Dr. Funk, in his talk of April 24th, in Graz, Austria, said that Germany in these projects would put everything in the shade compared to that which had been done up to now, and would develope a production in war materials, that no country in the world had yet seen including the United States.

Besides the fact that the production would be developed to an unheard of extent, other points were taken into consideration. The German War Economic Headquarters has been criticized in the German press, because of over-organization, he said. The fight against this question has shown that there has been adverse criticism in this so-called paper war, formula war, and questionnaire war. In this respect there will be a clear division of responsibility and a closer organization will be made to expedite this. Another note which is the motive of the new reform is the fact of saving personnel, especially in office personnel which can be released for the Army and the war industry immediately.

This effort which has been clear in the last few days both from the speech of Minister Funk, in Graz, Austria, and the speech in Frankfort, of Secretary of State for Finance, Fritz Rheinhardt, include the following:

1. Reform of the whole allocation, including raw materials, workers, etc., for the war industry.

2. Reorganization of the Chambers of Commerce through the opening of district organizations to take over the Chambers of Commerce. My comment: This should not be confused with the "Organization of Industry", which has been strengthened under Hitler's conquests, as these organizations have taken over most of the important industries in occupied territories, and are giving a great deal of freedom under the new reorganization.

3. Simplification in respect to taxes and social insurance.

These desires were brought out previously in April in orders from Hitler, under heading, "To Protect the War Industry". He appealed to the self-organizations and self-responsibility of industry and promised simplification of the correspondence between industry and the government to save time and effort. In the future each company would be made responsible for any false statements regarding raw materials or workmen. In case of serious delinquencies, serious sentences would be judged accordingly.

A reform of the allocation to be that the responsibility in this respect is taken away from the Ministry of Commerce, and put directly under the Minister of Munitions Speer. Up till now the allocations regarding industrial raw materials was under the Ministry of Commerce and through him directly to 25 Reich Boards (Reichstellen) for the principle industry and commodities groups. The apparatus of the Reich Boards (Reichstellen) has been controlled since January. Certain Reich Boards (Reichstellen) were placed together and the employees compared to the beginning of the war, have been reduced to one-half, so these people can be released for war.

It is especially interesting that the allocation in the future, especially in the principle war manufacturing and allocation will be handled throughMinister Speer's new organization for this purpose. This organization, according to an article by Speer in the newspaper "The Reich" has been designated that his organization will be divided up into main groups (Hauptausschussen) and sub-divided into special groups "Sonder Ausschusse" covering various industries and articles for the Armed Forces. These groups carry a technical character. They are completely staffed with constructors, technicians, and engineers, Their work is designated by Minister Speer in his instructions that they are for the constructive wishes of the War Department, to study and to make practical suggestions for the Armed Forces. Also these groups have orders that all the requests are to be handled so that the companies making war materials should standardize and be able to turn out the greatest number of articles.

Also, in order to bring various industrial questions together, industry rings will be formed in the Munitions Ministry which according to Speer's idea, are to be made up of similar or the same kind of industry. It is important that, according to this improvement in the future, the Main Groups (Hauptausschussen) and the industrial rings work continually without any friction. These shall decide all questions regarding raw materials and also the arrangement of the contingents. This shall be done as quickly as possible, so that production will not be endangered.

At the same time industrial and small trade organizations will have a more strict organization through the placing together of Chambers of Commerce, with the principle idea that all double organizations shall be eliminated and the personnel for war purposes be reviewed. Accordingly in each district, only one Chamber of Commerce shall remain.

Further, to simplify the tax question and to relieve the tax employees for war, the various kinds of taxes paid by the workmen, including income, employment, sickness, and old age insurance are placed into one office, and paid at one time.

From other Information:

Due to the fact that Germany is using one-half of its male wage earners and one-third of the laborers,* it has been necessary that they reorganize small businesses and government offices along the lines above, to relieve personnel for the Army.

Extract from Christian Science Monitor
March 9, 1942.

