

DIARY

Book 507

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March 11, 1942
8:58 a.m.

Robert
Patterson: Good morning, Henry.

HMJr: Were those men.....

P: I just sent you a note.

HMJr: Oh, did you?

P: Yes. They came in, and.....

HMJr: They're sincere fellows.

P: I know it. They're very honest. They - we're going out there. It was announced either last night or today.

HMJr: My heavens! Did you arrange that?

P: I must confess, I don't think I did. I think it's a coincidence.

HMJr: I see. Well, anyway, they'll be pleased.

P: Very pleased. But I think it's a coincidence.

HMJr: Good.

P: There was some plan afoot, anyway.

HMJr: You're too honest.

P: Well, I've got to - you put it right to me, didn't you?

HMJr: (Laughs)

P: (Laughs)

HMJr: Bob, talking to you as one father to another, I appreciate the letter; and I wondered if it would be asking you too much trouble for a little additional information. Hello.

P: Yes.

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HMJr: I wonder, if the boy makes the officers' candidate school, would it be an awful lot of trouble to get what the various prerequisites - I mean, the list of what they make them study, everything outside of the Air Corps? I mean, what they have to study - I mean.....

P: They don't study much there.

HMJr: They don't?

P: No. It's mostly training in the field.

HMJr: You mean at the officers' candidate school.

P: Yeah.

HMJr: Well, what was bothering me particularly was how much higher mathematics, for instance, if he went to Anti-Aircraft or Coast Artillery - any of these - how much.....

P: I don't think much.

HMJr: Do you know?

P: I've got the same thing. I've got the same thing. My boy is - he wrote me yesterday, wants my consent to go in.

HMJr: Yeah.

P: He's only eighteen, so he has to have consent.

HMJr: Yes.

P: The only question is whether he'll go now or whether he'll try to finish his first year in college.

HMJr: Is there any way of finding out how much - how much advanced mathematics they need? In these various branches?

P: Well, I'll - yes, I can find that out.

HMJr: Could you?

- 3 -

P: Surely. I don't think they need any. I don't think they need any.

HMJr: Well, somebody told me they need trigonometry.

P: Well, what's his age?

HMJr: Oh, Henry's twenty-five. He graduated from Princeton.

P: Oh, yeah.

HMJr: But he never was terribly good in higher mathematics, and I just wondered if some of these branches needed more than others; that's what I was trying to find out.

P: Well, I suppose Coast Artillery and Field Artillery, Anti-Aircraft - that's part of Coast Artillery.

HMJr: I see.

P: I suppose they do, although I don't think they'd need much.

HMJr: Well, if it isn't too much.....

P: I'll find that out, though.

HMJr: And let me have it?

P: Yes, I will. I'll get it.

HMJr: Thank you so much.

P: I'll be glad to talk to him.

HMJr: Would you?

P: Sure.

HMJr: Well, that would be wonderful.

P: Is he here?

HMJr: No, he's in Cleveland. He works there.

- 3 -

P: Surely. I don't think they need any. I don't think they need any.

HMJr: Well, somebody told me they need trigonometry.

P: Well, what's his age?

HMJr: Oh, Henry's twenty-five. He graduated from Princeton.

P: Oh, yeah.

HMJr: But he never was terribly good in higher mathematics, and I just wondered if some of these branches needed more than others; that's what I was trying to find out.

P: Well, I suppose Coast Artillery and Field Artillery, Anti-Aircraft - that's part of Coast Artillery.

HMJr: I see.

P: I suppose they do, although I don't think they'd need much.

HMJr: Well, if it isn't too much.....

P: I'll find that out, though.

HMJr: And let me have it?

P: Yes, I will. I'll get it.

HMJr: Thank you so much.

P: I'll be glad to talk to him.

HMJr: Would you?

P: Sure.

HMJr: Well, that would be wonderful.

P: Is he here?

HMJr: No, he's in Cleveland. He works there.

- 4 -

P: I'll be very glad to talk to him.

HMJr: Well, you'll find him a nice boy; and he's in a very good frame of mind - he's ready for whatever comes.

P: When do you expect him down here?

HMJr: Well, he was here over last week-end; and that's what sort of stimulated me on this thing.

P: Yeah.

HMJr: But I'll tell him that, and I'll try and get him to come down.

P: Yeah, I'd like to talk to him. But I'll find this information out, too.

HMJr: Thank you.

P: Right. Good-bye.

HMJr: Good-bye.

SONS IN SERVICE

The Editor of the Post:
 At-The following editorial is from a
 national magazine:

"Henry Morgenthau, 2nd, 23 years old,
 is the eldest son of the Secretary of
 the Treasury. Recently, he was ap-
 pointed a housing specialist in the Di-
 vision of Housing Co-ordination, Office
 of Emergency Management. He will
 be stationed in Cleveland," etc.

Good luck to Henry Morgenthau.
 Swell job. One of my sons, 22 years old,
 left a good job in the Carney Hospital
 to defend democracy. Another is in
 the U. S. marine corps. He is 19 years
 old. He left a good job with the N. Y.
 & H. & H. railroad, to serve dem-
 ocratic principals. "What Price Glory?"

J. J. MAHONEY
 34 West Fourth street, South Boston.

Apr 1942 |
 J. J. Mahoney's Price
 for "Old Glory" was ex-
 pensive indeed, but yours
 a hudge profit.

From
 Myself, and a Billion others.

March 11, 1942

John Sullivan

The Secretary

I'm sending you this memo. Please help this man out along the lines that I said, and do it today. The man is evidently worried; he's away from home, and it would be a nice thing to take care of him promptly.

I'd appreciate it if you'd do it.

March 11, 1942
9:12 a.m.

Operator: Secretary Morgenthau.

Commander
Kurfess: Thank you.

HMJr: Hello.

K: Mr. Morgenthau.

HMJr: Speaking.

K: This is Commander Kurfess, and I wondered if you could help me. I came from Chicago the latter part of last year, and I left a business, you know, to come down here to the Navy.

HMJr: Yes.

K: And I turned in my income tax return here a month ago, which amounted to some eighty-three hundred dollars for myself and some nine hundred ninety-one dollars for Mrs. Kurfess.

HMJr: Yes.

K: And to prepare for that, I purchased eighty-eight hundred dollars worth of these tax anticipation bonds of one series, and then twelve hundred dollars worth of the other.

HMJr: That's right.

K: And I have submitted a payment of twenty-five hundred dollars of these.....

HMJr: Tax anticipation notes.

K: That's right - to pay Mrs. Kurfess' return and mine, and I'm told that they will not be accepted for hers; and I'm pretty far from Chicago and I just wondered if I could impose on your good nature, as a customer of the Treasury Department, to give me a little help in this case.

HMJr: Well, we like to help our customers.

- 2 -

K: Well, I appreciate that a lot.

HMJr: Where are you located, how can you be reached?

K: I'm at Extension 4260 in the Navy Building.

HMJr: Well, now, I'll tell you what I'll do, Commander. Mr. John Sullivan, who's Assistant Secretary of the Navy - of the Treasury, in charge of this, I'll tell him about this; and within the hour he'll get in touch with you.

K: Well, say, I can't tell you how much I appreciate this.

HMJr: And he'll take it off your hands so you don't have to worry about it.

K: I see. And if he can clear it through Chicago people, it would help me a lot. You know - because I couldn't tell what the tax would be or I could have fixed this up.

HMJr: Well, I don't know, whatever it is, but we'll take care of you. You help win the war, and we'll take your money.

K: I see. Well, you're awfully nice to me, and it will take a big load off my mind.

HMJr: Well, you forget about it, and whatever it is, we'll take care of it for you.

K: Thank you ever so much.

HMJr: You're welcome.

K: Good-bye.

March 11, 1942

Mr. Bell

Secretary Morgenthau

Please find out this morning when I am going to appear before the Senate on the Debt Bill--the sooner the better.

Meeting will be at
Friday 3/13/42
at 10:30

March 11, 1942

Mr. Schwarz

Secretary Morgenthau

Please let me have any clippings from Tuesday's New York Times and Tribune if they contain anything about my Monday's Press Conference.

Forwarded
3/11/42

March 11, 1942

Harold Graves
Secretary Morgenthau

Mrs. Morgenthau met Mrs. J. Hamilton Lewis last night, the widow of the former Senator from Illinois. She complained of all her letters being addressed to her as "Miss", rather than "Mrs.". Please have her stencil looked up and corrected.

*3/19/42 - Mr. Graves' office
reported this has
been done -*

March 11, 1942

Mr. Foley

Secretary Morgenthau

Please carefully write up, if you have not already done so, what led up to our releasing the News Release about McConnell, et al. Particularly, be sure to have my conversation with you from out at Carrico's where I told you to go ahead, also Grace Tully's conversation with you.

done

March 11, 1942

John Sullivan
Vincent Callahan

Secretary Morgenthau

If you think well of it, I wish you would carry out the following suggestion. This morning get off a telegram to every radio station in the country asking them to play Irving Berlin's "I Paid My Income Tax Today" from now through the 15th.

*See Sullivan's memo
dated 3/11. finished*

MEMORANDUM

March 11, 1942.

TO: The Secretary
FROM: Mr. Sullivan

JVS

SUBJECT: Request that all commercial radio programs play
"I Paid My Income Tax Today".

On February 5th the Barry Wood recording of "I Paid My Income Tax Today" was mailed to 872 radio stations with a letter asking that it be played as often as possible. On February 9th a recording of the song by Danny Kaye was sent out with a similar request. On March 3rd a letter signed by Mr. Cann as Acting Commissioner of Internal Revenue, with the sheet music of the song was sent to 38 sponsors of musical programs requesting that they play the song as often as possible up to and including March 16th.

Today the following wire was sent to 872 radio stations:

"The Treasury Department will greatly appreciate the broadcasting as often as possible through March 16th of "I Paid My Income Tax Today" records previously sent you. Thank you for your cooperation." Signed: John L. Sullivan.

These are the 15
charts which
I took to
WH at 10 am
3/11

1. The present allocations of the War Production Board do not provide for the full production by April 1 of the amounts of the seven steel items promised the Russians in the Moscow Protocol. The amounts promised and the production for the Russians of each of these items are shown in the following table:

Item	Promised by April 1	Production by April 1
Steel wire	42,000 Tons	7,500 Tons
Tool steel	3,000 "	820 "
Steel alloy tubes	1,200 "	- "
Stainless steel wire	120 "	22 "
Shell steel (billets)	48,000 "	10,000 "
Cold rolled steel strips	48,000 "	19,230 "
Hot rolled steel	42,000 "	18,075 "
Total	184,320 Tons	55,647 Tons

2. On the basis of present allocations by the War Production Board, the commitments on the first six of the foregoing items will not be met even by June 30. On that date, the shortage of these six particular steel items will amount to 112,661 tons.

3. By June 30, on an overall basis, the Russians will receive more steel items under lend-lease than they were promised in the Moscow Protocol but the items received will not be the exact items promised. Thus, when compared with commitments, there will be a shortage in the production allocated to the Russians of 56,000 tons of shell steel and 36,000 tons of steel wire. On the other hand, there will have been allocated to the Russians by June 30 the production of 60,000 tons of steel rails and 58,000 tons of oil well casing and tubing which was not included in the commitments in the Moscow Protocol.

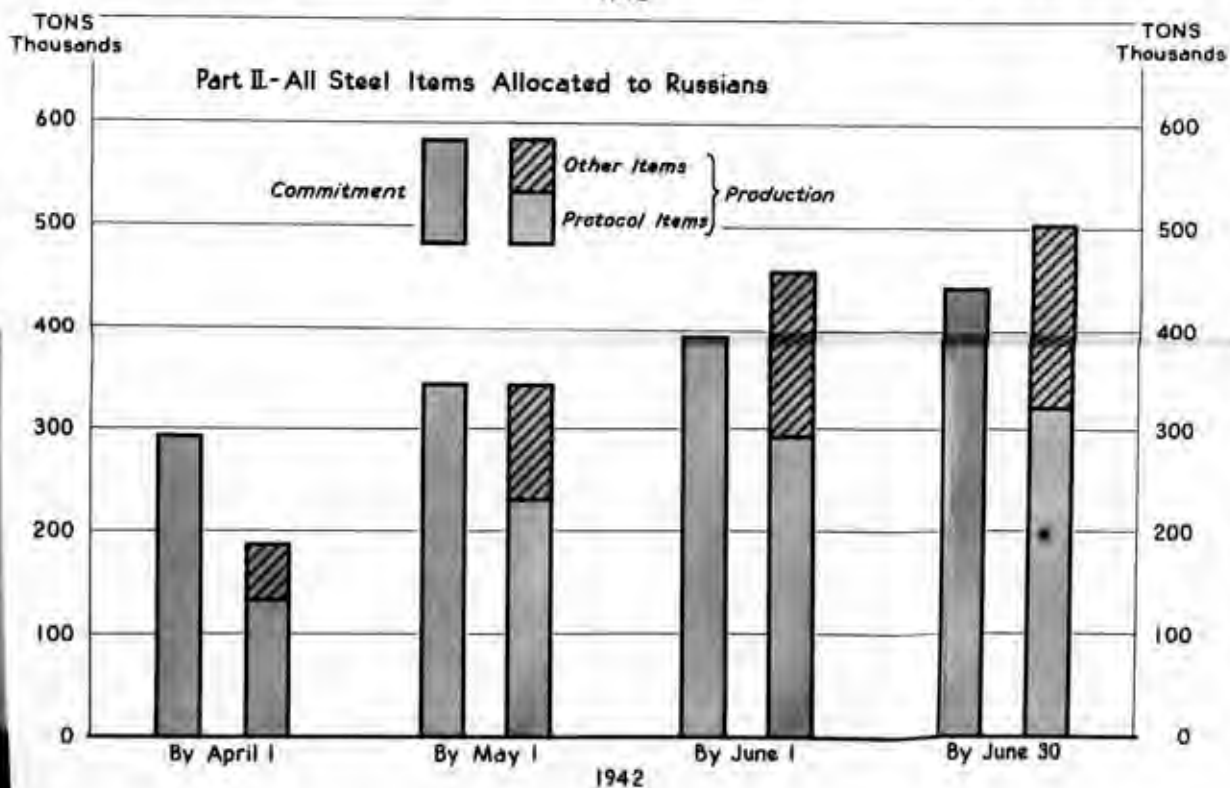
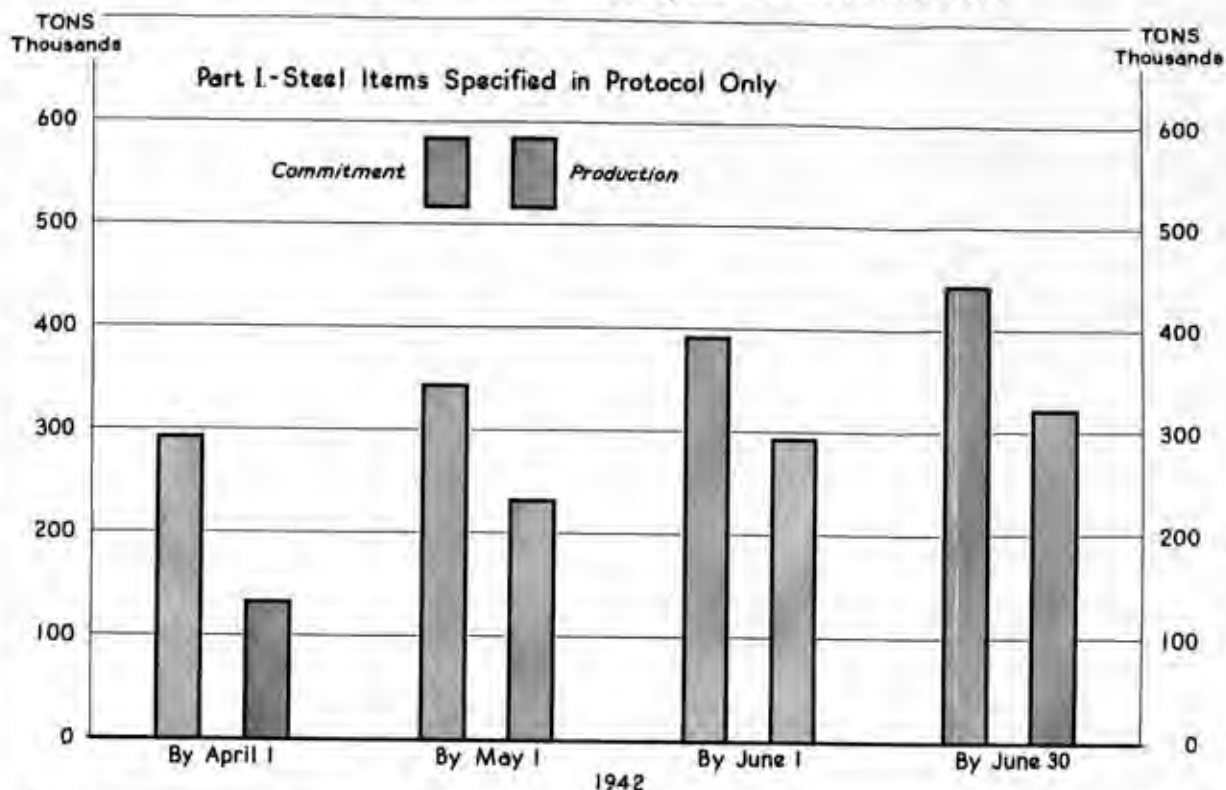
4. The top part of the attached chart shows on an overall basis the Protocol commitments to deliver steel items by April 1, May 1, June 1, and June 30 (red bars), and the expected production by these dates of these self-same items (green bars). The overall deficiency in the items requested will amount to 120,666 tons on June 30.

5. The bottom part of the attached chart adds to the production of items promised the Russians the quantity of other steel items being produced for them (cross-hatched green bars). The addition of these unpromised items will mean that tonnage equivalent to the Protocol commitment will be produced by May 1. This tonnage will not consist, of course, of the exact items specified in the Protocol.

Attachment

STEEL ITEMS IN THE RUSSIAN AID PROGRAM

Protocol Commitments Compared with Production



Charts on Progress of Russian Requisitions
for Steel Items

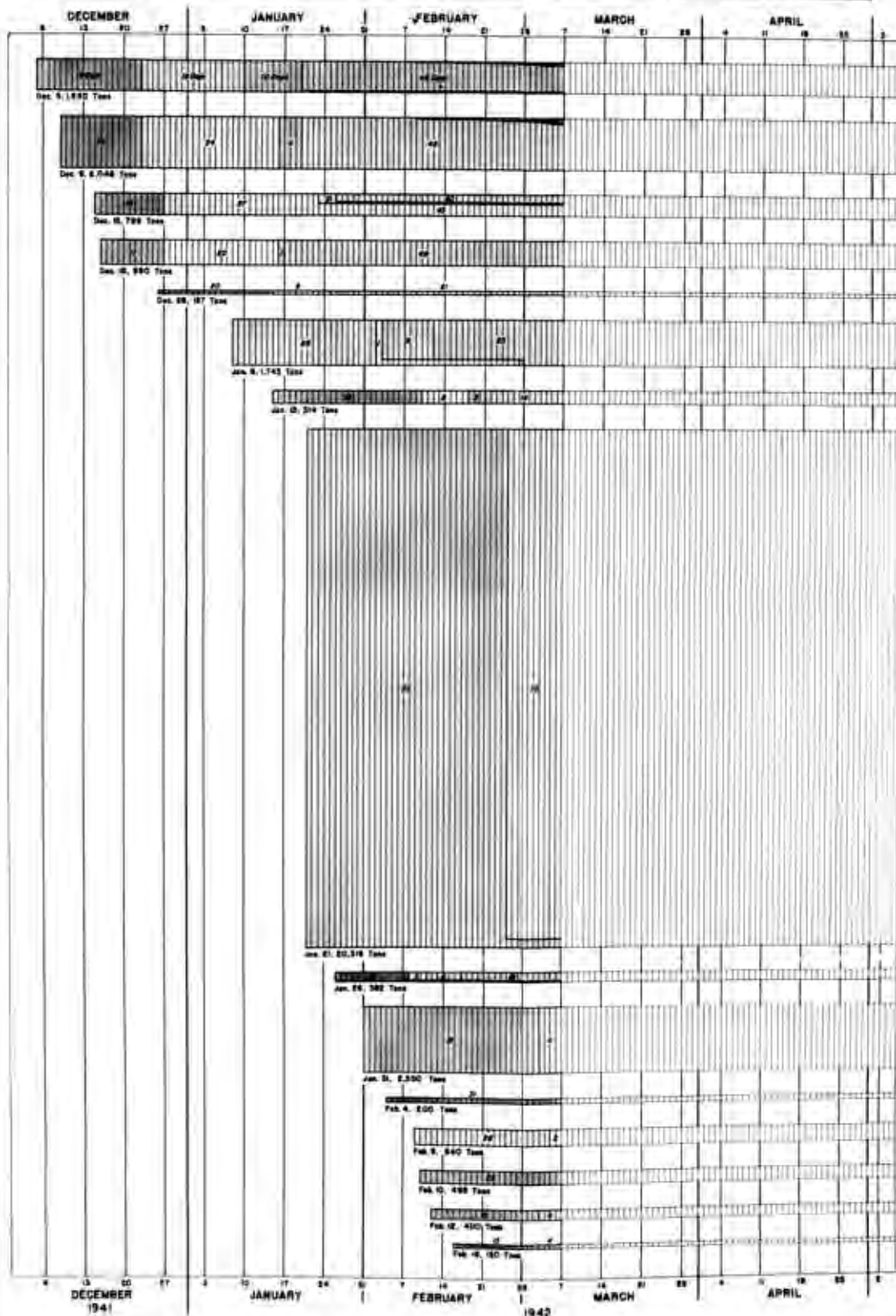
1. The attached charts show the number of days it took each of the Russian requisitions for steel wire and cold rolled steel strips to progress from the "requisition stage" at Lend-Lease up to the "shipment to port stage". Time is measured horizontally on these charts. The vertical scale shows the size of the requisition in tons -- the largest requisition having the widest bar and vice versa. The division of the bars into vertical segments indicates partial clearances or partial shipments.
2. The delay in the Soviet Aid Program for steel items can be traced in some part to the failure of the Russians to present promptly the specifications of the items desired. Thus, only a minor fraction of the requisitions for steel wire had been submitted by January 15, more than 3-1/2 months after the signing of the Moscow Protocol.
3. The information on the number of tons of steel wire and cold rolled steel strips that have reached port is not yet available. This information is being developed by Moore-McCormick Lines, the steamship company which is acting as Amtorg's agent in Philadelphia and which is providing the vessels to carry the Russian cargo.
4. The attached charts are two of a series of seven charts covering steel items promised the Russians in the Moscow Protocol. The five other charts will cover (1) tool steel; (2) steel alloy tubes; (3) stainless steel wire; (4) shell steel (billets); (5) hot rolled steel.