Reports on Germany, coming from neutral sources claim that 70% of her total production capacity, industrial, and otherwise, are for the Armed Forces. This means that 26,000,000 Germans out of 36,000,000 are working to turn out airplanes, tanks, armored cars, weapons, ammunition, and all other articles for the 6 to 8,000,000,000 German soldiers.

Information from German Broadcast
May 7, 1942.

Munitions Ministry under General Speer consists of 5 Officers of Army and Navy, and 8 Industrialists. They are:

Generalfieldmarschall Milch
Generaloberst Fromm
Generaladmiral Witzel
GeneralderInfantrie Thomas
GeneralderArtillerie Loeb

From Industry:

Geheimrat Herman Bucher
Generaldirector Philipp Kessler
Generaldirector Paul Pleiger
Generaldirector Dr. Ernst Foensger



* In the Armed Forces.

Komnerzienrat Dr. Roschling
Generaldirector Hellmuth Roshnert
Generaldirector Dr. Albert Vogler
Generaldirector Wilhelm Zanger

ALFRED BERGMAN,
Consultant,
Resources Division,
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SUPPLEMENT NO. 2

July 13, 1942.

Translation of Letter from
Mr. Moritz Strauss
Former Director, Arms Motors Works

Price Control and Financing Methods

In 1933, when the Reich Aviation Ministry was established, there was no price control organization. The Reich Aviation Minstry at first took, at the prices agreed upon, the current orders that the Reich Communications Ministry gave to the Aviation industry. New orders were given to the industry at so-called "calculated" prices with the understanding that the definitive prices would be agreed upon at a later time after the examination of the books. In order to examine the books and secure a basis for the prices, the Aviation Ministry engaged an auditor who became a kind of price dictator. As a basis for the determination of the price he took the capital of the firm, which he would pay interest on at the rate of 6 to 8%, depending on the article and the nature of the fabrication. He distributed the interest yield over the year's output so that the profit of the airplane firm did not depend on the amount of the output and the quality of the manufactured product but only on the capital invested. For example, if a factory manufacturing airplane engines had a capital of its own amounting to RM 1 000 000, he paid this firm interest at 8% on the capital regardless of the production of the firm. Let us suppose that the firm made 2000 airplane engines yearly at a cost price of RM 10 000; in this case and with this method of determining price the firm would make a profit of RM 40 on each airplane engine, and the selling price would be RM 10 040 per engine. Let us take as a further example another firm manufacturing airplane engines with its own capital of RM 5 000 000 manufacturing the same airplane engine by backward methods and at a cost price of RM 12 500 each and turning out 800 yearly. This firm receives interest at the rate of 8% on the capital of RM 5 000 000, in other words, RM 400 000. This amount distributed over the output of 800 engines gave a profit of RM 500 on each engine. So then the sale price for this firm was fixed at RM 13 000. This method of price determination rewarded passivity and backwardness, while progress and economy were penalized. In spite of this fact this system was imposed upon the aviation industry in the middle of the year 1934, after long and fruitless negotiations. The result was that production lagged far behind the plans and the cost price went extraordinarily high; then too the aviation industry became much more heavily indebted to the Aviation Ministry and the latter had to invest much more money in the industry than had been planned. Under these conditions the Aviation Ministry was far from being able to stay within its "industry budget" with the Reich Ministry of Finance. The Reich Finance Ministry investigated the causes and then, in agreement with the Reich Economic Ministry, recommended to the Reich Aviation Minister, for the fixing of prices, other officials who had had experience in industry and also recommended that the aviation industry be given fixed prices with an extra profit calculated on the basis of the value of the article. So then the profit, in accordance with these proposals, was no longer dependent on the capital but on the turnover of the individual company. The Reich Ministry of Aviation adopted the proposals, as I recall, in the second half of the year 1935.

Under the new system of calculation the prices were likewise determined by an examination of the books and on the basis of the amount of the orders. The price calculated included on the average a profit of 6 to 8% on the cost price of the article. The cost price included all expenses together with all taxes, so that the extra profit of the firm was not. By economy and improved methods of fabrication the company could then make a greater profit than the 6 to 8% that had been fixed; for the first year under the new method of determining prices the industry was to keep all this extra profit. For the first year the Aviation Ministry purposely placed no limitations on the industry in this direction, so that the cost price could be lowered as much as possible. In the determination of the price for the second year a clause was inserted stipulating that if the actual net profit, after the payment of the taxes, amounted to more than 10% of the turnover of the company, then all the profit over 10% of the turnover was to be paid back to the Reich Aviation Ministry. This method of calculation was still in force in the year 1938. We have no data for the time since then. By these methods of calculating prices the following were achieved:

1) The manufacturers took great pleasure in turning out the goods.

2) The price was lowered from year to year, because the manufacturers made a special effort to lower the cost price; in addition to recognition from the Ministry of Aviation they also received a material increase in the profits originally provided.

In order to determine the profit of the same kind of firms in the same manner, all the firms of the same branch had to work in accordance with the same account method and the balance sheets of all the firms were examined by the Reich Trust Company and these balance sheets had to be drawn up everywhere in accordance with the same scheme. The same kind of price control was used in the case of the sub-contractors of the aviation industry. Though it was difficult in many cases to apply the control in an effective manner, the results on the whole were good.

All the methods described here were used only in the case of series manufacture. In the orders for new types which the Aviation Minister gave, the actual cost price was determined after the completion of the order and the cost price plus an extra profit were then paid. As a matter of caution only the maximum price was fixed at the time the order was given and this maximum price might not be exceeded without approval. As a rule the Ministry of Aviation gave orders for new types only to old and trustworthy firms; in the case of such firms there was generally a moral certainty that the money invested for the new type would not be wasted. But each of these companies could develop new types and the costs could be charged to series fabrication. In order to stimulate the development of new types the firms received royalties in case their types ( or improvements ) were manufactured by other firms in filling orders of the Aviation Ministry. To determine the amount of these royalties the Aviation Ministry entered into negotiations with the industry to determine guiding principles. The royalties were paid not by the firm manufacturing the new device or model but by the Aviation Ministry.

During the first three years the Aviation Ministry made an advance of 40% on all series orders when the order was placed and additional payments followed during the period of fabrication, the final installment being paid upon delivery. Later the Aviation Ministry made advance payments only in so far as they were needed to purchase raw materials and for the fabrication.

For the enlargement of the factories the Aviation Ministry made loans the repayment of which was assured by the depreciation payments for new buidlings which were guaranteed by the Aviation Ministry. In spite of the fact that this involved no risk for the manufacturers many of the latter did not want to owe anything to the Aviation Ministry and made no use of this possibility of financing. If the manufacturers did not have the means to erect the new buildings to furnish the desired output the Reich erected plants for operation by the producing firms. After one year the manufacturing firms could purchase these plants at a discount of 20% from the cost price, in the second year at a discount of 40% and in the third year at a discount of 60% from the cost price. The Aviation Ministry wanted to own as few plants as possible and it wanted to get rid of those it had as soon as possible.

In order to stimulate the interest of private capital in the aviation industry it allowed the industry to earn good profits. As we said before this was financially advantageous for the Aviation Ministry, because the fixed price which constituted the basis of the preceding year stimulated the companies to lower the cost price during the following year in order to increase their profits. Another important reason for allowing the aviation industry to earn good profits was the desire to obtain as great an output as possible and also to strengthen the "potentiel de guerre" (war potential) of the aviation industry. The Aviation Ministry stated emphatically that for this purpose the firms needed a strong capital coverage.

ALFRED BERGMAN,
Consultant,
Commodities Branch,
Resources Division.

C
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August 5, 1942.

MEMORANDUM ON A.B.C. PLAN OF INDUSTRIAL MOBILIZATION:

My studies show the following:

Extract from Report on Studies in National Defense from National Industrial Conference Board, N. Y. C., Monthly Survey, July 1940, article by Dr. Hans Staudinger and Dr. Fritz Lehman, page 291, says:

"The Allies never recognized the strength of the German internal front, its reserves and its flexibility. They seem to have had only an approximate conception of the German War Economy.