Attachments

STEEL WIRE

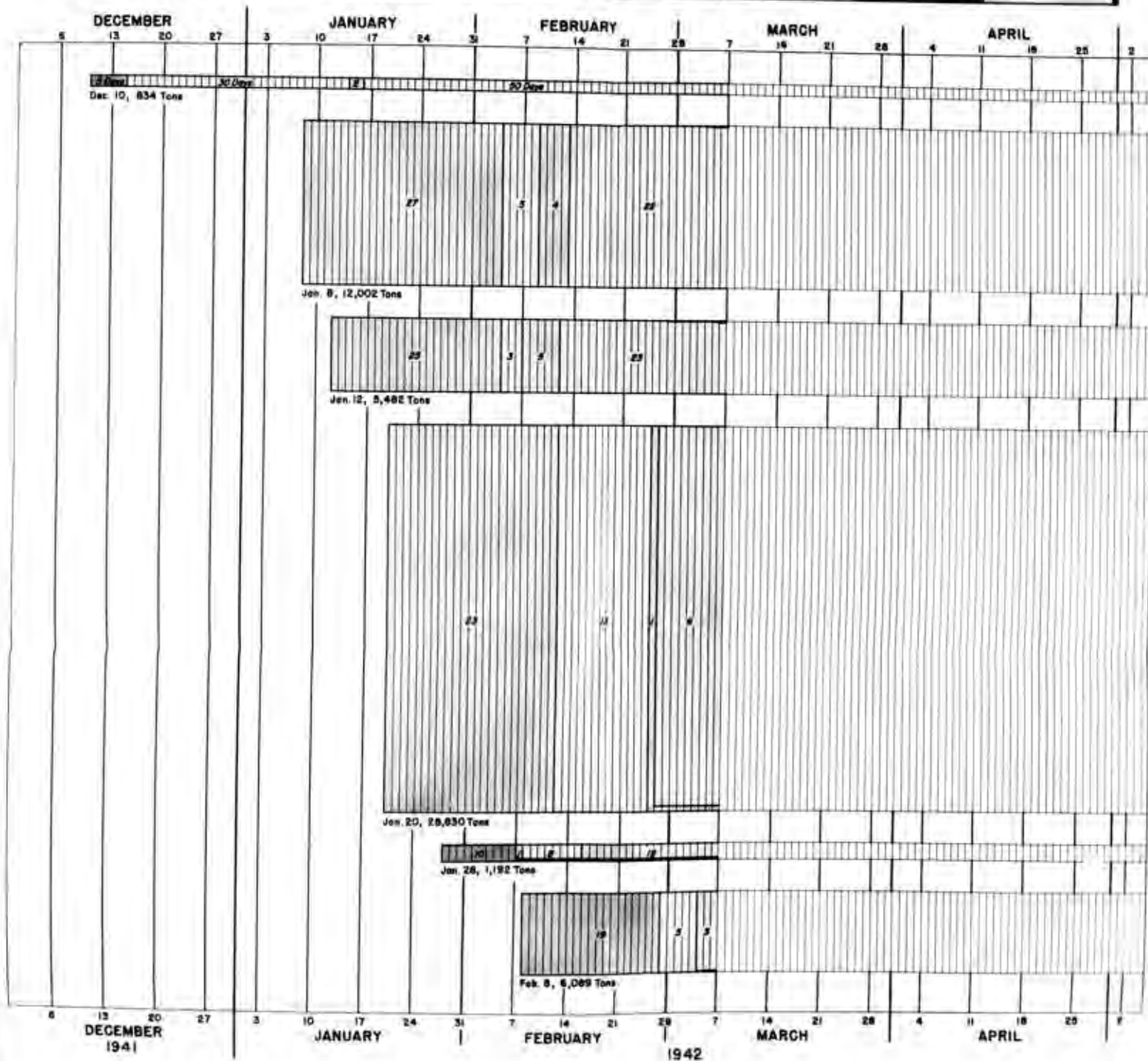
Progress of Russian Requisitions

At Lend Lease At W.P.B. At Procurement At Mill Shipment At Port At Ship-side On Ship At Sea



COLD ROLLED STEEL STRIPS

Progress of Russian Requisitions



Railroad Traffic Bottleneck in the Philadelphia Area

1. On March 9, there were 14 vessels at Philadelphia loading Lend-Lease cargo for Russia. One of these vessels had been in port two weeks; five other vessels had been in port for ten days or more. A list of the vessels in port and the status of their loading appears in the attached table.
2. There appears to have been a considerable delay in Philadelphia in loading cargo destined for Russia. This delay has been due in some part to a railroad traffic bottleneck that has developed in the Philadelphia area because of a division of freight routing authority between the several Government shippers. As a result of this division in authority, the facilities of the Pennsylvania Railroad were overtaxed as compared with the lesser burden placed on the Baltimore & Ohio and the Reading Railroad. As a consequence traffic has backed up at transit points such as Harrisburg and Northumberland, more than 100 miles away. As the traffic congestion increased, the routing problems became more acute and the Moore-McCormick Lines, the steamship company handling the Russian cargo, has experienced important delays in ship-side delivery because of the unavailability of designated freight cars at the time that shipping space becomes available.
3. The immediate availability of designated freight cars is extremely important to the Russians who have specified that complete units only be loaded on each ship (to avoid loss of vital parts if a ship is lost at sea). This means that a considerable volume of cargo coordination must be handled at the port. In the case of trucks, for example, freight cars must be located containing cabs that came from a factory in one town, chassis which came from a plant in another, and spare parts which came from a plant in a third. The loading of the ship is delayed if any of these cars are not immediately available.

Attachments

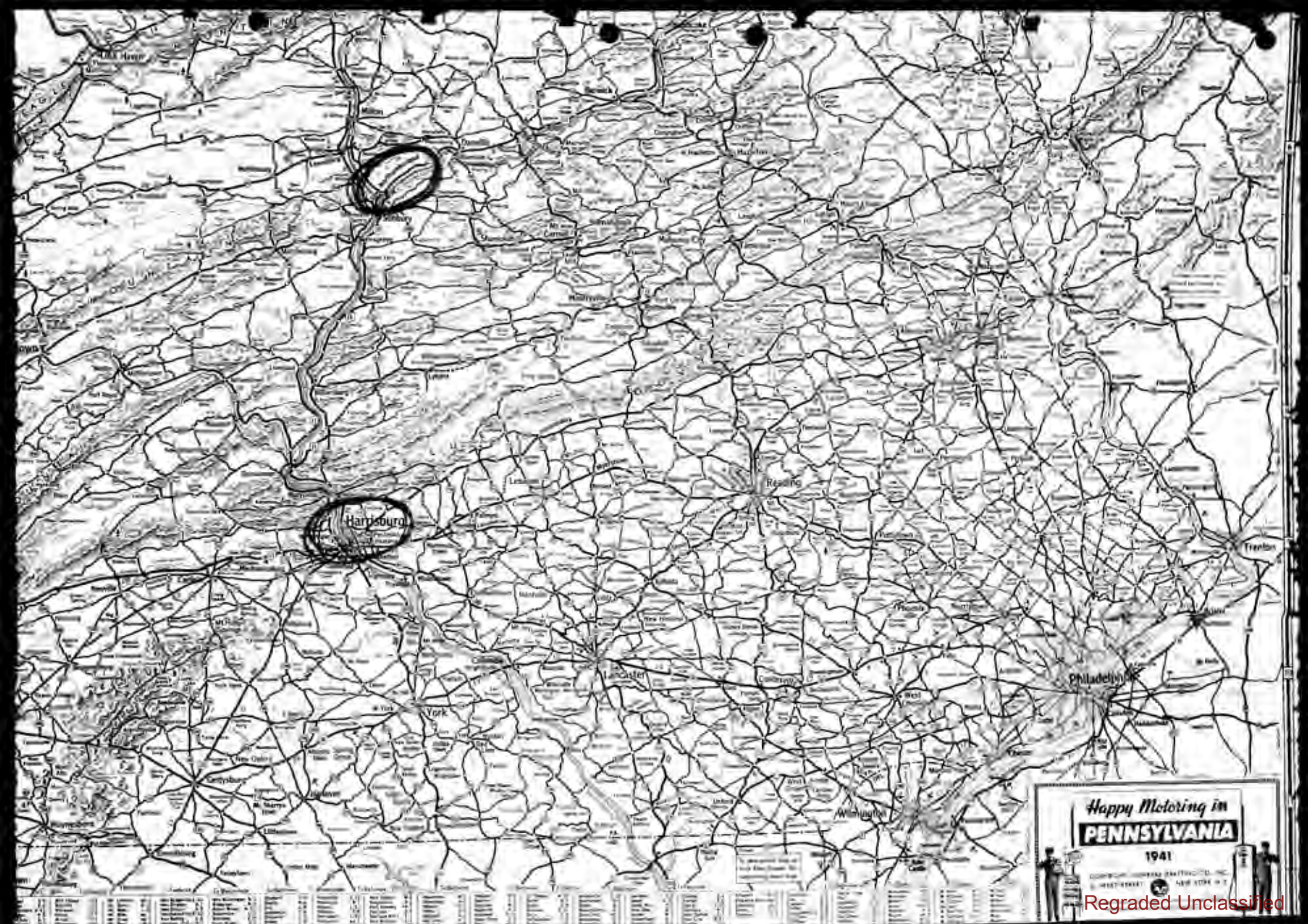
VESSELS AT PHILADELPHIA MARCH 9, 1942
LOADING LEND-LEASE MATERIALS FOR U.S.E.

<u>Nationality, Reg. Name of Vessel</u>	<u>Date Arrived At Philadelphia</u>	<u>*Nature of Lend- Lease Cargo Lading</u>	<u>Status of Lading</u>	<u>Cause of Delay, if any, to Lading or Departure</u>
1. AM. S/S BAYOU CHICO	Feb. 23, 1942	Foodstuffs, metals, trucks, miscellaneous	Completed 3/8/42	Departing 3/10/42 <i>Delayed</i>
2. AM. S/S ZEBULON B. VANCE	Feb. 24, 1942	Foodstuffs, trucks, metals, miscellaneous	80% loaded	Departing 3/10/42
3. AM. S/S WINONA	Feb. 25, 1942	Foodstuffs, trucks, metals, miscellaneous	72% loaded	Fire in crew and gun crew quarters. Indefinite delay but probably two days or more.
4. AM. S/S WACOSTA	Feb. 27, 1942	Foodstuffs, trucks, metals, miscellaneous	80% loaded	Fire in boiler room. Indefinite delay, probably 15 days, expected.
5. AM. S/S MORMACUSUL	Feb. 27, 1942	Foodstuffs, metals, miscellaneous	60% loaded	Rain one day - cars not promptly placed. Expects finish loading 3/10/42.
6. AM. S/S CARLTON	Feb. 27, 1942	Foodstuffs, machinery, trucks, heavy metals	60% loaded	Broken cranes - cars not promptly placed. Expects finish loading 3/11/42.
7. AM. S/S MORMACREY	Feb. 28, 1942	Foodstuffs, machinery, miscellaneous	60% loaded	Rain one day - expects finish loading 3/10/42.
8. AM. S/S TEXAS	Feb. 28, 1942	Foodstuffs, trucks, met- als, miscellaneous	50% loaded	Cars not promptly placed. Expects finish loading 3/13/42.
9. AM. S/S ALCO BANNER	March 3, 1942	Foodstuffs, trucks, tin- plate, miscellaneous	35% laded	No delay - expects finish lading 3/18/42.

VESSELS AT PHILADELPHIA MARCH 8, 1942
LOADING LEND-LEASE MATERIALS FOR U.S.S.R.

	<u>Nationality, Reg. Name of Vessel</u>	<u>Date Arrived At Philadelphia</u>	<u>*Nature of Lend- Lease Cargo Lading</u>	<u>Status of Lading</u>	<u>Cause of Delay, if any, to Lading or Departure</u>
10.	AM. S/S SYROS	March 5, 1942	Foodstuffs, metals, machinery, miscellaneous	12% loaded	No delay - Expects finish loading 3/14/42.
11.	PAN. S/S TROUBADOUR	March 5, 1942	Foodstuffs, machinery, metals, miscellaneous	17% loaded	No delay - Expects finish loading 3/13/42.
12.	AM. S/S JOHN RANDOLPH	March 6, 1942	Foodstuffs, trucks, machinery, miscellaneous	25% loaded	No delay - Expects finish loading 3/14/42.
13.	BELG. S/S VILLE D'ANVERS	March 7, 1942	Foodstuffs and miscel- laneous	Started lading 3/9/42	No delay.
14.	AM. S/S ALAMAR	March 7, 1942	Foodstuffs, machinery, metals, miscellaneous	Started lad- ing 3/8/42	No delay.

* Tanks laden or to be laden as
top cargo on each of these vessels.



Happy Motoring in
PENNSYLVANIA

1941

Regraded Unclassified

March 11, 1942

See memo filed in President's book which was dictated by HM, Jr upon returning to his office after seeing the President at 10 a.m. today.

MEMORANDUM.

OFFICE OF THE ASSISTANT SECRETARY.

Mar 11

42

This is critical
because (a) we must
keep our word
(b) because Russian
assistance events
most tactically

FHP

Assistant Secretary.

MEMORANDUM.

25

OFFICE OF THE ASSISTANT SECRETARY.

Mar 11

42

H.M.J.

This is critical
because (a) we must
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Assistant Secretary.

MEMORANDUM.

OFFICE OF THE ASSISTANT SECRETARY.

Mar 11

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FHP

MEMORANDUM.

OFFICE OF THE ASSISTANT SECRETARY.

Mar 11

42

H.M.J.

This is critical
because (a) we must
keep our word
(b) because Russian
assistance events
most tactically

FHP

Regarded Unclassified

March 11, 1942
10:50 a.m.

AID TO RUSSIA

Present: Mr. Bell
Mr. Haas
Mr. Gaston
Mr. Foley
Mr. White
Mr. Kuhn
Mrs. Klotz

H.M.JR: I thought all of you would be interested in this. I went over today to see the President with these three charts. One would show that - just one little piece on steel we are supposed to buy. We are a hundred and twelve thousand tons short as of April 1. Then the next chart showed how long it took from the time the Russians gave the order until it went through the various stages. In most cases it averaged twenty-five days with Lend-Lease. We averaged three days. Mrs. Klotz said I knew it beforehand, but I didn't. And then how long the ships are tied up in port and what is the matter there.

As a result of that, the President said he wanted me to get everybody together and say that as far as he was concerned they had made a perfect monkey out of him, that he couldn't stand for it. He would rather lose fifty ships off the Atlantic coast than have Russia fold up and make peace. It would just have to be done. He said, "I don't care if they take the stuff out of the stores or wherever it is. They have just got to do it." And I said, "Would you mind giving it to me in writing, Mr. President, so that I have something?" and he wrote down "For H.M.Jr. This is critical because (a) we must keep our word, and (b) because the Russian resistance costs

- 2 -

most today. Signed F.D.R."

MR. WHITE: Who do you get together?

H.M.JR: Everybody.

(Mr. Kuhn entered the conference.)

H.M.JR: Look at this, Ferdie. This is my directive.

Now, George, we will work from the big charts tomorrow morning. I will have them in here tomorrow morning. We will cancel that other meeting, Mrs. Klotz, the Harold Graves meeting. I will have these people here at nine o'clock. The President said bring everybody in and just read them the riot act, and he said he would accept no excuses from anybody.

MR. WHITE: Are the Army and Navy involved in that?

H.M.JR: Yes, they are coming, but I thought you fellows might want to know, because I am quite excited.

MR. KUHN: It is swell.

MRS. KLOTZ: There is nothing more exciting.

(The Secretary held a telephone conversation with Mr. Stettinius as follows:)

March 11, 1942

10:55 a.m.

HMJr: Hello.

Mr. E. R.
Stettinius,
Jr.:

Hello, Henry.

HMJr: How are you?

S: I'm good, sir. How are you?

HMJr: Very well. And I've just come back from a visit with the President where I gave him some charts on our end of the Russian Lend-Lease.....

S: Yes.

HMJr:showing the progress and where we were short, and about the ships in Philadelphia.

S: Yeah.

HMJr: The President has given me a written directive in which he's asked me to get you - have you got a pencil?

S: Yeah.

HMJr: And Eastman - Joe Eastman - and Nelson or Batt, whoever wants to come, and most likely the Under Secretary of War and Navy together, and tell them how he feels about this thing; and that he just can't accept a "no". See?

S: Yeah.

HMJr: Now - and he said he doesn't care if we take it off the shelves of the store, he says, and pay the price - he said, "If we've got to pay the price," he said, "Leon Henderson's got to let us do it." But he said we've just - he cannot accept - I've only got a little segment of it - you know - I explained it to him; and that in our case we'll be short a hundred and twelve thousand tons of steel by April first.

S: Yeah.

- 2 -

HMJr: So he asked me to get everybody together and he's given me - he wrote out a directive for me, you see, which reads as follows;

"This is critical."

S: Yeah.

HMJr: Underlined. "Because (a) we must" underlined "keep our word; (b) because the Russian resistance counts most" underlined "today." Signed F.D.R.

Now, would it be agreeable to you if we met in my office at nine tomorrow morning?

S: Sure.

HMJr: And I'll have out this chart which I've given to the President prepared.

S: Right.

HMJr: And - of course, I could only tell him about steel, you see?

S: Yeah.

HMJr: I don't know where you're behind in other things.

S: Yeah.

HMJr: Also, we had a man in Philadelphia and we've got a list showing just what's happening to the boats there and what's happening to the - how they're being loaded and the delays. I've got that whole story.

S: Yeah.

HMJr: So.....

S: Now, Henry, did you want us to come over with a coordinative story.....

HMJr: Yes.

- 3 -

S:including food and munitions and everything?

HMJr: The whole works, the President said. The President said - he wanted me to do the whole thing to see that he keeps his word.....

S: Yeah.

HMJr:on the Russian protocol.....

S: Yeah.

HMJr:and that he just isn't going to take a "no".

S: Right.

HMJr: So the whole thing.

S: Well, of course, that's what we've been plugging for and we've been calling to the attention of each agency where they've fallen down, you know.

HMJr: Well, you - I thought that you'd welcome this.

S: Oh, I think this is fine.

HMJr: But I simply felt that on a personal friendship basis, it was up to me to show this to the President, and he welcomed it.

S: Yeah.

HMJr: And I thought it would strengthen your hands.

S: Oh, I think that's fine.

HMJr: Now, could I ask you to do something for me?

S: Sure.

HMJr: Because I don't want to be out front more than necessary. Would you invite the people to come to my office at nine o'clock - the people that you think ought to be here?

S: That is of our own people or outside, too?

- 4 -

HMJr: The outside, also. Or, I can do it; I can do it.

S: Well, now, let's see - there's Eastman.

HMJr: Well, if you want me to do the outside, I can do the outside.

S: I should think it would be better for you, Henry.

HMJr: Well, then, I'll invite Joe Eastman.....

S: Yeah.

HMJr: Forrestal, and Bob Patterson.

S: McCloy has been handling it, and if McCloy isn't here, it ought to be Patterson.

HMJr: He's not here.

S: Yeah.

HMJr: He's not here, and - should Jerry Land be here?

S: Jerry ought to be there, and his man Robson.

HMJr: Well, supposing I tell Land what it's about?

S: Tell Land what it's about, and then I'd like to bring three or four of my fellows, of course.

HMJr: Anybody from Agriculture?

S: Yes. It ought to be Hendrickson.

HMJr: Well, supposing I tell what's his name.....

S: Wickard.

HMJr: Wickard - and tell him what it's about.

S: And let's see now, that's Maritime, Navy, Agriculture, War - that does it - with the gang that I would bring.

HMJr: Right. Is nine o'clock a good time?

- 5 -

S: Nine o'clock in your office tomorrow morning.

HMJr: Yeah.

S: And we'll come prepared to discuss the whole status of the protocol.

HMJr: That's right.