Too much attention was paid to the weaknesses of the German Economy. Moreover, it was overlooked that these weak points did not indicate a lack of vigor, but were a reflection of the fact that the country's economic strength was concentrated in an unparalleled manner on the single goal of war preparation."

This confirms what I have found to be true in France, England, and America.

A study of the German plans compared to the American, shows the following:

1. German Industrial Mobilization backbone of Army setup, and responsible for 80% of success. Over 50% of entire effort and materials lost without such a properly controlled setup.

2. Not well-known outside of Germany. Existed before 1910.

3. Every single bottleneck in this Country result of not having such a setup.

a. Steel--American 92,000,000 tons.
b. Steel--German 43,000,000 tons - no bottlenecks.

4. This is where we are going slowly without using Germany's experience.

5. If similar plan is accepted at once, we could save millions of lives.

6. If accepted at once, we could save tremendous amounts of strategical materials.

7. If accepted at once, we have better chances of saving this Country which is now in great peril, and eventually winning the War.

8. France failed to accept similar plan and fell without struggle, only to find that Germany marched in and established same system at once which now uses whole nation for them.

9. Germany established same system Roumania, Italy, and all occupied countries; now doing same in Russia.

10. England failed to accept similar system and we see result.

11. Now England sees how much better the German system works in wartime, but she still holds on to adequated system.

12. War is war and same conditions apply in any country under any kind of government, as necessities of war, are the same everywhere.

13. We can copy or use nearly every single idea worked out by Germans as total war demands total war to survive. See reports of Dr. Strauss.

14. Tieing up agencies under one head.

a. Power in President's hands.

b. Time so important.

15. Using experience of those who have been in Germany. F.B.I. Reports.

16. My experience in business there gave me key to setup.

17. Must use all parts to get full success of plans.

18. Only two changes in setup in three years of war and that streamlining 1940, when Munitions Ministry was established, and in May 1942, when Munitions Ministry changed to include one admiral, four generals, and eight industrialists.

a. In wartime, impossible to replace experience by inexperience.

b. Industrial rings foundation of system, but all parts must be used.

c. Germans just very far ahead in experience which we are forced by circumstances of war to accept, which may be too late if not accepted at once.

19. 10's of years War with Russia's resources.

20. Time to act so important.

21. Supplies, guns and munitions from captured countries, especially France and Czechoslovakia.

22. Drafting of farmers' sons.

23. All information on Germany available here.

24. Freezing of Elections.

25. Jap Danger, 100 divisions free for Invasion of America.

a. Henry de Kerilles (Very able).

26. Few men who know situation should be used; not many available with actual experience in Europe, which can not be replaced by theory and reports.

27. German Plans and people of experience continually used to see what Enemy is doing and what we can copy from them and what experiences we can use for War Economy and War.

28. P.R.P. Forms.

29. German Railroads, Dr. Hornberger.

30. Political, Economic, and Military all one.

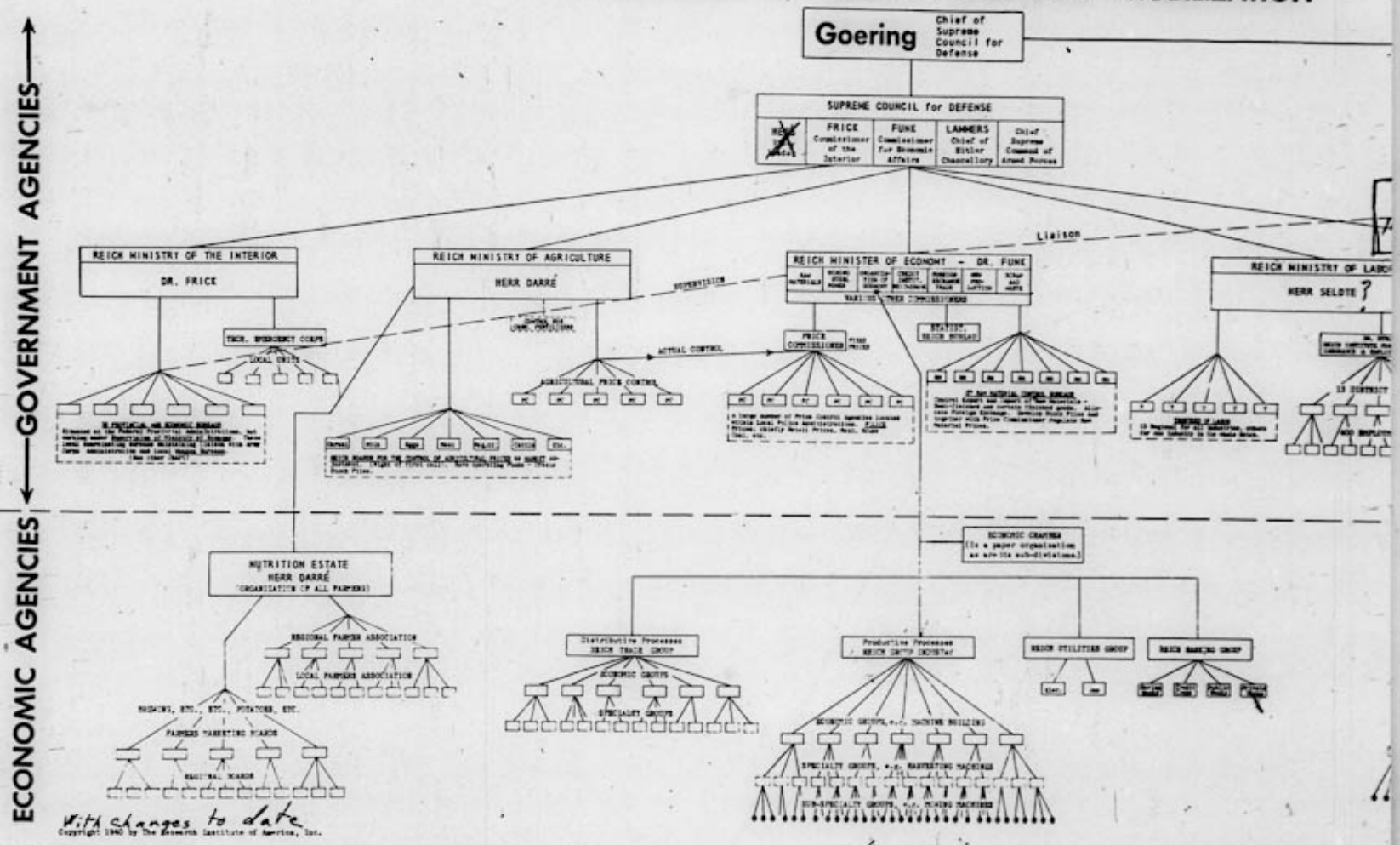
31. Nazi System forces all other countries to do almost same thing or be conquered and destroyed as Nazis took over whole country of Germany and organized it completely for conquering other countries, and to stand against them others are compelled to organize along similar lines.

32. I see we are adopting here and there a bit of A.B.C. System for War but only in spots, when if we took all which we can do under our system as War Emergency, we could increase our efficiency tremendously with little lost effort, and really get greatest possible effort out of our resources and manpower, which we must do if we have any hope of winning War.