S: All right, old boy.

HMJr: Now, my - because you know, all I could give the President was a sample; but I told him I thought our sample was better than some others.

S: Yeah.

HMJr: Which I think is right, isn't it? I mean, I think.....

S: Well, it is within certain cases, Henry.

HMJr: That's right.

S: All right, old fellow.

HMJr: Nine o'clock.

S: Nine o'clock in your office.

HMJr: Thank you. Good-bye.

- 3 -

H.M.JR: Mrs. Klotz, I want you to handle this yourself and in the case of Nelson say, of course we realize he is busy, and if he wants to send Mr. Batt it is all right, but I have this directive and the President has asked me to do this thing, and we should have either Mr. Nelson or somebody for him, but I would go to the head of each agency, and, if you want to, you can read them the directive.

MR. WHITE: The real directive was the oral one, wasn't it?

H.M.JR: The real directive was - he said, "We just can't - they are making a monkey out of me."

MR. WHITE: Well, the real directive is he told you to round them up and do something. This is just to emphasize the importance of it.

H.M.JR: Yes. And if you personally will take care of that, Mrs. Klotz.

MRS. KLOTZ: Eastman, Forrestal, Patterson, Land, Wickard, Stettinius, and Nelson.

H.M.JR: And they can bring whoever they want to. And Clif Mack and George Haas, and I would have Tickton here with a big chart. But this to me is a little exciting. Then we won't do any of these other things.

MRS. KLOTZ: No.

H.M.JR: That is all. I am now leaving on a little pleasure trip. I have got to leave in about a minute.

MR. GASTON: We are asking not only for the Russian stuff, but we are asking for all of those things. That is all right, isn't it?

H.M.JR: Yes. Now, I am going over to inspect the Interceptor Squadron at Baltimore, so in case the President asks, I want to know what it looks like. They say

- 4 -

they have got an Interceptor Squadron that can come over and protect the President. I want to see what it looks like.

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Secretary's trip of
March 11, 1942

Lt. Col. ELWOOD — QUESADA, AC

Inow General Smith
at 3:45 pm, 3/10/42.

1. Col. Saville of the air
interceptor command here
will be in the office at
11:00 am Wednesday to
accompany you.

2. V188 leaves Anacostia
at 11:30 am.

3. Arrive Baltimore Municipal
Airport about 11:50 am. Col.
Quesada, interceptor
commander at Baltimore
will meet you there.

4. Out to Martin Plant
to inspect the interceptor
squadron there.
5. Lunch with officials
of the Martin Plant
followed by an inspection
of the plant, including
new designs.
6. Visit and inspect Baltimore
information center.
(Plotting center).

Return to Baltimore
municipal airport for
trip home. *g*

OFFICE OF LEND-LEASE ADMINISTRATION
FIVE-FIFTEEN 22d STREET NW.
WASHINGTON, D. C.

E. R. Stettinius, Jr.
Administrator

March 11, 1946

Dear Sirs:

Thank you very much for the copy of your letter to Mr. Nelson, dated March 4, 1946, calling his attention to your failure to receive allocations for certain of the Moscow Protocol items.

We are following this matter very closely and will make certain that the proceeds from this office is distributed accordingly.

Sincerely yours,



E. R. Stettinius, Jr.
Administrator of the Treasury
Washington, D. C.

FOR DEFENSE

BY SPECIAL ORDER



Mr. Edward R. Stettinius, junior

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**REPORT TO CONGRESS
ON LEND-LEASE OPERATIONS**

For Year Ended March 11, 1942

REPORT TO CONGRESS
ON LEND-LEASE OPERATIONS

For Year Ended March 11, 1942

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PRESIDENT'S LETTER OF TRANSMITTAL

THE PRESIDENT OF THE SENATE,
THE SPEAKER OF THE HOUSE OF REPRESENTATIVES:

I am transmitting herewith to the Congress a report on the first year of lend-lease operations.

One year ago, in passing the Lend-Lease Act, the American people dedicated their material resources to the defeat of the Axis. We knew then that to strengthen those who were fighting the Axis was to strengthen the United States. We recognized then the lesson that has since been hammered home to us by Axis treachery and Axis arms—that the rulers of Germany and Japan would never stop until they were thrown from power or America was forced to its knees.

Now that we have had to dedicate our manpower as well as our material resources to the defeat of the Axis, the American people know the wisdom of the step they took one year ago today. Had not the nations fighting aggression been strengthened and sustained—their armed forces with weapons, their factories with materials, their people with food—our presently grave position might indeed be desperate. But for the continued resistance of these steadfast peoples, the full force of the enemy might now be battering at our own ports and gateways.

Lend-lease has given us experience with which to fight the aggressor. Lend-lease has expanded our productive capacity for the building of guns and tanks and planes and ships. The weapons we made and shipped have been tested in actual combat on a dozen battlefields, teaching lessons of untold value.

Lend-lease is now a prime mechanism through which the United Nations are pooling their entire resources. Under the Lend-Lease Act, we send our arms and materials to the places where they can best be used in the battle against the Axis. Through reciprocal lend-lease provisions we receive arms and materials from the other United Nations when they can best be used by us.

The war can only be won by contact with the enemies, and by attack upon them. That takes time, for the United Nations need more and still more equipment and transportation. Success will come dearly, at the price of defeats and losses. The offensive that the United Nations must and will drive into the heart of the Axis will take the entire strength that we possess.

For that combined strength we can thank the decision we took a year ago today. With that combined strength we go forward along the steep road to victory.

FRANKLIN D. ROOSEVELT,

THE WHITE HOUSE,
March 11, 1942.

Chapter 1

LEND-LEASE AUTHORITY

The Lend-Lease Act—"An Act to Promote the Defense of the United States"—became law on March 11, 1941. It defines "defense article" and "defense information" as broadly as modern warfare requires, to include every type of material, services and information useful in total war. It authorizes the sale, transfer of title, lease, loan, or other disposal of any such defense article or information to any country whose defense the President deems vital to the defense of the United States. The terms and conditions upon which aid is received are to be those which the President deems satisfactory, and the benefit to the United States may be payment or repayment in kind or property, or any other acceptable direct or indirect benefit.

The Act then provides all necessary safeguards for the protection of American public and private interests. It also requires the President to transmit to the Congress, at least once every 90 days, a report of operations under the statute, except such information as he deems incompatible with the public interest to disclose.

Lend-Lease Countries

When the President declares the defense of any country vital to the defense of the United States, that nation becomes eligible for lend-lease aid. The defense of the British Commonwealth of Nations and 33 other countries has thus far been declared vital to our defense. The complete list follows:

Argentina	Dominican Republic	Netherlands
Belgium (Free)	Ecuador	Nicaragua
Bolivia	Egypt	Norway
Brazil	El Salvador	Panama
British Commonwealth of Nations	France (Free)	Paraguay
Chile	Greece	Peru
China	Guatemala	Poland
Colombia	Haiti	Russia
Costa Rica	Honduras	Turkey
Cuba	Iceland	Uruguay
Czechoslovakia	Mexico	Venezuela
		Yugoslavia

Lend-lease countries cover two-thirds of the earth's surface and contain nearly two-thirds of its population. The types of aid being furnished to the principal recipients are summarized in the chapters that follow.

Lend-Lease Agencies

The Act of March 11, 1941, permits the President to authorize the procurement and transfer of defense articles or defense information by the Secretary of War, the Secretary of the Navy, or the head of any other department or agency of the Government. These procurement activities have been carried on by the War Department, the Navy Department, the Maritime Commission, the Department of Agriculture, and the Procurement Division of the Treasury Department.

The President's own functions under the act have been delegated, subject to such policies as the President may from time to time prescribe, to the Lend-Lease Administrator, who heads the Office of Lend-Lease Administration. Other agencies participating in the Lend-Lease program include the State Department and the Board of Economic Warfare. The work of all these departments and agencies is described in detail in Chapter 5.

Lend-Lease Appropriations

Up to March 5, 1942, the Congress had authorized the transfer of up to \$48,006,650,000 worth of goods and services for lend-lease purposes. The details of these authorizations are summarized in Appendix II.

Of this amount, \$18,410,000,000 has been appropriated directly to the President. This money is allocated, obligated, and expended for specific articles and services earmarked for lend-lease, but any articles so procured may be retained for our own needs if the President so determines. Before December 7, 1941, almost all appropriations were of this category; since that time, only nonmilitary appropriations have been made in this manner.

In addition, up to \$29,596,650,000 of all the material purchased by the War Department, Navy Department, and Maritime Commission for all war needs may, after procurement, be transferred to other nations under lend-lease, if the President and the heads of the armed forces so determine.

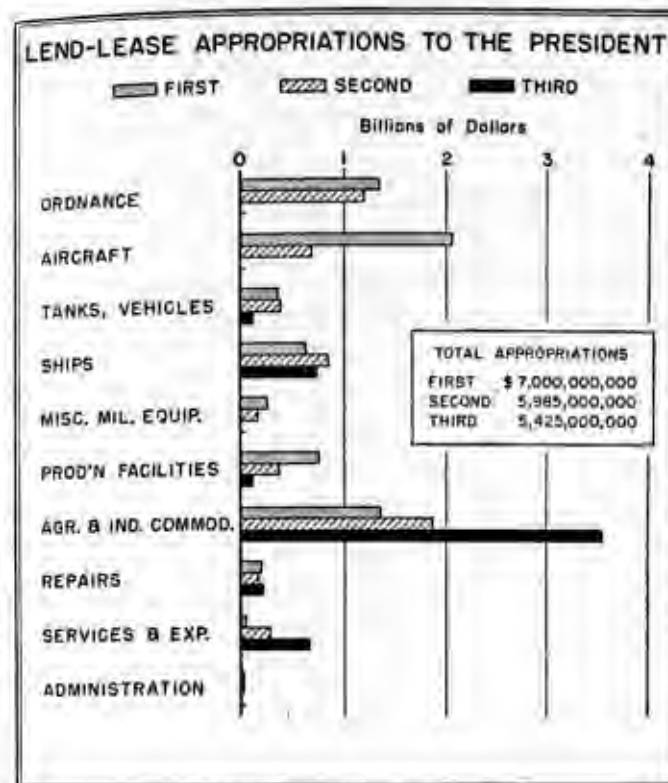


Chart No. 1

Chapter 2

LEND-LEASE PROGRESS

The results of operations during the first year of lend-lease are shown in the following tables and charts.

The statistics on allocations and obligations relate only to funds appropriated directly to the President; data on total lend-lease aid include aid derived from all appropriations.

Lend-Lease Appropriations to the President

The first two lend-lease appropriation acts appropriated directly to the President \$7,000,000,000 and \$5,985,000,000, respectively. On March 5, 1942, an additional appropriation to the President of \$5,425,000,000 was authorized to cover commitments which must be made before December 31, 1942. The details of the three appropriations, according to category, are shown in Chart No. 1 and Table No. 1.

The third appropriation is different from the first two in that it provides no money for military or naval articles. Since our entry into the war, the Congress has appropriated money directly to the Army and Navy to meet the lend-lease requirements of our allies for military and naval items, such as guns, ammunition, tanks and aircraft, so that all munitions procurement may be completely integrated. The Maritime Commission has received a direct appropriation to provide additional merchant ships as a part of its over-all ship construction program, with authority to the President to lease any such vessels under the Lend-Lease Act. Consequently, the new appropriation to the President of \$5,425,000,000 provides only for the essential raw and intermediate materials from which military and naval weapons can be made abroad, as well as for agricultural and industrial commodities and other nonmilitary goods and services necessary for total war.

LEND-LEASE APPROPRIATIONS

First Appropriation Act—March 27, 1941
Second Appropriation Act—October 28, 1941
Third Appropriation Act—March 5, 1942

Millions of Dollars

Category	First Appropriation Act	Second Appropriation Act	Total First and Second Acts	Total As Adjusted Feb. 28 1942*	Third Appropriation Act
Ordnance and ordnance stores	1,343	1,190	2,533	2,026
Aircraft and aeronautical mat'l	2,054	685	2,739	2,877
Tanks and other vehicles	362	385	747	971	129
Vessels and other watercraft	629	850	1,479	1,675	734
Misc. military equipment	260	155	415	467
Production facilities in U. S.	752	375	1,127	1,051	112
Agric. and indust. commodities	1,350	1,875	3,225	3,266	3,567
Servicing and repair of ships, etc.	200	175	375	306	208
Services and expenses	40	285	325	313	675
Administrative expenses	10	10	20	20
Total	7,000	5,985	12,985	12,972	5,425

*The adjustments in the appropriated amounts were made in accordance with the provisions of the acts that permitted the transfer of not to exceed 20 percent of the amount appropriated in one category to the amount appropriated in another, so long as no appropriation was increased by more than 30 percent. The net adjustment of \$13,000,000 represents the sum used to reimburse the Treasury Department for Coast Guard vessels which were transferred to the United Kingdom.

Table No. 1

Allocations and Obligations

Allocation of the \$12,972,000,000 available from the first two appropriations to the President was largely completed by the end of February. The funds remaining unallocated consist principally of a \$500,000,000 reserve set up for the Department of Agriculture to provide for the future purchase

of certain meat, dairy and poultry products, for which the Department is guaranteeing minimum prices to assure increased production.

The money allocated to the various procuring agencies is being put to work as rapidly as possible. The part of this money covered by formal contracts (obligations) totaled \$8,459,027,566 at February 28th—over two-thirds of the amount allocated. (See Chart No. 2.)

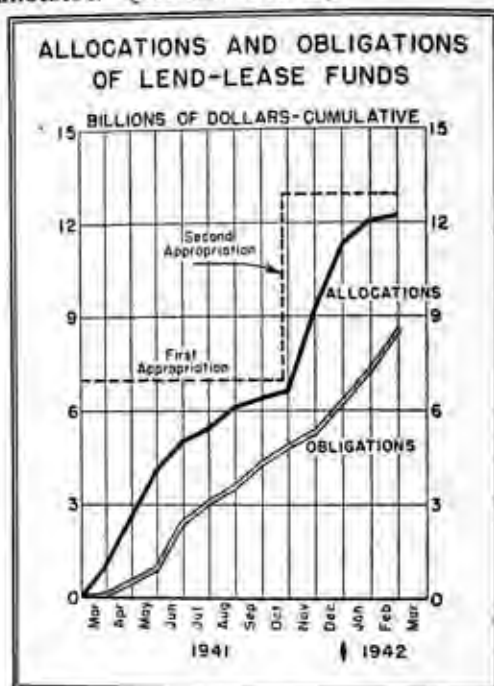


Chart No. 2

The fact that \$12,272,007,282 has been allocated and only \$8,459,027,566 contracted for (obligated) does not mean that the procuring agencies have the difference of \$3,812,979,716 available for immediate obligation. Some of this money must be reserved for requisitions awaiting priorities allocations before contracts can be let (see Chapter 5); other funds must be earmarked for transportation and other charges that do not accrue until the materials or services become available.

ALLOCATIONS AND OBLIGATIONS

Under Lend-Lease Appropriation Acts

To February 28, 1942

Millions of Dollars

BY PROCURING AGENCY		
Procuring Agency	Allocations	Obligations
War Department.....	6,590	4,469
Navy Department.....	2,613	1,675
Maritime Commission.....	1,128	930
Treasury Department.....	932	601
Department of Agriculture.....	1,009	784
Total..	12,272	8,459

BY APPROPRIATION CATEGORY		
Category	Allocations	Obligations
Ordnance and ordnance stores.....	1,993	1,307
Aircraft and aeronautical material.....	2,838	2,310
Tanks and other vehicles.....	959	588
Vessels and other watercraft.....	1,664	1,236
Miscellaneous military equipment.....	457	134
Production facilities in U. S.....	1,042	732
Agricultural and industrial commodities.....	2,735	1,859
Servicing and repair of ships, etc.....	297	197
Services and expenses.....	279	92
Administrative expenses.....	8	4
Total..	12,272	8,459

Table No. 2

Total Lend-Lease Aid

Lend-lease aid includes not only military items such as guns, ammunition, tanks, and planes. It also includes raw materials and machinery to enable our allies to expand their own production of military weapons. It includes food for those doing the actual fighting and for those helping to produce the material with which to fight. It includes ships and the services of those manning the ships which carry the goods to their destination. It includes expansion of facilities for the production of more goods. It includes the hundreds of things being done which are described in the following chapters.

QUANTITIES OF NONMILITARY GOODS TRANSFERRED

To February 28, 1942

Commodity	Quantity
Meat and fish products.....	814,756,776 pounds.
Milk products.....	663,718,086 pounds.
Egg products.....	128,652,685 pounds.
Fruits and vegetables.....	814,006,538 pounds.
Grain and cereal products.....	1,018,659,678 pounds.
Sugar and related products.....	22,932,331 pounds.
Cotton linters.....	35,470,581 pounds.
Raw cotton.....	498,895 bales.
Leaf tobacco.....	153,080 hogsheads.
Petroleum products.....	44,984,827 barrels.
Fertilizers.....	567,295 tons.
Iron and steel.....	2,098,560 tons.
Nonferrous metals.....	203,524 tons.

Table No. 3

One measure of the amount of aid rendered thus far is the physical volume of goods transferred to our allies. The quantities of some of the more important nonmilitary items transferred are shown in Table No. 3.

The total value of lend-lease aid to February 28, 1942, was \$2,570,452,441, of which \$2,314,892,632 came from lend-lease appropriations to the President and \$255,559,809 from other appropriations. (See Chart No. 3.)

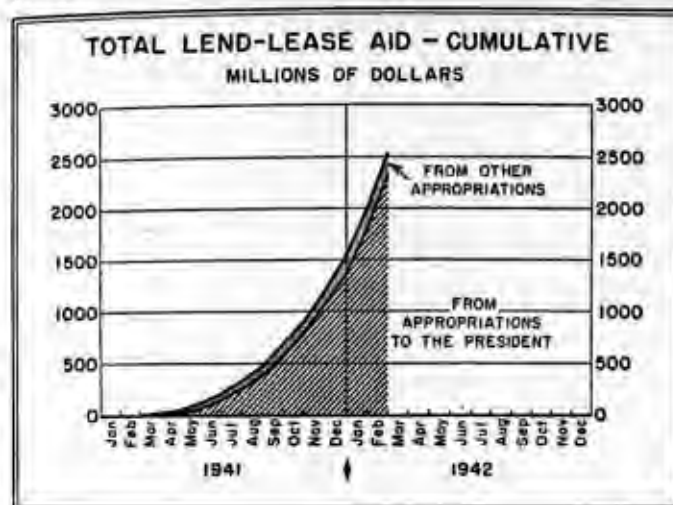


Chart No. 3

Table No. 4 summarizes total lend-lease aid by principal types. "Defense articles transferred" represents the value of goods transferred to the different lend-lease countries. "Articles awaiting transfer or use" are finished articles ready to be transferred to a lend-lease country or to be used in the manufacture of other articles for such countries; in this category would be a finished airplane ready to be flown to the point of transfer or a completed radio ready for installation in a not yet completed airplane. "Articles in process of manufacture" represents expenditures for items such as ships, upon which payment is made by the Government as the work progresses;

this category does not include the great majority of lend-lease articles in process of manufacture, which are not paid for until the finished goods are delivered. "Servicing and repair of ships, etc.," includes the cost of repairing, servicing and reconditioning the ships of lend-lease countries in United States ports. "Rental and charter of ships, etc.," represents the cost

TOTAL LEND-LEASE AID

Millions of Dollars

Type of Aid	Cumulative to Feb. 28 1942	Month of February 1942
Defense articles transferred.....	1,411	263
Articles awaiting transfer or use.....	488	175
Articles in process of manufacture.....	128	6
Servicing and repair of ships, etc.....	126	13
Rental and charter of ships, etc.....	243	81
Production facilities in U. S.....	170	29
Miscellaneous expenses.....	4	2
Total..	2,570	569

Table No. 4

of transporting lend-lease cargoes to foreign countries. "Production facilities in United States" represents the expansion of production facilities in this country for the manufacture of lend-lease goods. "Miscellaneous expenses" includes the cost of administration and items not otherwise classified.

Acceleration in Lend-Lease Aid

In the first 3 months of the lend-lease program, total aid amounted to only \$118,000,000. Each month, however, showed an increase in the amount of aid, and for the month of February, 1942, aid amounted to over \$569,000,000, distributed as indicated in Table No. 4.

The amount of aid each month since the beginning of the lend-lease program is shown in Chart No. 4 and Table No. 5.

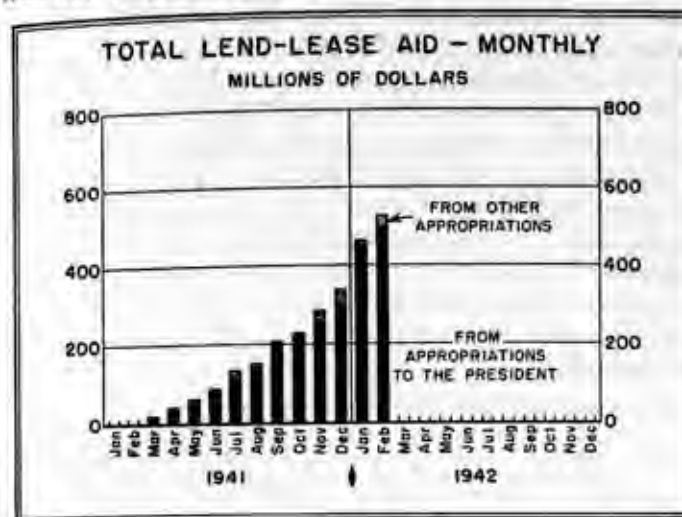


Chart No. 4

LEND-LEASE AID—MONTHLY AND CUMULATIVE

Millions of Dollars

MONTHLY

Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
18	40	60	85	134	150	207	225	283	338	462	569

CUMULATIVE

Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
18	58	118	203	337	487	694	919	1,202	1,540	2,001	2,570

Table No. 5

Exports

The value of exports of lend-lease items to February 28, 1942, was about \$1,100,000,000. This is less than the value of articles transferred as shown in Table No. 4, due to the necessity of maintaining adequate inventories of finished articles at points of export, the fact that transfers of ships are not included in the exports figure, and other factors.

Lend-lease aid is only a part, although an increasingly important one, of our total export assistance to those opposed to the Axis. The increasing proportion of total exports accounted for by lend-lease exports is shown in Chart No. 5. This chart also shows the distribution of lend-lease exports by principal category, viz., military items, foodstuffs, and industrial materials.

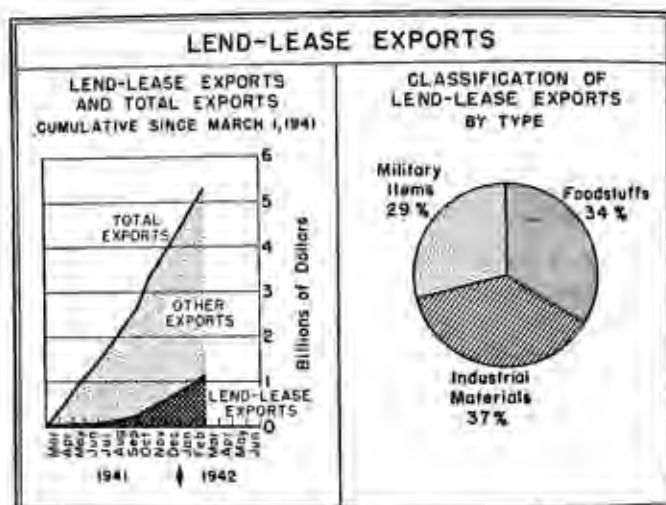


Chart No. 5

Chapter 3

LEND-LEASE IN ACTION

The two and one-half billion dollar volume of lend-lease aid supplied to date is impressive as an abstract figure. But it can have no meaning except when related to the need. So regarded, what has been done falls far short of what is needed to turn the tide toward victory.

The gulf between supply and demand has been widest in certain military categories. For military reasons, it has been impossible to make public the exact number or value of some items so far transferred. Although many have therefore inferred that the quantity of military material turned over has been enormous, the hard fact is that in relation to need the volume has been small.

Deliveries to date are inadequate because of the time and effort required to revolutionize our industrial system, and to attain the volume of production demanded of an effective arsenal of democracy. Lend-lease tanks cannot be purchased in the market place. The bulk of lend-lease aid must wait upon the tooling of factories, the pressing needs of our own armed forces, and the construction of new ships to carry the remaining weapons to our allies.

Meanwhile, substantial lend-lease assistance has been rendered. It has taken the forms described in the following sections.

Material

MILITARY.—Airplanes, airplane parts, tanks, ordnance, ammunition, field communications equipment, trucks, and petroleum have been supplied to the armies of the United Nations. Small ships, naval aircraft and ordnance, petroleum, and many varieties of ship and airplane stores and equipment have strengthened their navies. British naval vessels have been repaired and remodeled in our yards, and

spare parts furnished for the destroyers transferred in 1940 to the United Kingdom. Lend-lease funds have also been used to construct naval bases, tank repair, truck parts, and airplane supply depots all over the world.

All the resources of the United Nations are now part of a common pool, out of which arms and men pour as considerations of military strategy dictate. Into this pool flow lend-lease munitions, together with the entire military, air and naval strength of all the United Nations. Out of it, air, land and naval units of American forces have gone to the Southwest Pacific; British and Russian troops have moved into Iran; Chinese soldiers have come to the defense of Burma; and quantities of British material have arrived on the main front in Russia. Lend-lease material, as well, has poured from the pool to play its part in this joint effort. Lend-lease arms are being used on every great battlefield of the war, side by side with pre-lend-lease weapons purchased by the British and other nations, and still being delivered in considerable quantities.

The lessons learned under actual fire help us to better our own weapons, and thus help future lend-lease aid as well. The performance of our aircraft, for example, has enabled our Army to improve its airplane specifications and to proceed with a vast plane construction program. This program includes more than two billion dollars of lend-lease funds already obligated to manufacturers for heavy, medium, light, and dive bombers, pursuit interceptors and fighters, observation airplanes, troop carriers and personnel transports, cargo carriers, primary and advanced trainers, aircraft engines, propellers, spare parts, and other accessories.

INDUSTRIAL.—One great lesson of the war has been that nations must mobilize industrially before they can even begin to equip an adequate military establishment. To help our allies to manufacture their own munitions of war, lend-lease funds have made available raw materials and machines of many kinds.

Industrial aid already transferred includes everything from locomotives and machine tools to raw airplane woods and hoof and horn meal, an animal substance effective in extinguishing incendiary bombs. Semifinished and finished steel, copper, zinc, and aluminum have been exported to vital industrial and munitions centers. Alcohol, acids, and other chemicals have been supplied to overseas manufacturers of bombs, shells, and other ammunition. Douglas Fir, Sitka Spruce, and propeller veneer are being fashioned into aircraft abroad. Large quantities of machine tools, bearings, and abrasives have been carried over the oceans to perform their indispensable production functions.

Lend-lease machinery and other equipment is fortifying the heavy industries and agriculture of our allies. American medical supplies are helping to repair the human damage done by bombings and to maintain the health of soldiers at the front. Our textiles and leathers help to clothe the military and civil armies fighting with us.

The aggregate munitions manufacturing capacity of the United Nations is divided among many countries, and each production center must be furnished with the tools and the materials necessary to achieve the most efficient utilization of all our resources. Many of the articles listed above, however, are far from abundant, even in the United States. As part of the comprehensive pooling policy of the United Nations, these materials and machines are carefully rationed among our allies and ourselves as may best serve the common welfare.

AGRICULTURAL.—Since December 7, 1941, agricultural aid has become an even greater factor in the strategy of war. Food has been and will continue to be one of our most important contributions to the United Nations pool of resources. The lend-lease food program has been so planned as to assure efficient use of the limited shipping space available and yet to keep the military and civil armies of our associate nations well nourished.

In the program of food supply to the United Kingdom, protein foods have predominated from the outset. Concen-

trated foods such as dairy, meat, and poultry products and canned fish, together with fats and oils, have comprised a large proportion of food shipments to Great Britain. The future program puts still greater emphasis on protein foods, and shipments of less concentrated bulky items, such as certain grains and cereals, will be reduced.

Vitamins also have an important place in the program. Because of lend-lease demands, domestic production of vitamin C is being expanded, and this vitamin is being supplied to British children in the form of concentrated orange juice or as an ingredient in jam. Vitamin B-1, sometimes called the "morale vitamin," is sent to the United Kingdom to enrich flour.

The program of food shipments to Russia has been gathering rapid momentum. Wheat, flour, and sugar, which the Russians would normally produce in their own Ukraine, have been the major products supplied. Other items include meat products and vegetable oils.

Lend-lease food has also reached the United Nations armies in the Middle East. In the mobile desert war, food supplies must be compact, portable, and available for immediate use. Above all, they must be prepared to withstand spoilage due to heat. For these purposes, canned foods, especially canned fish, have proved to be especially suitable. Canned bacon, cheese, milk, and vegetables are also going to the Middle East.

For some time it was found difficult to ship shell eggs abroad because they are fragile, perishable, and bulky. As a result of research on both sides of the Atlantic, it is now possible to substitute dried eggs satisfactorily. Dried eggs require no refrigeration and less shipping space, a 5-ounce container being equivalent to a dozen fresh eggs; and consumers, as well as commercial bakeries, can use them in place of fresh eggs in almost all cooking recipes. Domestic manufacturers have been encouraged to increase egg-drying capacity from 20 million pounds to about 225 million pounds per year.

Considerable progress has also been made in shipping frozen meat in unrefrigerated ships by packing it in chilled lard.

New packages have been developed for evaporated milk, cheese, and other products which enable them to withstand the rigors of wartime transportation.

Transport

Along the supply lines between our arsenal and the fighting fronts lie a host of natural and human enemies. On sea, on land, and in the air, many barriers must be crossed before our weapons can reach the outstretched hands of our allies.

A tank for Russia must travel so far around the world that it may sail on a ship headed east or west, north or south. On any route, it must risk enemy raiders and inclement weather for at least 4 weeks before reaching a friendly harbor. Even then, it is still separated from the battle front by one to three thousand miles of mountain, desert, tundra, or steppe, spanned only by a single road or railroad track, often skirting enemy country. Difficult as it is to produce a tank for the Russian front, to deliver it is ten times harder.

SPANNING THE OCEANS.—United Nations shipping comes within the same pooling principle as other major war resources of the allies. Ships flying the British, American, Dutch, Norwegian, Belgian, Russian, Polish, Greek, or Yugoslav flag serve the common needs.

The work of these ships goes far beyond carrying lend-lease material abroad. The raw elements of weapons must reach all the allied centers of production; whole armies and their equipment must be carried around the globe as the military situation requires. In keeping with the pooling principle, all ships are carefully rationed and are loaded to the last inch of deck space with the most urgent cargo available.

United Nations shipping must be increased to carry this ever-increasing load. With British and Australian shipyards vulnerable and overtaxed, the American continent alone has the potential power to remedy the deficiency.

The first task is to build more ships. As part of the Maritime Commission's construction program, large amounts of lend-lease funds have already become obligated for the build-

ing of lend-lease vessels on the East and West Coasts, on the Gulf and Great Lakes. Several of this fleet, mainly in the smaller categories, have already been delivered. Billions more have been appropriated for the next section of the bridge of ships.

But today's battles are decided by the ships we now have. Lend-lease has made its most immediate shipping contribution in servicing the vessels now plying the oceans. More than 1,000 foreign-flag cargo carriers have been repaired and refitted out of lend-lease funds in American yards. Many have been equipped with degaussing equipment which neutralizes magnetic mines, and armed with guns to fight off surface raiders and submarines. The port and loading charges of many allied ships in American harbors have been met with lend-lease money. Conversely, as part of the pooling policy, repairs for American merchant shipping have been undertaken in allied ports, and the sterling expenses of many American merchant vessels calling in such harbors are being met with foreign funds.

SPANNING THE CONTINENTS.—United Nations ships have few ports near the fighting fronts. Overland transportation facilities to some of the battlefields exist, but they are usually inadequate, and must be supplemented with road and rail equipment. Sometimes whole transportation systems must be constructed before the first truck or locomotive can be rolled off the wharf.

Lend-lease has played a major role in the development of these distant frontiers. On the China route, lend-lease is enlarging the facilities of a number of Indian ports. Building machinery and railroad materials were sent to Burma to improve the twisting highway and to construct a parallel route by rail. Meanwhile, to relieve the pressure upon this slender life line and to guard against the day when the enemy might choke it off, lend-lease funds are being used to develop new routes on which communications between China and the other United Nations can continue in comparative safety.

Lend-lease has also helped to pave the road to Russia. Unloading, storage, and assembly facilities are being expanded

on the Persian Gulf, and from there the railroad through Iran to the Caspian Sea is being improved. Locomotives and trucks are also being sent to ease Russia's internal transportation problems. In keeping with the pooling principle, many Australian locomotives also were transferred to the Middle Eastern routes to Russia when German invasion made the Soviet's needs imperative.

Other needed equipment has been sent to other areas. The Middle East and Australia are being supplied with trucks, locomotives, assembly depots, and storage facilities.

AIR TRANSPORT.—The simplest way to surmount the barriers on land and sea is to fly over them.

A fighter plane or dive bomber cannot be flown to the distant lands where it must meet the enemy, but a big bomber can. American air ferries have been established to the British Isles, North Africa, the Middle East, and Australia. British ferry systems also pilot additional American planes delivered to the R. A. F. on this continent. To date, the total number of ships flown abroad has been limited by the time required for production and the lack of sufficient pilots with the skill and long experience necessary for these hazardous journeys. Both of these problems are being solved rapidly.

The Army also ferries planes of all types across our own country from factory to port, and has constructed many air fields, storage depots and hangars on this continent, in Africa and elsewhere. Many of these facilities have been built with lend-lease funds, but few of the planes ferried abroad have been lend-lease aircraft. In fact, the great majority of the ships that have flown the foreign and domestic ferry routes to date have been those of our own Army and the considerable number purchased here by the British before lend-lease became effective, and still being delivered.

Commercial passenger and cargo planes have also performed important transportation missions. Lend-lease military and technical experts have been carried east and west on the Clippers—and on the ferried bombers as well—along with many light but highly significant defense articles. In the immediate future, large cargo planes will bear some of the burden of keeping up our deliveries to the Chinese.

When our squadrons of planes are assembled, the airways now being developed by lend-lease will serve as our routes to the enemy.

Domestic Plant Construction

To build many weapons we must first build the plants which produce them. Lend-lease funds have been used to construct new shipways in many of our shipyards, to expand our aircraft and tank capacity, and to enlarge food processing plants. Storage warehouses have been erected to ease the congestion in our harbors.

In this field lend-lease may be said to have made its most significant contribution. Billions of dollars of lend-lease munitions orders, following the billions of dollars of pre-lend-lease orders placed by Great Britain and other countries before their dollar exchange ran out, have greatly expanded our plant capacity. This expansion occurred over a 27-month prewar period, during which the need of complete industrial mobilization for America was not fully appreciated. To this extent, the lend-lease program has helped to compensate for our slowness in converting our industries to a war basis.

Pilot Training

Lend-lease funds have helped our allies to make this country one of the principal training grounds for their pilots, thus enabling the United Nations to reap the benefit of our present military security, numerous airfields and comparative abundance of flight training facilities.

Under the present Army program thousands of British pilots will be turned out annually. The course covers a period of 9 weeks, after a preliminary one month period of pre-flight training, and new classes enter every month. Our Navy is also making classes of British students into naval aviators. Under a subsidiary program for additional pilots, Great Britain has negotiated contracts with American civilian operators to establish schools for flying instruction through the elementary and advanced stages. Lend-lease funds are being used to provide airplanes, engines, spare parts, maintenance, fuel, oil, and flying clothing. Many British lend-lease students have already been graduated.

Chinese students are also undergoing lend-lease flight instruction, and many have already completed their elementary training. Chinese students are learning to be radio operators and mechanics, and courses are also held in armament and photography. Classes of Brazilian and Yugoslav students are expected to begin flight training shortly.

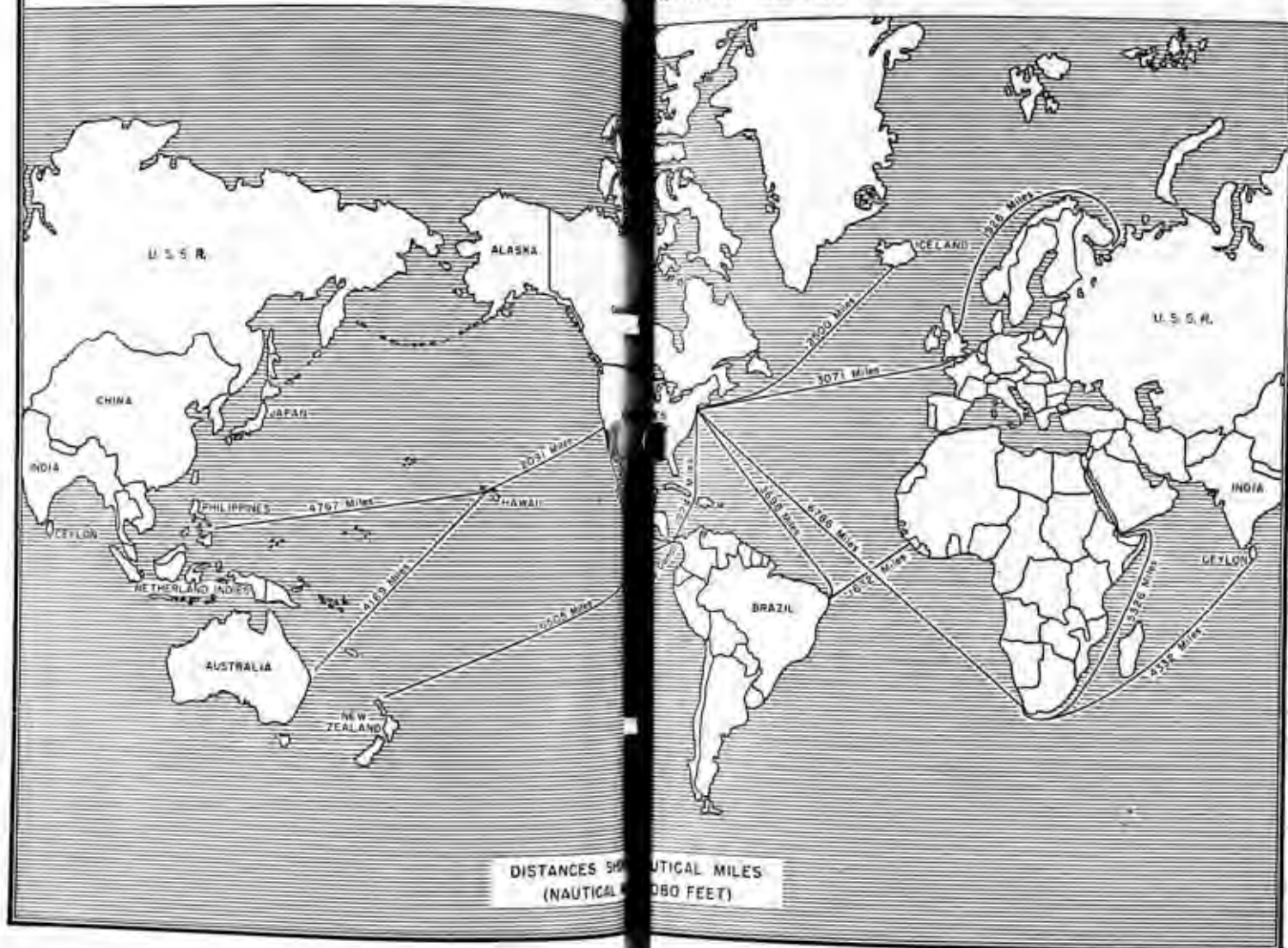
Foreign Missions

Military missions in Russia, China, North Africa and Iran assist in the development of lend-lease aid in these areas by seeing that material delivered is properly serviced and maintained after arrival. Their expenses are met with lend-lease funds and they gain first-hand information as to the need for articles requested, instruct foreign personnel in correct operation of our equipment, report on its effectiveness in actual battle, and help to build or rebuild the transportation systems between foreign port and battlefield where necessary.

RUSSIAN MISSION: The major assignments of this mission will be to instruct Russia's soldiers in the characteristics of American-made weapons, and to decide by observation on the spot, supplemented by knowledge of our domestic problems, what types of aid we can best supply. Aside from what they can contribute to Russia's effort, the experience these officers will gain from their participation in the Russian campaign will be of priceless value to the general staff of our own army.

CHINA MISSION: The mission to China must help to equip and train a huge army for mechanized warfare. The size of this task is evident from the mission's activities—improving the Burma Road, constructing the Yunnan-Burma railway, evacuating supplies from Rangoon to the interior and diverting ships to other ports, surveying alternative transportation routes, developing communications, planning an automotive spare parts depot and a truck assembly plant, arranging for delivery of motor vehicles and other supplies, inspecting China's war industries, establishing a sanitation and malarial control unit, instructing Chinese troops in field

MAP OF THE WORLD SHOWING DISTANCES BETWEEN STRATEGIC POINTS



artillery, chemical warfare and medicine, and assisting the "Flying Tigers" of the American Volunteer Group to obtain needed material and supplies.

NORTH AFRICA MISSION: This unit, operating in Egypt, Eritrea, and Palestine is establishing repair shops for automotive and engineering equipment, tanks, ordnance, and aircraft. It is improving port facilities, salvaging scuttled Axis ships in harbors, and constructing assembly plants for weapons broken down for shipment. Military communications throughout the whole of North Africa are being improved. A technical school has been established to instruct the British in the use and maintenance of American trucks, tanks, and planes.

IRANIAN MISSION: The Iranian Mission has labored to improve transport and communications in the area from Baghdad to Agra, India, and from Umm Qasr, Iraq, to Teheran, Iran, a region strategically important as a supply line to Russia and as a barrier on the road from the west to India. Pipelines, ordnance workshops and food canning factories are under construction, and more military depots and repair shops are being planned.

The success of future offensives by the United Nations will depend largely upon the work now being done by these lend-lease spearheads.

This is the substance of the lend-lease aid already rendered. Its significance must be judged with caution. True, its volume and variety represent a considerable procurement achievement, as well as a substantial contribution to the military power of the other United Nations. But while we note what has been accomplished, we must remember that we have done only a part of the job. What we have done has not met the most urgent of our present needs; it will not even begin to satisfy the stern requirements of the future.