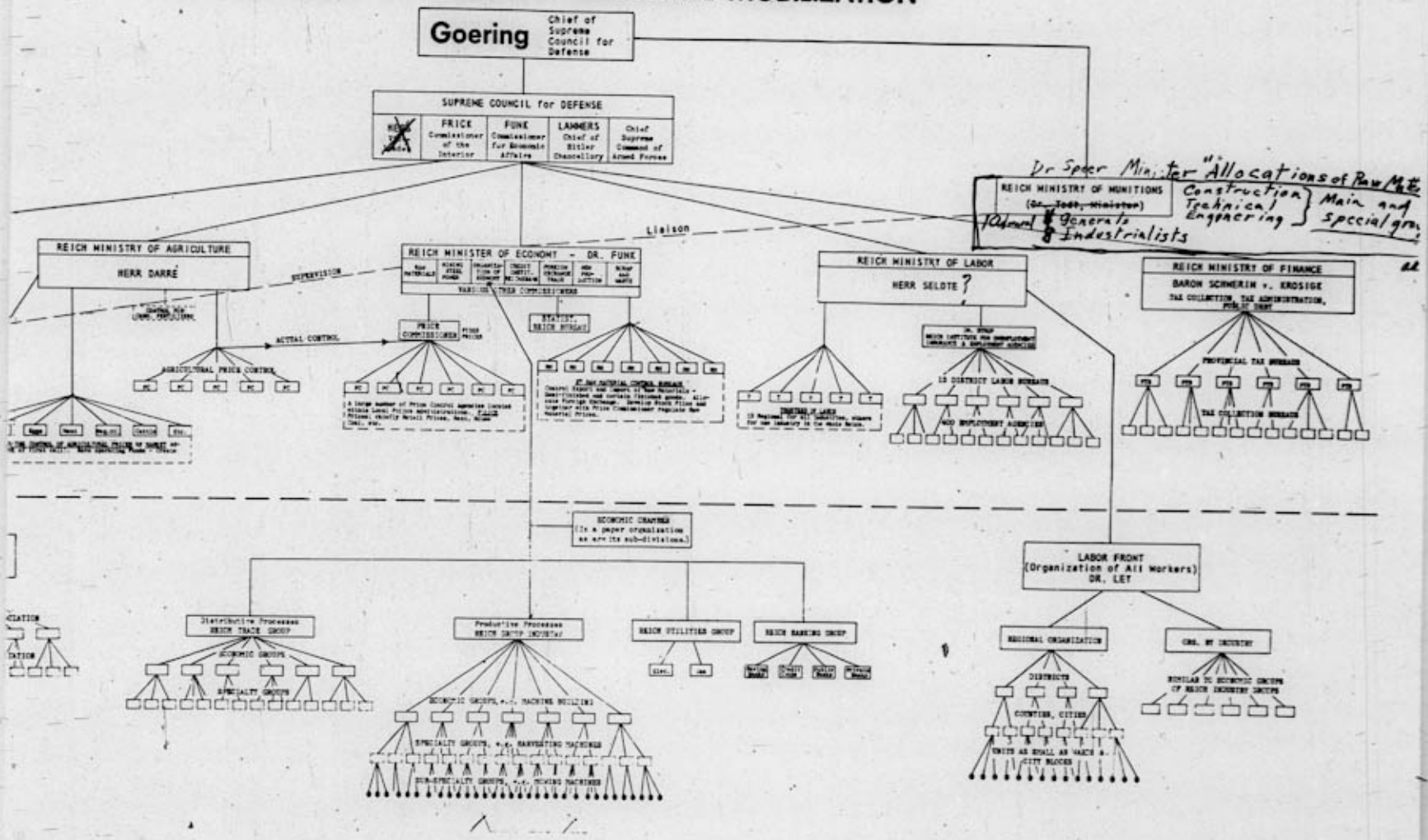
Mobilize

ALFRED BERGMAN,
Consultant,
Resources Division,
Conservation Section.