Chapter 4 MASTER AGREEMENTS AND RECIPROCAL AID

The terms and conditions upon which aid is granted under the Act are embodied in lend-lease master agreements, negotiated by the Department of State, with the advice of the Lend-Lease Administration and the Board of Economic Warfare. Where appropriate, other interested agencies, such as the War and Navy Departments, are consulted.

On February 23, 1942, the master agreement between Great Britain and the United States was signed, an event which the Under Secretary of State declared to be the first important milestone on the road toward achievement of the objectives set forth in the Atlantic Charter. The form and terms of this agreement represent the culmination of many months of study and negotiation, and the solution they foreshadow promises to contribute substantially to the post-war reconstruction in which the United States has so large a political and economic stake.

In passing the Act of March 11, 1941, Congress recognized the dangers to trade and to political stability inherent in the accumulation of large dollar debts, and the Act provides that the terms and conditions upon which a foreign government receives aid "shall be those which the President deems satisfactory, and the benefit to the United States may be payment or repayment in kind or property, or any other direct or indirect benefit which the President deems satisfactory." The British master agreement fulfills the policy of this provision in a forceful and dynamic way, expected to be a model for other settlements under the Act.

Under the British agreement, the United States receives several kinds of direct benefit in return for its aid to Britain.

The first, both before our entry into the war, and emphatically since December 7, 1941, is the military contribution to American security which flows from the continued British fight against the Axis. To assure this benefit to America has, of course, been at all times the basic purpose and motive of the Act.

The second of the benefits provided for in the agreement is the increased flow of reciprocal aid which we are receiving from Britain and the other members of the British Commonwealth of Nations. The development of reciprocal aid among the United Nations—and here our relations with the British Commonwealths are typical—has been one of the most important recent developments in the administration of the Act of March 11, 1941. The fact that other nations have been engaged in this war for a longer period than we makes their contribution in experience, war material, and service of vital importance to us.

Lend-lease, therefore, is not a one-way street. It is the instrument with which we supply our allies and it promises to become the instrument with which they supply us. The lend-lease master agreements recognize the principle that signatory nations will make available to the United States such defense information and material as they are in a position to supply. The details of the mechanism by which some of the reciprocal aid thus rendered us is to be credited against lend-lease articles and services furnished by the United States are now in process of formulation.

Reciprocal aid is already an actuality, however, and is not waiting upon the result of these procedural discussions. Among the materials and services now being provided to us by other United Nations without dollar payment are machine tools, anti-aircraft guns and ammunition, complete equipment for a gun factory, repairs for our vessels in foreign ports, air rights for our ferry and commercial services in South America, military information and experimental models of new weapons, and a few of the vital military materials that come back in the holds of returning ships. Similar plans are being drawn for the maintenance of United States forces based in other United Nations, and for other important articles and services.

We will of course, continue to pay dollars for many things we receive today. If we did not, the seller countries would lose what little dollar exchange they now have available to use for cash purchases in our markets. Since they would have no other source of dollar exchange, they would be even more dependent on lend-lease aid than they are now.

The third direct benefit received in return for our aid is an understanding with Britain (and prospectively with other of our allies) as to the shape of future commercial and financial policy. Article VII of the Agreement of February 23, 1942, pledges the signatories to work collectively, with all other countries of like mind, for "the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples." Beyond this pledge of vigorous and cooperative attack against the threat of future depression by the fullest utilization of the resources of both countries, the two nations agree to remove discrimination from trade, to work for the reduction of trade barriers, and to seek generally the attainment of the purposes set out in the Atlantic Charter. Further conversations under Article VII will clarify the policies which must accompany and complement such a program, if it is to be fulfilled.

A final determination of mutual credits between the United States and Great Britain is deferred until events shall clarify further the problems presented by the program of mutual assistance among the United Nations. After the emergency we may also, of course, require the return to us of any articles not used, lost or consumed, which we regard as important to the defense of the United States or of the Western Hemisphere, or otherwise of use to the United States.

The basic lend-lease master agreement with Great Britain is more comprehensive than those that were signed before it, and is expected to have great influence on the further development of master agreement policy. Thirteen master compacts have been executed in addition to the British agreement, with Bolivia, Brazil, Costa Rica, Cuba, Dominican Republic, El

Salvador, Haiti, Honduras, Iceland, Netherlands, Nicaragua, Paraguay, and Uruguay. Aid is provided to the Soviet Union in accordance with an exchange of communications, dated October 30, and November 4, 1941, respectively, under which the United States has extended to the Soviet, without interest, a lend-lease credit of one billion dollars, to be repaid in money or materials over a 10-year period, beginning 5 years after the end of the war. The Soviet has agreed to expedite the provision to us of raw materials essential to our war effort. Both the Netherlands agreement and the Iceland agreement call for cash payment to the United States for aid procured through the usual lend-lease channels.

Active negotiations for lend-lease master agreements are proceeding or are about to begin with Belgium, Chile, China, Colombia, Czechoslovakia, Ecuador, Free France, Greece, Guatemala, Mexico, Norway, Peru, Poland, Russia, Turkey, Venezuela, and Yugoslavia.

All the signatories of master agreements, and all other nations receiving aid, have submitted certain representations, required under the act, as a condition precedent to actual lend-lease deliveries. The countries receiving aid have agreed not to permit the transfer of any lend-lease material or information, or its use by anyone not an officer, employee, or agent of their governments, without our consent. They have undertaken to protect the interests of citizens of the United States who have patent rights in and to any articles or information transferred. Under the Act, the United States has also reserved the right, before delivery, to retain for its own defense needs any article procured for lend-lease to another nation.

Insofar as differing economic and political circumstances permit, it is expected that goodwill and self-interest will soon lead to the negotiation of uniform and comprehensive master agreements among the United Nations, laying a foundation for future action designed to fulfill the victory and safeguard the peace.

Lend-lease assistance played a part in the agreements between Brazil and the United States, signed on March 3, 1942. Those agreements were the direct result of the Conference of

American Foreign Ministers in Rio de Janeiro, during January, 1942. They contemplate a large scale program for the development of Brazilian economy, to be accomplished by agencies of the Brazilian government, with the financial aid of several branches of our government. A simultaneous agreement to expand lend-lease military aid will contribute to the success of the project.

Aid under the Act of March 11, 1941, has proved to be a weapon of great scope, with surprising capacity for cutting through barriers of convention and delay. It is an integral part of the process of pooling economic and military resources which dominates United Nations war policy. More than that, the arrangements effected under the lend-lease program may contribute profoundly to post-war economic and financial stability, and the master agreements declaring the policy of the United States in this area make lend-lease a part of a coherent plan for reconstructing and revitalizing the world economy.

Chapter 5

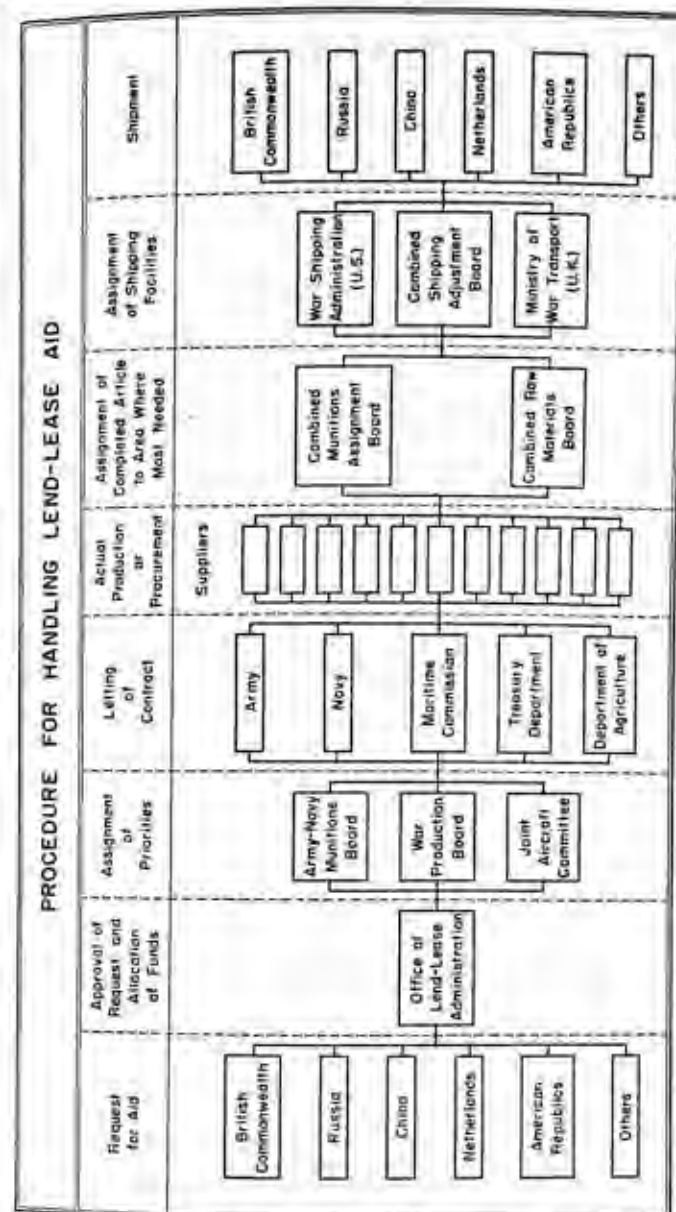
THE MECHANICS OF LEND-LEASE

Lend-lease is an integral part, but only a part, of our entire war production program. Just as every lend-lease decision must be in accord with our entire war production plan, so the mechanics of lend-lease can be understood only in relation to our whole procurement picture.

The chart on the opposite page traces the life of a lend-lease article from initial request to ultimate delivery. Since the chart tries to show the general relation of lend-lease to other war procurement, accuracy of minor detail has been sacrificed in the interest of simplification.

As can be seen from the chart, competition between lend-lease procurement and other procurement is reduced to a minimum. All purchasing is done through the same agencies which purchase for our own needs. Thus the War Department uses the same channels and procedures in procuring tanks for lend-lease as in procuring tanks for our own army. Conflicts of interest between lend-lease and domestic demand for scarce material are subject to adjustment by central priority and allocation boards. Even after procurement, the Combined Munitions Assignment Board may, as the military situation requires, assign to another country, under lend-lease, a plane built for our own army, or assign to our own army a plane built for lend-lease to another nation.

A year's experience in lend-lease procurement and the requirements of full war mobilization have made necessary even further integration of all munitions procurement. Since the ultimate responsibility in munitions matters must rest upon the heads of our armed forces, recent lend-lease appropriations made by the Congress allot sums for lend-lease munitions directly to the Secretary of War and the Secretary of the Navy, instead of to the Lend-Lease Administrator through the President, as formerly. This money merely represents the maximum which may be contributed to the United Nations pool of arms as lend-lease munitions; defense articles procured with these funds may instead be used for our own



forces. A direct appropriation has also been made to the Maritime Commission for the construction of new ships.

Appropriations for all other lend-lease articles and services, including nonmilitary articles procured by the Army, petroleum purchases by the Navy, merchant ship repairs and transportation charges arranged for by the Maritime Commission, farm products procured by the Department of Agriculture and industrial commodities purchased by the Treasury, continue to be made to the President.

Further description of the procurement methods of the Army, Navy, Maritime Commission, Department of Agriculture, and Treasury, and of the operations of the priority and allocation boards, while of the utmost importance in determining the success or failure of particular lend-lease projects, is beyond the scope of this report.

The Office of Lend-Lease Administration

The functions of the Office of Lend-Lease Administration are:

- (1) To cooperate with lend-lease nations and other government agencies in formulating broad programs for lend-lease aid, and to allocate to the various procurement agencies the funds appropriated by the Congress to the President;
- (2) To approve or disapprove requisitions of lend-lease nations for particular defense articles and services;
- (3) To forward these requisitions to the procuring agencies and to assist in obtaining the necessary priorities;
- (4) To expedite the storage and transportation of lend-lease articles ready for shipment;
- (5) To assist in obtaining the proper use of lend-lease material abroad; and
- (6) To keep detailed records of all lend-lease transactions.

Allocation of Funds

The duty of allocating funds appropriated directly to the President for the procurement of nonmilitary items (and also for the procurement of military items before the change in

appropriation policy referred to above) has been delegated by the President to the Lend-Lease Administrator, and is handled in two ways.

First, allocations are made on a program basis to cover those items for which the need can readily be foreseen. After consultation among the applicant country, the Lend-Lease Administration, the procuring agency, and, when appropriate, the Board of Economic Warfare, programs to cover future requirements are formulated and the necessary funds allocated. In this way, a 6-month chemical or steel program can be evaluated, in terms of need, funds, and supply, more quickly and more accurately than can piecemeal and recurring requests for smaller quantities of such material.

Second, the Lend-Lease Administration and the various procuring agencies agree as to the nature and amount of certain "blanket" allocations made to cover the cost of the many items, such as emergency ship repairs, which cannot readily be planned in advance on a program basis. These items must be handled separately, from day to day, as critical needs arise. "Blanket" allocations are also made available to the procurement agencies for "spot" and other rush purchases and are replenished from time to time as needed.

Approval of Requisitions

Requests for aid are presented to the Lend-Lease Administration in the form of requisitions drawn up by the applicant country with the assistance of the liaison officer of the Lend-Lease Administration assigned to that country. The requisition must set forth the use to which the requested article or service is to be put, and the reason why it is needed. No items are approved unless the following conditions are met:

- (a) The lend-lease aid requested must be for a specific use essential to the total war or defense effort of a country whose defense the President has found vital to the defense of the United States.
- (b) The lend-lease aid requested must be more important to the total war effort of the United Nations than any other competing demand for the funds available.
- (c) The lend-lease aid requested must be scheduled for use where it can best contribute to the total war effort.

(d) The lend-lease aid requested must be obtainable at as low a cost, in terms of lend-lease funds and of component critical materials, as is consistent with the need which it is designated to meet.

(e) The lend-lease aid requested must not be obtainable, as a practical matter, by payment therefor in American dollars or other currency available to the requisitioning country.

If the requisition contains the necessary information, and the above requirements are satisfied, the liaison officer recommends its clearance, subject to the approval of the Legal Division and of the Assistant Administrator in charge of clearance. If the material requested is in short supply in the United States, further information is requested as to the available supply, consumption, rationing restrictions, exports, and estimated requirements of the applicant country. The judgment of the Board of Economic Warfare is requested on all such long-range problems. In addition to these administrative controls, each nation is impelled by its own desire to cooperate in the common effort, as well as by limited shipping facilities, to submit requisitions only for its most urgent needs.

Constant reexamination and improvement of the requisition procedure has resulted in decreasing the average elapsed time for clearance to less than 48 hours.

Forwarding to Procuring Agency and Obtaining Priorities

Upon approval, the requisition is forwarded to the appropriate procurement agency. These agencies do not, as originally, have to await the allocation of funds by the Lend-Lease Administrator for each individual requisition, since the money has already been allocated to them on a program or "blanket" basis. If for any reason the agency does not feel that it should procure a particular article—for example, because it believes the article should be retained in this country—the agency notifies the Lend-Lease Administration and the matter is worked out in consultation between them. In almost all cases, however, these matters are thoroughly checked and agreed upon in advance, and the agency is pre-

pared immediately to proceed with procuring the defense articles or services requested. If disagreement persists, the problem may be referred to the Combined Munitions Assignment Board or the Combined Raw Materials Board, depending upon the nature of the article under discussion.

Before production can begin, the necessary priorities must be obtained. An important function of the Office of Lend-Lease Administration is, when necessary, to present the case of the applicant country to the appropriate priorities authority, and to bring about an understanding of the urgent need for the article requested. In all cases, however, the final priorities decision is made, with due regard to the entire war production plan, by the War Production Board or the Army-Navy Munitions Board and the Joint Aircraft Committee, to which the War Production Board has delegated part of its priorities power.

Storage and Transportation

At the time it approves nonmilitary requisitions, the Lend-Lease Administrator, with the approval of the Board of Economic Warfare, authorizes the transfer and export of the defense article by the purchasing agency to the applicant country. To assure actual delivery, however, involves much more than granting the authority to transfer. As the areas of combat mushroom over the surface of the globe, the difficulties of transportation continue to multiply, until today they have become one of the principal problems confronting the United Nations.

Each procuring agency is primarily responsible for the movement of its own lend-lease articles from point of production to shipboard. The Lend-Lease Administration maintains a special staff of transportation experts to assist in assuring a steady flow of lend-lease articles to domestic and foreign ports.

All traffic in the continental United States is subject to the coordination and direction of the Office of Defense Transportation. This agency assembles comprehensive information on inland traffic conditions and the utilization of port facilities, as a basis for directive control of the flow of cargo to the

loading ports. Thus intelligent decisions can be made as to whether particular lend-lease articles should be shipped immediately to tidewater or whether intermediate storage is advisable. Each procuring agency arranges for its own storage as needed. In addition, with the assistance of lend-lease funds, the War Department has constructed and now operates additional emergency storage facilities, and many more War Department storage depots are in process of construction. The Office of Defense Transportation maintains a storage division responsible for all master storage plans and is consulted with respect to all storage facilities acquired for lend-lease purposes. As information is received that ocean shipping will become available, each procuring agency arranges for shipment over the route and to the loading port determined to be most efficient by the Office of Defense Transportation and the United States War Shipping Administration, in view of the entire land and water traffic situation.

The movement of all American, British, Dominion, and exile government shipping is controlled by the United States War Shipping Administration and the British Ministry of War Transport. The activities of these two agencies and the operation of the merchant fleets of the other United Nations are coordinated by the Combined Shipping Adjustment Board. The movement of all vessels is geared to achieve the fullest and most economical use of outgoing and incoming shipping space, to assure a steady supply of strategic materials to the production centers, and to conform with the most pressing military needs of the moment. The Lend-Lease Administration assists the transportation authorities in reaching informed judgments by furnishing periodic estimates of the nature and destination of lend-lease cargoes expected to become ready for carriage at stated future intervals.

Control of Use

The governments to which aid has been rendered keep the Lend-Lease Administration informed on the use, condition, and continued need of materials transferred. Lend-lease representatives are on the ground in all of the major areas to which lend-lease supplies are being delivered.

Much advisory work has been done in the distribution of lend-lease food in Great Britain. Lend-lease foods are distributed through the usual wholesale and retail channels under strict governmental supervision and price control. Where possible, each product bears a distinctive American identification symbol. Special efforts have been made to accustom the British public to many unfamiliar American foods.

Once articles are transferred to a Lend-Lease country, they may not be retransferred, either to private individuals or to other countries, without the consent of the United States. This consent is granted only where it will further the total war effort.

An extension of this control, with special reference to exports from the United Kingdom containing lend-lease materials or materials similar to those supplied under Lend-Lease, was undertaken by the British government in the so-called Eden White Paper dated September 10, 1941. Under this White Paper, reprinted in Appendix IV, permission to reexport has been granted from time to time, but only after it has been established that such export would benefit the total war effort of the United Nations.

Reports and Records

The Lend-Lease Administration maintains a careful system of records to account for all funds appropriated by the Congress, whether to the President directly or to the various procurement agencies. Through prescribed reporting procedures, each procurement agency supplies up to date data on its progress in procuring the articles and services requested. Records are compiled on the amount of aid supplied to each United Nation, by type of article or service and by value.

Periodically, this information is summarized in reports on total lend-lease progress circulated among the interested agencies, and weekly and monthly summaries are also furnished to the President. The frequency and thoroughness of these reports have been of great assistance to those who make the day-to-day decisions so vital to the success of the entire lend-lease program.

APPENDICES

Appendix I LEND-LEASE ACT

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

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

Section 2.

As used in this Act—

(a) The term "defense article" means—

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

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

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

Section 3.

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

- (1) To manufacture in arsenals, factories, and shipyards under their jurisdiction, or otherwise procure, to the extent to which funds are made available therefor, or contracts are authorized from time to time by the Congress, or both, any defense article for the government of any country whose defense the President deems vital to the defense of the United States.

(2) To sell, transfer title to, exchange, lease, lend, or otherwise dispose of, to any such government any defense article, but no defense article not manufactured or procured under paragraph (1) shall in any way be disposed of under this paragraph, except after consultation with the Chief of Staff of the Army or the Chief of Naval Operations of the Navy, or both. The value of defense articles disposed of in any way under authority of this paragraph, and procured from funds heretofore appropriated, shall not exceed \$1,300,000,000. The value of such defense articles shall be determined by the head of the department or agency concerned or such other department, agency or officer as shall be designated in the manner provided in the rules and regulations issued hereunder. Defense articles procured from funds hereafter appropriated to any department or agency of the Government, other than from funds authorized to be appropriated under this Act, shall not be disposed of in any way under authority of this paragraph except to the extent hereafter authorized by the Congress in the Acts appropriating such funds or otherwise.

(3) To test, inspect, prove, repair, outfit, recondition, or otherwise to place in good working order, to the extent to which funds are made available therefor, or contracts are authorized from time to time by the Congress, or both, any defense article for any such government, or to procure any or all such services by private contract.

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

(5) To release for export any defense article disposed of in any way under this subsection to any such government.

(b) The terms and conditions upon which any such foreign government receives any aid authorized under subsection (a) shall be those which the President deems satisfactory, and the benefit to the United States may be payment or repayment in kind or property, or any other direct or indirect benefit which the President deems satisfactory.

(c) After June 30, 1943, or after the passage of a concurrent resolution by the two Houses before June 30, 1943, which declares that the powers conferred by or pursuant to subsection (a) are no longer necessary to promote the defense of the United States, neither the President nor the head of any department or agency shall exercise any of the powers conferred by or pursuant to subsection (a); except that until July 1, 1946, any of such powers may be exercised to the extent necessary to carry out a contract or agreement with such a foreign government made before July 1, 1943, or before the passage of such concurrent resolution, whichever is the earlier.

(d) Nothing in this Act shall be construed to authorize or to permit the authorization of convoying vessels by naval vessels of the United States.

(e) Nothing in this Act shall be construed to authorize or to permit the authorization of the entry of any American vessel into a combat area in violation of section 3 of the Neutrality Act of 1939.

Section 4.

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

Section 5.

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

(b) The President from time to time, but not less frequently than once every ninety days, shall transmit to the Congress a report of operations under this Act except such information as he deems incompatible with the public interest to disclose. Reports provided for under this subsection shall be transmitted to the Secretary of the Senate or the Clerk of the House of Representatives, as the case may be, if the Senate or the House of Representatives, as the case may be, is not in session.

Section 6.

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

(b) All money and all property which is converted into money received under section 3 from any government shall, with the approval of the Director of the Budget, revert to the respective appropriation or appropriations out of which funds were expended with respect to the defense article or defense information for which such consideration is received, and shall be available for expenditure for the purpose for which such expended funds were appropriated by law, during the fiscal year in which such funds are received and the ensuing fiscal year; but in no event shall any funds so received be available for expenditure after June 30, 1946.

Section 7.

The Secretary of War, the Secretary of the Navy, and the head of the department or agency shall in all contracts or agreements for the disposition of any defense article or defense information fully protect the rights of all

citizens of the United States who have patent rights in and to any such article or information which is hereby authorized to be disposed of and the payments collected for royalties on such patents shall be paid to the owners and holders of such patents.

Section 8.

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

Section 9.

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

Section 10.

Nothing in this Act shall be construed to change existing law relating to the use of the land and naval forces of the United States, except insofar as such use relates to the manufacture, procurement, and repair of defense articles, the communication of information and other noncombatant purposes enumerated in this Act.

Section 11.

If any provision of this Act or the application of such provision to any circumstance shall be held invalid, the validity of the remainder of the Act and the applicability of such provision to other circumstances shall not be affected thereby.

APPROVED, March 11, 1941.

Appendix II

AMOUNTS OF LEND-LEASE AID AUTHORIZED

Lend-Lease Act—March 11, 1941

This Act appropriated no money, but empowered the President to transfer a maximum of \$1,300,000,000 of defense articles, obtained with funds appropriated prior to the date of the Act.

First Lend-Lease Appropriation Act—March 27, 1941

This Act appropriated \$7,000,000,000 for lend-lease, of which \$13,000,000 was transferred to the Treasury Department to cover the cost of 10 Coast Guard cutters turned over to Great Britain.

First Supplemental Nat'l Defense Approp. Act—August 25, 1941

Title III of this Act added \$1,296,650,000 in appropriated funds and contract authorizations to the Maritime Commission's general funds, established by the 1936 Merchant Marine Act, for ship and facilities construction, and empowered the President to lease vessels constructed or acquired with funds appropriated by this title.

Second Lend-Lease Appropriation Act—October 28, 1941

Title I of this Act appropriated \$5,985,000,000 for lend-lease. It also authorized the President to transfer defense articles or information to any country whose defense has been deemed vital to the defense of the United States, for payment upon delivery.

Third Supplemental Nat'l Defense Approp. Act—Dec. 17, 1941

Title I of this Act appropriated money to the War Department and changed the provisions of the Lend-Lease Act in regard to the transfer of defense articles. The President was empowered to transfer War Department articles procured from funds appropriated prior to or since March 11, 1941 to the value of \$2,000,000,000. The limitation of \$1,300,000,000, which applied to goods obtained from appropriations made prior to March 11, 1941, was reduced to \$800,000,000, and this new limitation was made to apply only to articles other than War Department articles.

Fourth Supplemental Nat'l Defense Approp. Act—Jan. 30, 1942

Title I of this Act appropriated money to the War Department and empowered the President to lend-lease War Department articles procured from funds appropriated in this title to the value of \$4,000,000,000. These articles will come principally from the aircraft category and to a lesser extent from ordnance and other categories.

Naval Appropriation Act—February 7, 1942

Title III of this Act empowered the President to lease, for a period of time not exceeding the duration of the existing emergency, ships to be constructed at a cost not to exceed \$3,900,000,000, and to transfer articles procured from funds appropriated by this Act to the value of \$2,500,000,000.

Fifth Supplemental Nat'l Defense Approp. Act—March 5, 1942

Title I of this Act appropriated money to the War Department and empowered the President to lend-lease articles procured from funds appropriated in this title to the value of \$11,250,000,000. These articles will come principally from the ordnance category and to a lesser extent from other categories.

Title II of this Act appropriated to the Maritime Commission additional

funds and authorized contracts totaling \$3,850,000,000 for construction of ships and facilities, and empowered the President to lease ships authorized in this title.

Title III of this Act appropriated directly to the President \$5,425,000,000 for lend-lease.

RECAPITULATION

The amount of lend-lease aid that may be provided under the various acts is summarized in the following table.

Lend-Lease Appropriations to the President

First Lend-Lease Appropriation Act.....	\$7,000,000,000
Second Lend-Lease Appropriation Act.....	5,985,000,000
Third Lend-Lease Appropriation (Fifth Supplemental)....	5,425,000,000
	<hr/>
	\$18,410,000,000

Value of Goods That Can Be Transferred

War Department—Third Supplemental.....	\$2,000,000,000
War Department—Fourth Supplemental.....	4,000,000,000
War Department—Fifth Supplemental.....	11,250,000,000
Navy Department—Naval Approp. Act (Ships).....	3,900,000,000
Navy Department—Naval Approp. Act (Articles).....	2,500,000,000
Maritime Commission—First Supplemental.....	1,296,650,000
Maritime Commission—Fifth Suppl. (Approp. Funds)...	1,500,000,000
Maritime Commission—Fifth Suppl. (Cont. Auth.)....	2,350,000,000
Other Departments—Third Supplemental.....	800,000,000

\$29,596,650,000

MAXIMUM AMOUNT OF AID THAT CAN BE PROVIDED.... \$48,006,650,000

Appendix III

BRITISH MASTER AGREEMENT

Agreement Between the Governments of the United States of America and of the United Kingdom on the Principles Applying to Mutual Aid in the Prosecution of the War Against Aggression, Authorized and Provided for by the Act of March 11, 1941.

Whereas the Governments of the United States of America and the United Kingdom of Great Britain and Northern Ireland declare that they are engaged in a cooperative undertaking, together with every other nation or people of like mind, to the end of laying the bases of a just and enduring world peace securing order under law to themselves and all nations;

And whereas the President of the United States of America has determined, pursuant to the Act of Congress of March 11, 1941, that the defense of the United Kingdom against aggression is vital to the defense of the United States of America;

And whereas the United States of America has extended and is continuing to extend to the United Kingdom aid in resisting aggression;

And whereas it is expedient that the final determination of the terms and conditions upon which the Government of the United Kingdom receives such aid and of the benefits to be received by the United States of America in return therefor should be deferred until the extent of the defense aid is known and until the progress of events makes clearer the final terms and conditions and benefits which will be in the mutual interests of the United States of America and the United Kingdom and will promote the establishment and maintenance of world peace;

And whereas the Governments of the United States of America and the United Kingdom are mutually desirous of concluding now a preliminary agreement in regard to the provision of defense aid and in regard to certain considerations which shall be taken into account in determining such terms and conditions and the making of such an agreement has been in all respects duly authorized, and all acts, conditions and formalities which it may have been necessary to perform, fulfill or execute prior to the making of such an agreement in conformity with the laws either of the United States of America or of the United Kingdom have been performed, fulfilled or executed as required;

The undersigned, being duly authorized by their respective Governments for that purpose, have agreed as follows:

Article I

The Government of the United States of America will continue to supply the Government of the United Kingdom with such defense articles, defense services, and defense information as the President shall authorize to be transferred or provided.

Article II

The Government of the United Kingdom will continue to contribute to the defense of the United States of America and the strengthening thereof and will provide such articles, services, facilities or information as it may be in a position to supply.

Article III

The Government of the United Kingdom will not without the consent of the President of the United States of America transfer title to, or possession of, any defense article or defense information transferred to it under the Act or permit the use thereof by anyone not an officer, employee, or agent of the Government of the United Kingdom.

Article IV

If, as a result of the transfer to the Government of the United Kingdom of any defense article or defense information, it becomes necessary for that Government to take any action or make any payment in order fully to protect any of the rights of a citizen of the United States of America who has patent rights in and to any such defense article or information, the Government of the United Kingdom will take such action or make such payment when requested to do so by the President of the United States of America.

Article V

The Government of the United Kingdom will return to the United States of America at the end of the present emergency, as determined by the President, such defense articles transferred under this Agreement as shall not have been destroyed, lost or consumed and as shall be determined by the President to be useful in the defense of the United States of America or of the Western Hemisphere or to be otherwise of use to the United States of America.

Article VI

In the final determination of the benefits to be provided to the United States of America by the Government of the United Kingdom full cognizance shall be taken of all property, services, information, facilities, or other benefits or considerations provided by the Government of the United Kingdom subsequent to March 11, 1941, and accepted or acknowledged by the President on behalf of the United States of America.

Article VII

In the final determination of the benefits to be provided to the United States of America by the Government of the United Kingdom in return for aid furnished under the Act of Congress of March 11, 1941, the terms and conditions thereof shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations. To that end, they shall include provision for agreed action by the United States of America and the United Kingdom, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment, and the exchange

and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers; and, in general, to the attainment of all the economic objectives set forth in the Joint Declaration made on August 12, 1941, by the President of the United States of America and the Prime Minister of the United Kingdom.

At an early convenient date, conversations shall be begun between the two Governments with a view to determining, in the light of governing economic conditions, the best means of attaining the above-stated objectives by their own agreed action and of seeking the agreed action of other like-minded Governments.

Article VIII

This Agreement shall take effect as from this day's date. It shall continue in force until a date to be agreed upon by the two Governments.

Signed and sealed at Washington in duplicate this 23d day of February, 1942.

For the Government of the United States of America:

[SHEAL]

SUMNER WELLES,

Acting Secretary of State of the
United States of America.

For the Government of the United Kingdom
of Great Britain and Northern Ireland:

[SHEAL]

HALIFAX

His Majesty's Ambassador Extraordinary
and Plenipotentiary at Washington.

Appendix IV

BRITISH WHITE PAPER OF SEPTEMBER 10, 1941

FOREIGN OFFICE, S. W. I.,

10th September, 1941.

MY DEAR AMBASSADOR: With reference to the conversations about lend-lease material which have recently taken place in London and in which you have participated, I enclose a memorandum on the policy of His Majesty's Government in the United Kingdom with regard to exports from this country and with regard to the distribution here of lend-lease material. I shall be glad if you will transmit it to your Government.

Yours sincerely,

ANTHONY EDEN.

His Excellency The Honourable John G. Winant.

Memorandum.

1. All materials which we obtain under the Lend-Lease Act are required for the prosecution of the war effort. This principle governs all questions

of the distribution and use of such goods and His Majesty's Government have taken and will continue to take action to secure that these goods are not in any case diverted to the furtherance of private interests.

2. Lend-lease materials sent to this country have not been used for export and every effort will be made in the future to ensure that they are not used for export, subject to the principle that where complete physical segregation of lend-lease materials is impracticable domestic consumption of the material in question shall be at least equal to the amounts received under lend-lease.

3. His Majesty's Government have not applied and will not apply any materials similar to those supplied under lend-lease in such a way as to enable their exporters to enter new markets or to extend their export trade at the expense of United States exporters. Owing to the need to devote all available capacity and man-power to war production, the United Kingdom export trade is restricted to the irreducible minimum necessary to supply or obtain materials essential to the war effort.

4. For some time past, exports from the United Kingdom have been more and more confined to those essential (I) for the supply of vital requirements of overseas countries, particularly in the sterling empire; (II) for the acquisition of foreign exchange, particularly in the Western Hemisphere. His Majesty's Government have adopted the policy summarized below:

(I) No materials of a type the use of which is being restricted in the United States on the grounds of short supply and of which we obtain supplies from the United States either by payment or on lend-lease terms will be used in exports with the exception of the following special cases:

(a) Material which is needed overseas in connection with supplies essential to the war effort for ourselves and our Allies, and which cannot be obtained from the United States.

(b) Small quantities of such materials needed as minor though essential components of exports which otherwise are composed of materials not in short supply in the United States.

(c) Repair parts for British machinery and plant now in use, and machinery and plant needed to complete installations now under construction, so long as they have already been contracted for.

Steps have been taken to prevent the export (except to Empire and Allied territories) of such goods which do not come within the exceptions referred to in (a), (b), and (c) above.

(II) Materials similar to those being provided under lend-lease which are not in short supply in the United States will not be used for export in quantities greater than those which we ourselves produce or buy from any source.

5. The general principle followed in this matter is that the remuneration received by the distributors, whatever the method of distribution, is controlled and will be no more than a fair return for the services rendered in the work of distribution. The arrangements rigorously exclude any opportunity for a speculative profit by private interests from dealing in lend-leased goods. In most cases, lend-leased supplies will be distributed through organizations acting as agents of His Majesty's Government in the strict sense of the term and not as principals. Where for strong practical reasons this cannot be done a full explanation will be supplied to the

United States administration and their concurrence sought beforehand in any alternative arrangements proposed. The justification for retaining existing channels of distribution operating under strict Government control, is that the creation of elaborate new organizations in their place would inevitably result in loss of efficiency and the wasteful use of manpower, and retard the war effort. In the distribution of lend-lease goods there will be no discrimination against United States firms.

6. Food is a special case. Only some 5 or 6 percent in tonnage of the total British food supply is coming from the United States and without great practical complications it would be impossible to have a separate system for the distribution of lend-leased food. Food distribution is carried out in the United Kingdom by wholesalers, to whom the Government sells food as principals. In fact, the Ministry of Food has established a close control over all distributive margins so that neither the wholesalers nor the retailers receive any greater remuneration than is adequate to cover the cost of the services performed. No food obtained on lend-lease terms is or will be sold at uncontrolled prices. Thus the general arrangements as regards the issue of lend-leased food fit into His Majesty's Government's policy of stabilizing the whole price level of foodstuffs, a policy to which the Government contributes £100 millions a year.

7. In some cases direct free distribution is practicable and will be adopted. For example, some milk products (including lend-leased supplies from the United States) are distributed direct and free of charge to children and others in need through schools, clinics, and hospitals. The distribution is undertaken by State agencies and the cost of the distribution is borne by the Government.

Appendix V

DECLARATION BY UNITED NATIONS

A Joint Declaration by the United States of America, the United Kingdom of Great Britain and Northern Ireland, the Union of Soviet Socialist Republics, China, Australia, Belgium, Canada, Costa Rica, Cuba, Czechoslovakia, Dominican Republic, El Salvador, Greece, Guatemala, Haiti, Honduras, India, Luxembourg, Netherlands, New Zealand, Nicaragua, Norway, Panama, Poland, South Africa, Yugoslavia,

The Governments signatory hereto,

Having subscribed to a common program of purposes and principles embodied in the Joint Declaration of the President of the United States of America and the Prime Minister of the United Kingdom of Great Britain and Northern Ireland dated August 14, 1941, known as the Atlantic Charter,

Being convinced that complete victory over their enemies is essential to defend life, liberty, independence and religious freedom, and to preserve

human rights and justice in their own lands as well as in other lands, and that they are now engaged in a common struggle against savage and brutal forces seeking to subjugate the world, DECLARE:

(1) Each Government pledges itself to employ its full resources, military or economic, against those members of the Tripartite Pact and its adherents with which such government is at war.

(2) Each Government pledges itself to cooperate with the Governments signatory hereto and not to make a separate armistice or peace with the enemies.

The foregoing declaration may be adhered to by other nations which are, or which may be, rendering material assistance and contributions in the struggle for victory over Hitlerism.

*Done at Washington
January First 1942*

The Republic of Costa Rica
by Luis Fernandez

The Republic of Cuba
by Aurelio F. Conchoso

Czechoslovak Republic
by V. S. Hurban

The Dominican Republic
by J. M. Troncoso

The Republic of El Salvador
by C. A. Alfaro

The Kingdom of Greece
by Simon P. Diamantopoulos

The Republic of Guatemala
by Enrique Lopez-Herrarte

The United States of America
by Franklin D. Roosevelt

The United Kingdom of Great Britain
and Northern Ireland
by Winston Churchill

On behalf of the Government of the
Union of Soviet Socialist Republics
by Maxim Litvinoff,

Ambassador
National Government of the Republic
of China

Tse Vung Soong,
Minister for Foreign Affairs

The Commonwealth of Australia
by R. G. Casey

The Kingdom of Belgium
by C. A. J. d. Straten

Canada
by Leighton McCarthy

The Grand Duchy of Luxembourg
by Hugues Le Gallais

The Kingdom of the Netherlands
A. Loudon

Signed on behalf of the Govt. of the
Dominion of New Zealand
by Frank Langstone

The Republic of Nicaragua
by Leon DeBayle

The Kingdom of Norway
by W. Munthe de Morgen-
stjerne

The Republic of Panama
by Jaen Guardia

The Republic of Poland
by Jan Ciechanowski

La Republique d'Haiti
par Fernand Dennis

The Republic of Honduras
by Julian R. Caceres

India
Girja Shankar Bajpai

The Union of South Africa
by Ralph W. Close

The Kingdom of Yugoslavia
by Constantin A. Fotitch

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

41

FROM _____

BUREAU _____

CHG. APPROPRIATION _____

U. S. GOVERNMENT PRINTING OFFICE

10-1722

MARCH 11, 1942.

HONORABLE F. H. LA GUARDIA
MAYOR, CITY OF NEW YORK
NEW YORK

RE YOUR TELEGRAM MARCH 10 RELATIVE USE 24TH COAST ARTILLERY
ARMORY ADMIRAL WAESCHE ADVISES COAST GUARD COMMANDER NEW YORK DISTRICT
HAS FULL AUTHORITY AND FUNDS TO REIMBURSE FOR COST OF HEAT AND LIGHT
AND HAS BEEN GIVEN INSTRUCTIONS TO DO SO AND ALSO TO ARRANGE FOR
CONTINUED USE. OFFICER IN CHARGE THIS MATTER IS CAPTAIN F. J.
SEETON CHIEF OF STAFF COMMANDER NEW YORK DISTRICT WHO IS AGAIN BEING
INSTRUCTED TODAY TO GET IN TOUCH IMMEDIATELY WITH COMMANDING OFFICER
REGIMENT.

HERBERT E. OASTON
ACTING SECRETARY OF THE TREASURY.

Copy to Admiral Waesche
File returned to Miss Chauncey ✓

42

1942 MAR 10 PM 5 37

HENRY MORGENTHAU JR

RTTEL FEBRUARY 24TH RELATIVE USE OF 244TH COAST ARTILLERY ARMORY,
NEW YORK CITY, PLEASE BE ADVISED THAT BOTH THE COAST GUARD AND
CUSTOMS HAVE FAILED TO REIMBURSE FOR HEAT AND LIGHT AS INDICATED
IN YOUR TELEGRAM AND HAVE FURTHER STATED THAT THEY HAVE NO
FUNDS FOR SUCH PURPOSE. THAT LEAVES ME HELPLESS FOR I RELIED
UPON YOUR TELEGRAM THAT THE ARMORY BOARD WOULD BE REIMBURSED.

F H LA GUARDIA ..

TREASURY TELEGRAPH
TREASURY TELEGRAPH
TREASURY TELEGRAPH

TELEGRAM

February 21, 1942

Armory Board has granted to Customs Service use of 244th Coast Artillery Corps Armory at 125 W. 14th Street for registration of dock workers. It was understood that use of armory would be without charge but that all out of pocket cash disbursements such as coal and light would be reimbursed. Customs now says they have no money.

This telegram was referred to Mr. Johnson, who was entirely familiar with the matter and said it was a Coast Guard matter; Customs was helping the Captain of the Port (Bayliss of C.G.) by lending him Customs personnel. The telegram was turned over to Admiral Waesche after a personal telephone call to him from Collector Johnson. Admiral Waesche said he would take care of it and wired Mayor La Guardia as per the attached copy of telegram.

U. S. COAST GUARD
OFFICIAL DISPATCH
TRANSMIT

44

DATE **24 FEBRUARY, 1942**

FROM ~~SECRETARY~~ **HENRY MORGENTHAU, JR.**
COAST GUARD HEADQUARTERS

TO (FOR ACTION)
HONORABLE F. H. LAGUARDIA
MAYOR
NEW YORK, NEW YORK

UNLESS DESIGNATED OTHERWISE TRANSMIT THIS DISPATCH AS NITE.

TO (FOR INFORMATION)

CODE

CIPHER

ACKNOWLEDGE

PRIORITY

ROUTINE

ACKNOWLEDGE

PRIORITY

ROUTINE

MAIL TO

TELEPHONE TO

MESSENGER TO

OUTGOING HEADING

TEXT

RETEL FEBRUARY 21 RELATIVE USE OF 244TH COAST ARTILLERY ARMORY X
CUSTOMS USED BUILDING IN ASSISTING COAST GUARD ISSUANCE IDENTIFICATION X
COAST GUARD WILL REIMBURSE FOR HEAT AND LIGHT X COAST GUARD DESIRES USE
OF ARMORY FOR QUARTERING PERSONNEL AND REPRESENTATIVES WILL CONTACT
ARMORY BOARD TO THAT END

HENRY MORGENTHAU, JR.