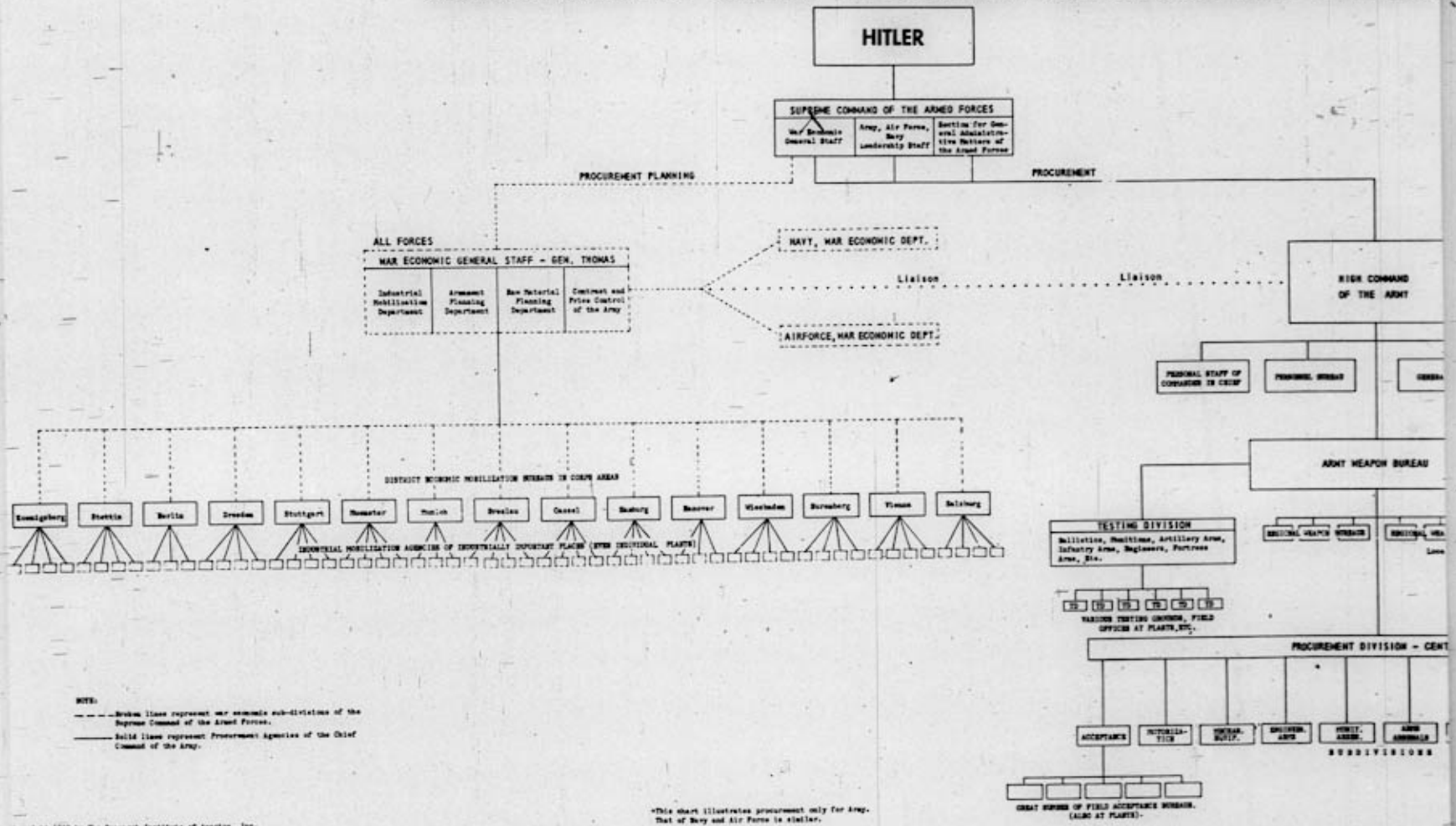
# THE MACHINERY OF GERMAN INDUSTRIAL MOBILIZATION



# THE MACHINERY OF GERMAN INDUSTRIAL MOBILIZATION



# ADMINISTRATION OF GERMAN PROCUREMENT AND PROCUREMENT PLANNING




NOTE:

- - - - Broken lines represent war economic sub-divisions of the Supreme Command of the Armed Forces.

——— Solid lines represent Procurement Agencies of the Chief Command of the Army.

*This chart illustrates procurement only for Army. That of Navy and Air Force is similar.