OPERATOR'S RECORD.

OFFICIAL BUSINESS.

INITIALS OF "RELEASING" OFFICER.

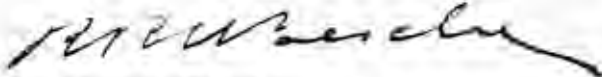
U. S. GOVERNMENT PRINTING OFFICE 2-13417

"COAST GUARD WILL REIMBURSE FOR COST OF HEAT AND LIGHT DURING SUCH USE X CONTACT ARMORY BOARD AND ARRANGE TO OBTAIN USE OF ARMORY FOR QUARTERS COAST GUARD PERSONNEL IF DEEMED SUITABLE FOR IMMEDIATE USE WITHOUT ALTERATIONS OR NEED FOR OTHER EXCESSIVE EXPENDITURES X ADVISE ARRANGEMENTS MADE AND SUITABILITY OF ARMORY."

3. On 27 February, 1942, the Senior Coast Guard Officer, 3rd Naval District advised that there was no space available for quartering Coast Guard personnel.

4. Upon receipt of a letter addressed to you under date of March 7, 1942, copy of which is attached, Captain Cornell called the Senior Coast Guard Officer at New York by telephone and was informed by that officer that our New York office thought that everything had been arranged for the reimbursement for heat and light and for the continued use of the Armory by the Customs for issuing identification cards. Apparently, our New York office did not have any information regarding the necessity for a lease, inasmuch as they understood that Customs was occupying the building under permit.

5. The Senior Coast Guard Officer, 3rd Naval District, has been instructed to take such action as may be necessary to accomplish payment of the expense incident to the furnishing of heat and light. He was further instructed to make arrangements for the continued occupancy of the Armory subsequent to 13 March, 1942.


R. R. WAESCHE
Rear Admiral, U. S. Coast Guard,
Commandant.



UNITED STATES COAST GUARD

WASHINGTON

11 March, 1942.

MEMORANDUM FOR SECRETARY MORGENTHAU.

Subject: Use of 244th Coast Artillery Armory, New York City,
by Customs.

Reference: (a) Letter to Hon. Henry Morgenthau, Jr., dated
March 7, 1942, from Mills Miller, Colonel 9th
Regt. NYC.

Inclosure: (A) Reference (a).

1. In response to a telegram received by you from Mayor
LaGuardia, dated 21 February, 1942, the following reply was prepared
on 24 February, 1942, for your signature:

"FROM: HENRY MORGENTHAU, JR.
"TO: HONORABLE F. H. LA GUARDIA.
MAYOR
NEW YORK, NEW YORK

"RETEL FEBRUARY 21 RELATIVE USE OF 244TH COAST ARTILLERY
ARMORY X CUSTOMS USED BUILDING IN ASSISTING COAST GUARD
ISSUANCE IDENTIFICATION X COAST GUARD WILL REIMBURSE FOR
HEAT AND LIGHT X COAST GUARD DESIRES USE OF ARMORY FOR
QUARTERING PERSONNEL AND REPRESENTATIVES WILL CONTACT
ARMORY BOARD TO THAT END

/s/ HENRY MORGENTHAU, JR."

2. Authorization for reimbursement for cost of heat and
light was transmitted to the Senior Coast Guard Officer, 3rd Naval
District, on 24 February, 1942, as follows:

"FROM: COMMANDANT
"TO: SCGO, 3RD

"CUSTOMS NOW USING 244TH COAST ARTILLERY ARMORY AT 125 WEST
14TH STREET NEW YORK CITY FOR ISSUANCE COAST GUARD IDENTIFICATION X



March 7, 1942.

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

Hon and Dear Sir:

This armory has been occupied by the Coast Guard, since February 2, 1942 for the issuance of identification cards; your telegram of February 24, 1942 to Mayor La Guardia, you state that "Coast guard will reimburse for heat and light.

After making several attempts to have the required lease signed I have been informed by the Captain of the Port, C. G. that he has no authority to do so; as the requested time of occupation of this armory expires on March 15, 1942, and if it is contemplated continuing in this armory beyond this date, it will become necessary to draw up a new lease, and such must be signed in order to continue.

Cost of expenses as charged in lease just been issued, but not signed, will prevail after March 15th.

Please advise as to action to be taken.

Yours truly

MILLS MILLER
Colonel 9th Regt NYG
Commanding.
Officer in charge & Control.

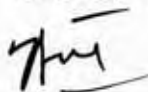
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 11, 1942

TO Secretary Morgenthau
FROM W. N. Thompson

Harry White tells me that Southard may be commissioned as an officer in the Navy in which event he would leave us as soon as called. If this should not develop, however, Mr. White will want to request a six months' deferment for Southard.



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE MAR 11 1942

TO Secretary Morgenthau
FROM Mr. Foley

We have hired the following men formerly with S.E.C. in the past few months:

LAWRENCE S. LESSER. Mr. Lesser is 35 years old. He is a graduate of Yale College and Harvard Law School. He was admitted to the New York Bar in 1932. He was in the upper 10 per cent of his class at Harvard and was on the Law Review. He was at S.E.C. for almost five years. His last job at S.E.C. was Supervising Attorney in Charge of Public Utility Holding Company Litigation. We hired him primarily because of his litigation experience.

JAMES M. PROCTOR, JR. Mr. Proctor is the son of Judge Proctor of the local United States District Court. He is 30 years old and a graduate of Cornell College and Georgetown Law School. He was fifteenth in a law school class of sixty-five. He served as secretary and law clerk to his father from 1933 to 1937 and was at S.E.C. from November 1937 until we hired him early in February. He was very highly recommended to us.

ARNOLD F. DAUM. Mr. Daum, who first filed an application in 1935, is 32 years old. He is an Iowa boy and graduated from the University of Iowa Law School and College. He also did graduate work as a Sterling Fellow at Yale. He was Coif and Law Review. He started at S.E.C. in July 1936.

LEONARD E. ACKERMAN. Mr. Ackerman is 36 years old and a graduate of Columbia College and Law School. He ranked in the top 10 per cent of his class. He has been at S.E.C. since 1938.

We did not approach any of these men. They made application in the usual manner and we checked on them just as we do other applicants. In each case the Commission consented in writing to the transfer.

Incidentally, we have had applications from at least ten other S.E.C. lawyers in the past few months. However, we were not interested in these men for one reason or another.

8.11.76

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 11, 1942

TO Secretary Morgenthau

FROM George Buffington *GB*

The following list shows "The New Spirit" bookings for the week ending March 8, 1942, and the total to date:

Albany	25
Atlanta	127
Boston	102
Buffalo	49
Charlotte	67
Chicago	105
Cincinnati	98
Cleveland	61
Dallas	89
Denver	31
Des Moines	11
Detroit	110
Indianapolis	60
Kansas City	52
Los Angeles	82
Memphis	61
Milwaukee	39
Minneapolis	50
New Haven	16
New Orleans	55
New York	155
Oklahoma City	56
Omaha	77
Philadelphia	119
Pittsburg	98
Portland	39
St. Louis	83
Salt Lake City	35
San Francisco	63
Seattle	46
Washington, D. C.	79

Total Week Ending March 8	2139
" " " March 1	2041
" " " February 22	2015
" " " February 15	1942
" " " February 8	<u>1800</u>

GRAND TOTAL	9937
-------------	------

EXECUTIVE ORDER

ESTABLISHING THE OFFICE OF ALIEN PROPERTY CUSTODIAN AND DEFINING ITS FUNCTIONS AND DUTIES

By virtue of the authority vested in me by the Constitution, by the Trading with the Enemy Act of October 6, 1917, as amended, by the First War Powers Act, 1941, and as President of the United States, it is hereby ordered as follows:

1. There is hereby established in the Office for Emergency Management of the Executive Office of the President the Office of Alien Property Custodian, at the head of which shall be an Alien Property Custodian appointed by the President. The Alien Property Custodian shall receive compensation at such rate as the President shall approve and in addition shall be entitled to actual and necessary transportation, subsistence, and other expenses incidental to the performance of his duties. Within the limitation of such funds as may be made available for that purpose, the Alien Property Custodian may appoint assistants and other personnel and delegate to them such functions as he may deem necessary to carry out the provisions of this Order.
2. All power and authority conferred on the President by Sections 3(a) and 5(b) of the Trading with the Enemy Act of October 6, 1917, as amended, and by Sections 301 and 302 of Title III of the First War Powers Act, 1941, approved December 18, 1941, except such powers and authority as were delegated to the Secretary of the Treasury by Executive Orders issued prior to February 12, 1942, and to the Board of Governors of the Federal Reserve System by Executive Order No. 8845 of August 9, 1941 (which powers and authority shall continue to be vested in and exercised by the Secretary of the Treasury and the Board of Governors respectively), are hereby delegated to and vested in the Alien Property Custodian. The memorandum of February 12, 1942, delegating to the Secretary of the Treasury certain powers and authority under said sections, is hereby revoked and canceled. Any and all action heretofore taken by the Board of Governors of the Federal Reserve System after February 11, 1942, in pursuance of Executive Order No. 8845 of August 9, 1941, is hereby confirmed and ratified. In the exercise of the authority herein delegated, the Alien Property Custodian shall be subject to the provisions of Executive Order No. 8839 of July 30, 1941, and shall designate a representative to the Board of Economic Warfare in accordance with section 3 thereof.
3. Any property, or interest therein, of any foreign country or a national thereof shall vest in the Alien Property Custodian whenever the Alien Property Custodian shall so direct; and, in the case of any property, or interest therein, subject to the control of the Secretary of the Treasury, when the Alien Property Custodian shall notify the Secretary of the Treasury in writing that he has so directed, the Secretary of the Treasury shall release all control of any such property, or interest therein, to the Alien Property Custodian.
4. Any outstanding order, proclamation, regulation, ruling, license, or instruction issued pursuant to, or relating to the administration of, any power or authority vested in the Alien Property Custodian by this Order shall remain in effect unless and until amended or revoked by the Alien Property Custodian.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE,

March 11, 1942.

C O P Y

WUWELL 358 NT 1 EXTRA

1942 MAR 11 AM 8 01

SANFRANCISCO CALIF MARCH 10 1942

HON HENRY A MORGENTHAU

WASHDC

FOLLOWING IS COPY TELEGRAM SENT PRESIDENT ROSEVELT TODAY: QUOTE
OUR COMMITTEE CONSISTING OF CONGRESSMAN JOHN J SPARKMAN, LAURENCE
F ARNOLD, CARL T CURTIS, GEORGE H BENDER, AND MYSELF, HAS COMPLETED
PUBLIC HEARINGS IN SANFRANCISCO, PORTLAND SEATTLE AND LOSANGELES.
THE COMMITTEE OPENED THESE HEARINGS ON PROBLEMS ARISING FROM
ENEMY ALIEN CONTROL PROGRAM ON FEBRUARY 21. WE HEARD MANY WITNESSES,
INCLUDING DESIGNATED REPRESENTATIVES OF JAPANESE, GERMAN AND
ITALIAN GROUPS INVOLVED, AS WELL AS FEDERAL, STATE, AND LOCAL
OFFICIALS AND REPRESENTATIVES OF INTERESTED CIVIC GROUES. WE ALSO
HAD A SERIES OF EXECUTIVE MEETINGS WITH OFFICIALS OF THE ARMY
NAVY FBI AND IMMIGRATION SERVICE. THE COMMITTEE FEELS THAT GENERAL
DEWITT IS DOING A FINE JOB.

WE NOW WISH TO REPORT TO YOU, MR. PRESIDENT. FROM OUR HEARINGS
WE KNOW THAT CIVILIAN MORALE ON THE PACIFIC COAST IS OF HIGHEST
DEGREE. HOWEVER, OUR PEOPLE OUT HERE ARE ALL EAGER TO TAKE THEIR
COATS OFF AND PITCH IN TO WIN THIS FIGHT. THE BIG QUESTION IS HOW
BEST TO HARNESS THIS VAST CIVILIAN POWER. OUR COMMITTEE IS AT YOUR
SERVICE TO HELP IN ANY WAY POSSIBLE. WITH REGARD TO ENEMY ALIEN
EVACUATION PROBLEM, OUR RECOMMENDATION FOR THE APPOINTMENT OF
END SHEET ONE.

WUWELL SHEET 2

PROPERTY CUSTODIAN HAS BEEN CAPABLY TRANSLATED BY MR. MORGENTHAU INTO AN OPERATING PLAN. HIS TELEGRAM TO ME TODAY OUTLINED DETAILS OF TREASURY DEPARTMENT PLAN.

AS YOU KNOW, THE IMPENDING EVACUATION OF JAPANESE ALIENS AND CITIZENS WILL RAISE SERIOUS PROBLEMS AND THE COMMITTEE RESPECTFULLY REITERATES ITS PREVIOUS RECOMMENDATION FOR THE APPOINTMENT OF A PERMANENT COORDINATOR TO HANDLE ALL PHASES OF THE WORK IN CLOSE COLLABORATION WITH THE MILITARY AUTHORITIES.

THE COMMITTEE IS PREPARING AN EXTENSIVE REPORT TO CONGRESS WHICH IT PROPOSES TO PRESENT NEXT WEEK. WE FEEL THAT WE HAVE CARRIED OUT THE ASSIGNMENT WHICH WE UNDERTOOK AT THE REQUEST OF VARIOUS FEDERAL AGENCIES. I AM LEAVING FOR WASHINGTON AND AM DESIGNATING, AT THE SUGGESTION OF THE MILITARY AND CIVILIAN OFFICIALS HERE, A STAFF MEMBER TO REMAIN FOR SEVERAL WEEKS TO KEEP THE COMMITTEE IN CLOSE TOUCH WITH THE SITUATION AS IT DEVELOPS. WE SHALL REPORT TO YOU AS OUR FURTHER PROPOSALS EMERGE FROM A STUDY OF THE VOLUMINOUS RECORDS WE HAVE GATHERED. UNQUOTE

JOHN H TOLAN CHAIRMAN HOUSE COMMITTEE ON

NATIONAL DEFENSE MIGRATION

802AM MAR 11.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

54

DATE March 11, 1942

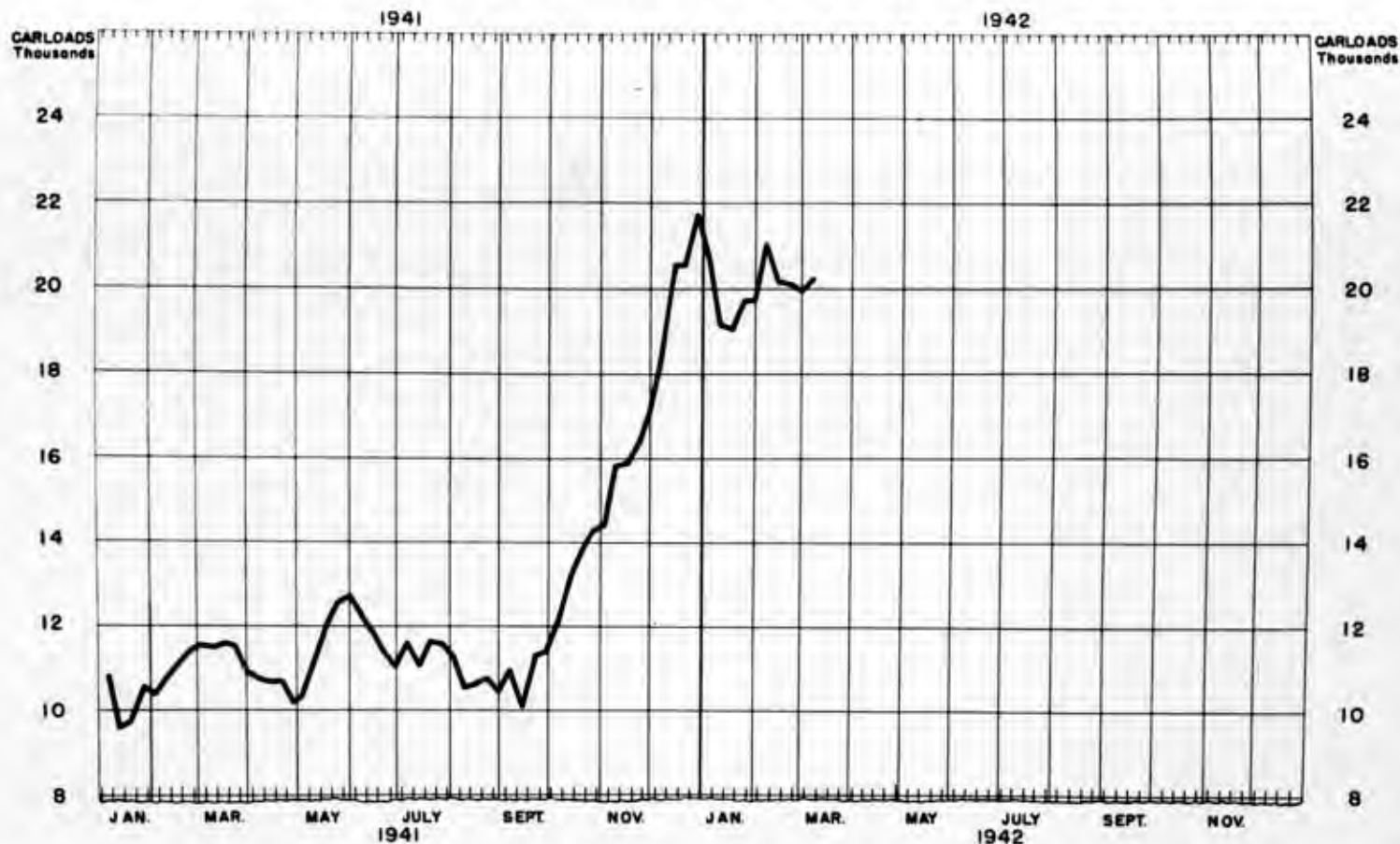
TO Secretary Morgenthau
FROM Mr. Haas
Subject: Export freight situation.

The amount of lighterage freight in storage and on hand for unloading in New York harbor at the end of last week was 20,243 cars -- an increase of 330 cars over the previous week. (See Chart 1.) The amount of additional storage space available at New York was 8,082 cars on March 7, as compared with 7,963 cars the previous week.

Exports from New York were practically unchanged. Last week they amounted to 6,249 cars, while the figure for the previous week was 6,232 cars. (See Chart 2, upper section.) Receipts for export continued to rise and reached 6,546 cars, an increase of 497 cars. (Lower section of chart.)

Receipts of export freight at 9 other North Atlantic ports increased by 762 cars to 4,878 cars, the largest since our compilation was begun in December 1939. (Refer to Chart 2, lower section.) Virtually all of the rise in the past week has been in receipts at Philadelphia, most of the other ports showing decreases. Receipts for export at 6 Pacific ports also rose very sharply, going up by almost 32 percent to 2,580 cars. This is higher than in any week recorded since our tabulation was started in February last year. Practically all of the increase in the past week has been at San Francisco, with Seattle showing a noticeable decrease.

LIGHTERAGE FREIGHT IN STORAGE AND ON HAND FOR UNLOADING IN NEW YORK HARBOR*



* Largely export freight, but about 10% represents freight for local and coastal shipment. Figures exclude grain.