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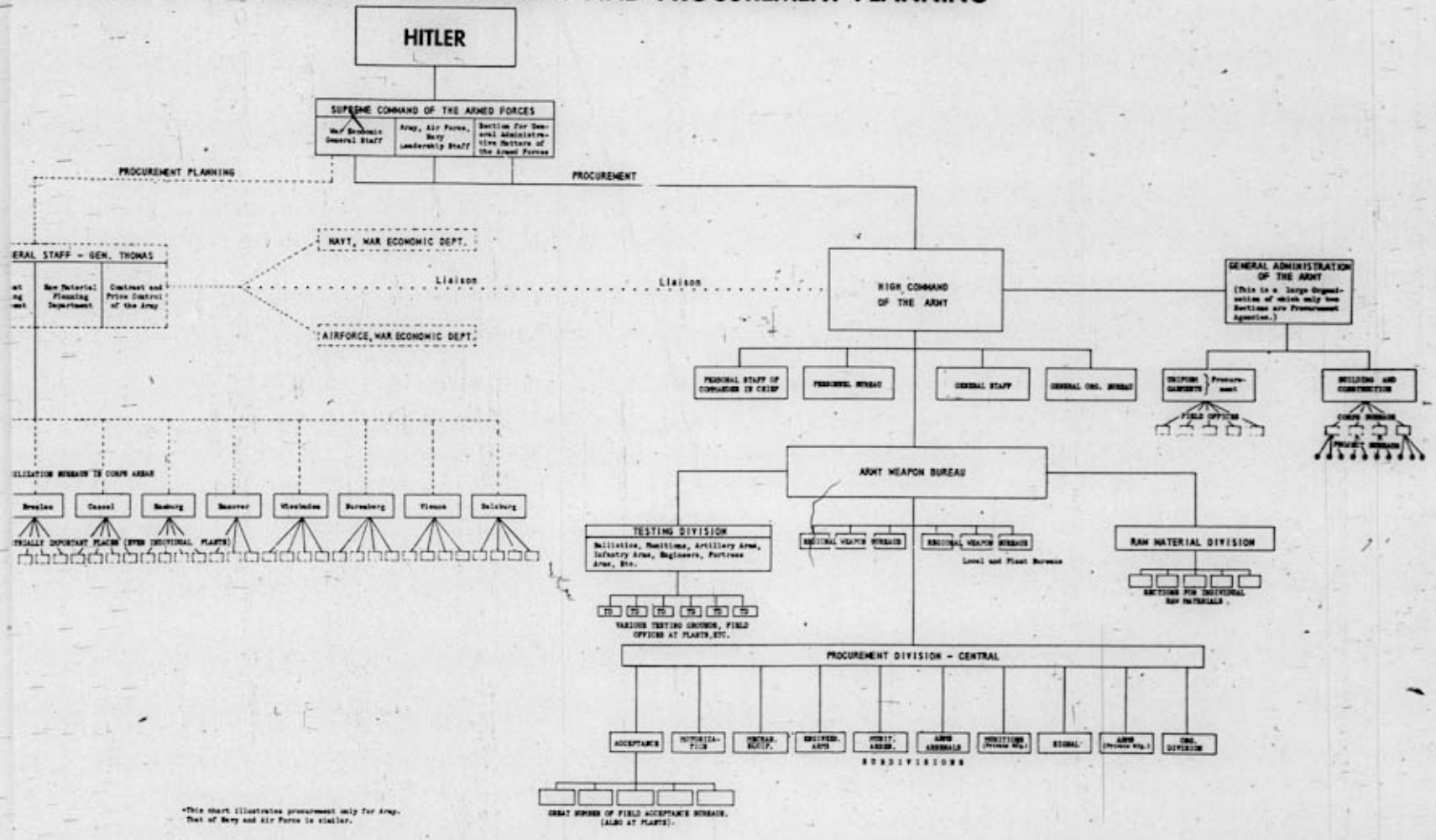
# MINISTRATION OF GERMAN PROCUREMENT AND PROCUREMENT PLANNING




*This chart illustrates procurement only for Army. That of Navy and Air Force is similar.