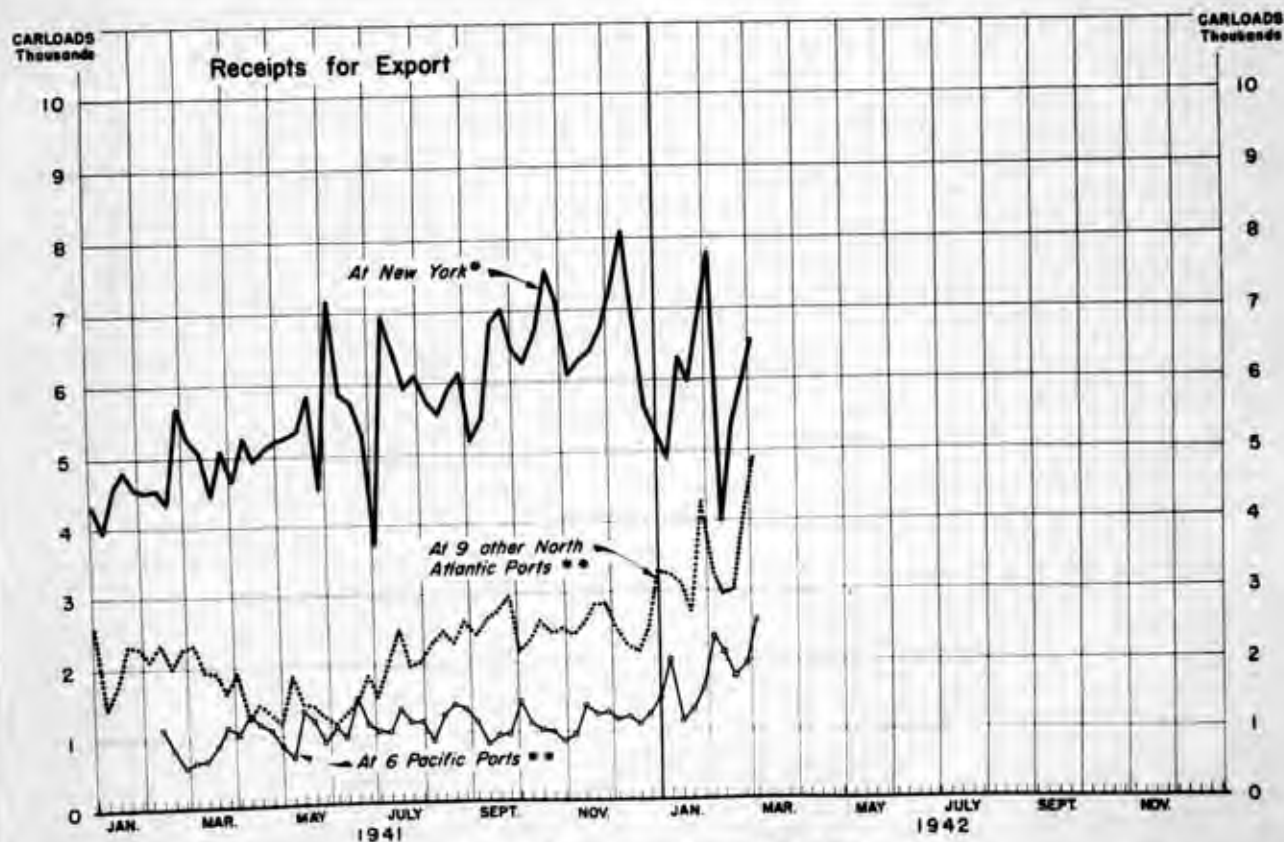
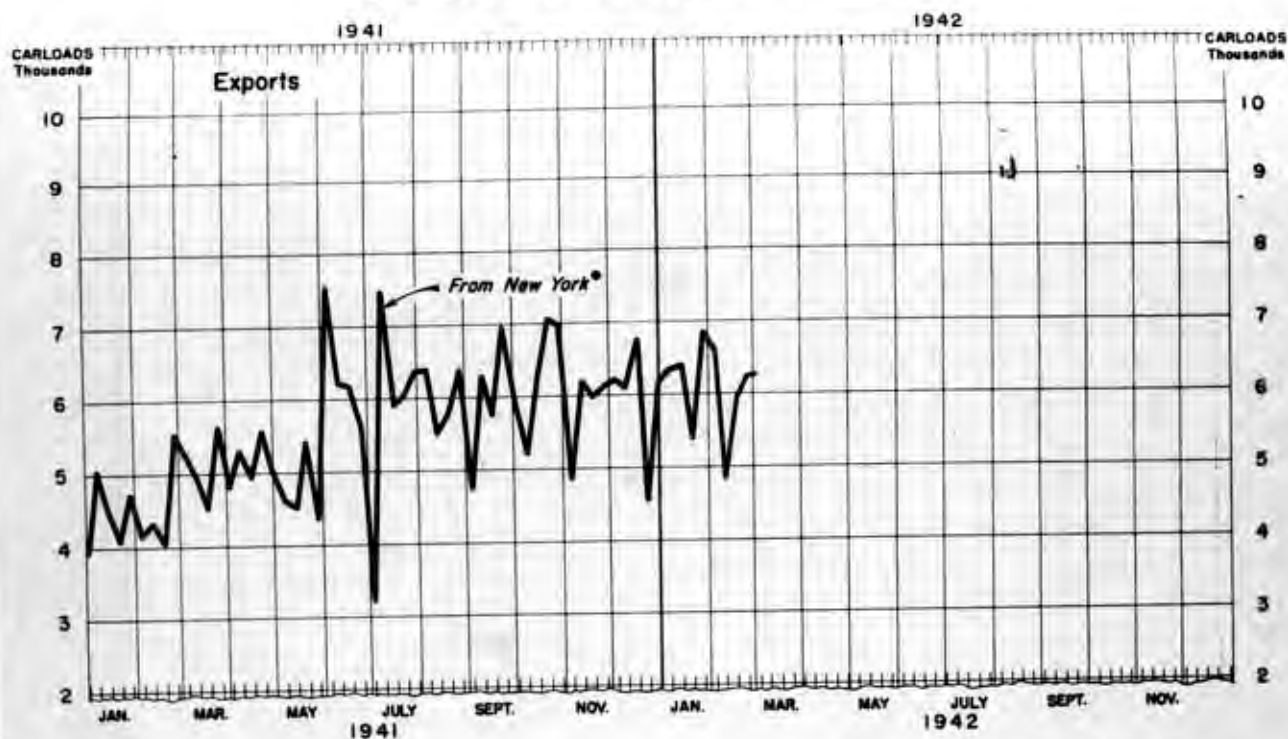
Office of the Secretary of the Treasury
Bureau of Research and Statistics

C-303-D

Chart 1
55

Regraded Unclassified

EXPORT FREIGHT MOVEMENT



* As estimated from data of general managers' association of New York
 ** Association of American Railroads

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

REPUBLIC 7880



BOX 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

March 11, 1942.

Dear Dr. White,

In continuation of previous correspondence I give you below figures of available gold and dollars as at February 6th, February 13th and February 20th:-

	<u>Feb.6th</u>	<u>Feb.13th</u>	<u>Feb.20th</u>
Total Gold (including Belgian)	578	585	598
Official dollar balance	<u>40</u>	<u>29</u>	<u>26</u>
Total Gold and Dollars	618	614	624
Less: Belgian Gold	105	105	105
Scattered Gold	52	52	53
Gold Reserve against immediate liabilities	<u>10</u>	<u>10</u>	<u>10</u>
AVAILABLE GOLD AND DOLLARS	<u><u>451</u></u>	<u><u>447</u></u>	<u><u>456</u></u>

Yours sincerely,

T. M. Stanley

Dr. H. D. White,
Director of Monetary Research,
United States Treasury,
Washington, D.C.

For some reason the end of February figures have not been handed.

MAR 11 1942

My dear Dean:

Thank you for your letter of March 2 and the enclosed memorandum on reciprocal aid arrangements with the members of the British Empire.

I hope to call a meeting soon to discuss the matter with representatives of the interested Departments and agencies.

Very sincerely yours,
(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable Dean Acheson,
Assistant Secretary of State,
Department of State,
Washington, D. C.

*H. M. C. La phoetia
of evening*
By Messenger *Veach 12:00*

HDW:dmh
3-10-42



DEPARTMENT OF STATE
WASHINGTON

March 2, 1942

My dear Henry:

At the meeting on February 12 of the group considering procedure for reciprocal aid, you asked me to give you the views of this Department as to whether the arrangements should be made with the United Kingdom for the British Empire as a unit or whether we should deal directly with the Dominions. We have been at work upon this question and have consulted Lease-Lend officials and Mr. Harry White as to the practicality of various suggestions.

I am enclosing a memorandum which gives our views upon your question and elaborates to some extent the operation of the method proposed. The question arises as to future procedure. One course would be for you, after you have considered the enclosed memorandum, to call a meeting of the group to get their views and, if
it

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury,

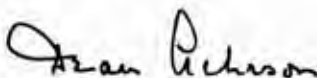
Washington, D. C.

-2-

it is generally acceptable, to have us talk with the British Embassy and the Dominion Legations to get their ideas before a final decision is made.

I shall be glad to talk the matter over with you at your convenience. 2

Very sincerely yours,



Dean Acheson
Assistant Secretary

Enclosure:

Memorandum.

DEPARTMENT OF STATE

ASSISTANT SECRETARY

February 28, 1942.

MEMORANDUM FOR THE SECRETARY OF THE TREASURY

At the meeting of February 12 on methods for effecting reciprocal aid, or Lend-Lease in reverse, the Secretary of the Treasury asked the State Department to consider and inform him whether in its view all arrangements for aid and reciprocal aid should be worked out with the United Kingdom for the whole British Empire or whether there should be direct Lend-Lease relations with the Dominions.

The following plan is submitted for consideration with the idea that, if the various departments and agencies believe that the plan as outlined is practicable, the State Department might take it up with the British and Dominion representatives for approval of the general approach after which the financial and administrative aspects can be worked out by the appropriate agencies.

The plan is intended to apply to the United Kingdom and the Dominions, other than Canada or any other not seeking Lend-Lease aid. It provides for dealing both
with

- 2 -

with United Kingdom and the Dominions under a procedure which is designed not to interfere with the political or financial relations between them.

1. Lend-Lease Agreements. Either by an exchange of notes or by agreements auxiliary to the British Lend-Lease Agreement, the United States, the Dominion and the United Kingdom would agree that the provisions contained in the British Agreement are applicable between the United States and the Dominion and that aid transferred to the Dominion shall be so recorded.

What transfers are to be made would be determined upon the joint requisition of the United Kingdom and the Dominion and by the decision of one or another of the agencies of Joint High Command or by agreement between this country, the British, and the Dominion. Items so transferred to a Dominion and recorded as such should not be entered upon the United Kingdom account.

2. Aid to American Forces in the Field. Under the provisions of the Lend-Lease agreements relating to reciprocal aid, the United Kingdom and the Dominions should work out (by exchange of notes or otherwise) a plan of assistance for American forces in their respective territories or waters.

The

- 3 -

The general plan suggested is that this Government pay its forces and other American personnel by purchasing local currency with dollars; and that whatever it is possible to supply locally should be supplied as reciprocal aid.

Housing, roads, landing fields and works of various sorts, repair of ships and material (where facilities are available) should be done by and at the expense of local authority. Stores, provisions, munitions and equipment, so far as local stocks are available and technically usable, should also be supplied by the local authority. The method of provision may be either by requisition upon the authorities or by provision to United States authorities of local currency or both, whichever is agreed upon as most practical.

It should be reiterated, in this connection, that the United States will continue its policy of maintaining essential supplies and materials, subject to its own shortages and shipping limitations, and that we will provide whatever materials needed for such purposes are not obtainable locally. Furthermore, it will be clear that final control over local priorities in supply will remain with the local authorities.

In

- 4 -

In working out the details of such a plan, some flexibility would be necessary. In case it should be found that provision by way of reciprocal aid of certain items deprived the providing government of exchange necessary to meet some obligation essential to the common effort, adjustment could be made.

Reciprocal aid should be recorded as received from the government providing it. The receiving agency should report the articles, services, facilities, or other benefits received and their cost as furnished by the providing authorities. Where money is received, the equivalent amount in dollars should be paid into the Treasury by the agency concerned in accordance with Section 6 (b) of the Lease-Lend Act.

3. Aid by Exports to the United States or upon its Order. Military equipment transferred to the United States by the United Kingdom or a Dominion receiving Lease-Lend aid should be transferred as reciprocal aid. Whether other items exported to this country should be so treated must depend in large part upon the British dollar position. If the British dollar position is or should become such that all the dollar proceeds of imports into this country are
needed

- 5 -

needed to meet essential dollar requirements here, the possibilities of reciprocal aid by furnishing us with imported materials as reciprocal aid are limited. This requires continuous study of the facts.

In some cases it will doubtless be necessary, regardless of exchange considerations, to continue to purchase for dollars in order to stimulate production and obtain the products which we require.

4. Maintenance of British Dollar Resources. The British have dollar obligations here and elsewhere which will continue. So it is not possible to get far in a discussion of reciprocal aid without considering the British dollar needs and assets. Such a consideration requires conclusions on the following points:

a. The amount of the dollar balance which the British need to maintain as a working balance for the needs of the sterling area, or that part of it which operates through the pool. We understand that Mr. Keynes advanced the figure of \$600,000,000.

b. The amount of the drain upon the dollar funds over specified periods, including decision upon pre-Lend-Lease contracts.

c. The amount of the income to the pool over the same periods

- 6 -

periods from payments for imports or services, gold transfers, and other sources.

d. The possibility of some guarantee by this country that, if necessary, dollars will be available within the limitations of a plan embodying the conclusions reached on a, b, and c above.

If conclusions can be reached on these points after discussion with the British and the Dominions, methods by which they could be effectuated are:

1. The British should continue their efforts to maintain the account themselves, by sale to us of supplies and services not received on a reciprocal aid basis, by dollar payments for the pay of troops and personnel in British or Dominion areas, and by some understanding on gold transactions;

2. If those efforts prove inadequate, or if it seems desirable, through further war-conversion of the British or Dominion economy, to eliminate certain transactions which now produce dollars, such as the production and sale of gold or whiskey, or the sale for dollars of material which might be furnished as a matter of reciprocal aid, the dollar position of the sterling area might be built up and maintained at the desired level through the use of one or more of the following methods alone or in combination;

- a. Buying

- 7 -

a. Buying pounds with dollars, and holding the pounds through the Exchange Stabilization Fund. Probably no new legislation would be needed, although if there are pre-war commitments to Congressional committees, to the effect that the Fund would not purchase the currency of a belligerent, it may be desired to clear with the Congressional committees before instituting such action.

b. Take-over by the Army and Navy of B.P.M. contracts now in process; this is a temporary, but probably not a full solution or an adequate one.

c. Enlarge or contract the scope of Lend-Lease financing for British dollar purchases in the United States, within the limitation of present categories of permitted purchases, to the extent needed to achieve the \$600,000,000 figure. It may even be desirable to reduce the British need for dollars by buying certain South American materials for dollars, and Lend-Leasing them to the British, although this process is subject to great abuse, and should be safeguarded.

d. Increase in British dollar receipts, through payment with dollars of some of the expenses of our
troops

- 8 -

troops which we have above proposed to be met locally as reciprocal aid.

e. A dollar loan, with or without interest, if permitted by law.

We suggest that the ultimate burden of long run imbalance in the trade and exchange relations of the United States and the sterling area, occasioned by war-time transactions, be borne by the Lend-Lease account, not the Stabilization Fund, although the Fund can act quickly and in the first instance.

The adjustment of accounts needed to maintain the British dollar position, and otherwise to administer an agreement covering the points in this memorandum, requires first, an understanding with respect to British and Dominion policy in maintaining the gold and dollar position of the sterling area, and in spending the dollars provided by us, and, second, a small standing financial committee, representing both the British and the Dominions, and the Treasury, the Lend-Lease Administration, the State Department, and, upon special problems, Army, Navy, and Agriculture.

5. Administration. The plan proposed, involving both our guarantee for the dollar position of the sterling area, and

- 9 -

and the establishment of reciprocal aid relations between the United States, the United Kingdom and the Dominions, should permit a solution of the political and diplomatic as well as the financial problems presented by the proposals. Our guarantee should relieve possible British fears that separate Lend-Lease agreements with the Dominions would break up the dollar pool. The mechanism for reciprocal aid should meet the requirements of the situation from our point of view, so far as the limitations inherent in it permit.

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This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (RR)

Rio de Janeiro

Dated March 11, 1942

Rec'd 10:22 p.m.

Secretary of State,

Washington.

804, March 11, 10 p.m.

Embassy is reliably informed that Brazilian Government has accepted proposal of British Government reported in my telegram 214, January 23, 4 p.m. The 36,000 tons of cotton will be shipped to Spain this year. Brazilian Government has agreed to earmark the sterling credits for payment of certain British claims in Brazil.

CAFFERY

EMB

Copy:vw:3-12-42

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YDEPARTMENT OF STATE
WASHINGTON

March 12, 1942

In reply refer to
FD 832.61321/150

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of telegram No. 804, dated March 11, 1942, from the American Embassy, Rio de Janeiro Brazil, concerning an agreement whereunder the Spanish Government can use sterling to purchase cotton in Brazil during 1942.

Telegram No. 214 was transmitted to the Secretary of the Treasury in this Department's letter of January 25, 1942.

Enclosure:

From Embassy, Rio de Janeiro,
No. 804, March 11, 1942.

Copy:lc:3/12/42

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, Bern
TO: Secretary of State, Washington
DATED: March 11, 1942, midnight
NUMBER: 1008

Reference is made to the Legation's telegram no. 931, March 7, paragraph four.

A Legation representative was informally told this afternoon by the Bern Director of the National Bank that the bank had reached a decision not to accept the proposal of the Treasury Department to transfer 3.2 million blocked dollars of the Swiss National Bank to a blocked account in the name of Instituto Espanol de Moneda Extranjera because it was unable to accept the position of the United States that this transaction should in effect become a sole exception to the general policy of the United States. It is, in other words, not the intention of the National Bank thereby to sign away what it considers its right to seek permission to effect similar future transactions.

The Bern Director in the above-mentioned connection believes that the National Bank would agree to the proposal of the Treasury Department but without the clause restricting similar future transactions, and including the assurance for example that all purchases of dollars subsequent

-2-

subsequent to March 1 by the National Bank might be sold only to Central Banks of neutral nations such as Spain, Sweden, and Portugal with our authorities' full knowledge and license. Thus there would be established, as the Bern Director stated, a type of "liberty under control" in the disposition by the National Bank of the dollars it had acquired as well as a limited restoration of the dollar as international currency.

The Bern director displayed a memorandum giving in detail purchases of dollars made by the Zurich and Bern offices of the bank covering the period October 1, 1941 to February 28, 1942, from various Latin American and allied consular and diplomatic establishments including the Vatican, as an illustration of the National Bank's contention that despite all handicaps it had cooperated in the acceptance of dollars. Such dollar purchases amount to 720,000 exclusive of the 40,000 already this month from the Brazilian Legation in Bern.

The purchase of the Legation's draft for \$200,000 mentioned in its telegram under reference has been postponed by the bank according to the Bern director until it determines whether United States authorities agree to the type of future dollar transactions proposed by the National Bank in the foregoing paragraphs.

Confirmation

Confirmation of the Swiss position hereinbefore outlined was made this evening by the Foreign Minister when he again pointed out the difficulty with which Swiss finance is confronted if compelled to furnish Swiss francs against dollars which they are not allowed to utilize. He pointed out that the Swiss are convinced that they could not carry the weight which would result because of the accumulation of blocked dollar credits against free Swiss francs.

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YDEPARTMENT OF STATE
WASHINGTONIn reply refer to
FD

March 11, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of the paraphrase of telegram No. 145, dated March 11, 1942, from the American Consulate General, Calcutta, India, transmitting a message for the Treasury Department.

Telegram No. 68 was transmitted to the Secretary of the Treasury in this Department's letter of March 2, 1942.

Enclosure:

No. 145, March 11, 1942,
From Consulate General,
Calcutta, India.

Copy:bj:3-11-42

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate General, Calcutta, India.

DATE: March 11, 1942, 4 p.m.

NO. : 145.

URGENT.

With reference to the Department's telegram No. 68 dated February 25, 6 p.m., checks in the total amount of \$3,682.45 have been received by the Consulate General from the Calcutta Office of the National City Bank. Please advise Treasury Department and notify me when payment has been made to the National City Bank head office.

MERRELL

Copy:bj:3-11-42

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TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE March 11, 1942

TO Secretary Morgenthau

FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	\$59,000
Purchased from commercial concerns	\$47,000

Open market sterling remained at 4.03-3/4, with no reported transactions.

The Argentine free peso, which has been quoted at .2370 since March 3, moved off to a final quotation of .2363 today. One of the banks reported that 300,000 pesos were sold in New York late this afternoon.

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

Canadian dollar	11-13/16% discount
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2064
Uruguayan peso (free)	.5295
Venezuelan bolivar	.2820
Cuban peso	7/32% premium

We sold \$1,995,000 in gold to the Amministrazione Pontificia per le Opere di Religione, Vatican City, which was earmarked in its name at the New York Federal Reserve Bank.

In order to replenish the Stabilization Fund's gold balance, we purchased \$2,700,000 in gold from the General Fund through the New York Assay Office.

No new gold engagements were reported.

In London, spot and forward silver remained at 23-1/2d, equivalent to 42.67¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Sandy and Harman's settlement price for foreign silver was also unchanged at 35-1/8¢.

We made no purchases of silver today.

-2-

The report of March 4 received from the Federal Reserve Bank of New York, giving foreign exchange positions of banks and bankers in its district, revealed that the total position of all countries was short the equivalent of \$4,256,000, an increase of \$1,123,000 in the short position since February 25. Net changes were as follows:

<u>Country</u>	<u>Short Position</u> <u>February 25</u>	<u>Short Position</u> <u>March 4</u>	<u>Change in</u> <u>Short Position*</u>
England **	\$ 903,000 (Long)	\$ 7,000 (Long)	+ \$896,000
Europe	2,374,000	2,405,000	+ 31,000
Canada	694,000 (Long)	404,000 (Long)	+ 290,000
Latin America	74,000 (Long)	69,000 (Long)	+ 5,000
Japan	160,000	160,000	—
Other Asia	2,242,000	2,258,000	+ 16,000
All Others	28,000	87,000 (Long)	- 115,000
Total	\$3,133,000	\$4,256,000	+\$1,123,000

* Plus sign (+) indicates increase in short position, or decrease in long position.
 Minus sign (-) indicates decrease in short position, or increase in long position.

**Combined position in registered and open market sterling.

CONFIDENTIAL



BRITISH MOST SECRET

(U.S. SECRET)

OPTTEL No. 33

Information received up to 7 A.M., 11th March, 1942.

1. NAVAL

In the attack on the TIRPITZ by Naval aircraft recorded in OPTTEL No. 21 no hit was claimed and she was last reported at 0931 steering in direction of NARVIK. On second a Dutch steamer eight thousand tons was sunk 350 miles west of NORTH WEST CAPE (WESTERN AUSTRALIA).

6th. British tanker 7,000 tons was torpedoed west of PUERTO RICO.

7th. A Brazilian steamship 7,800 tons was sunk position not stated. A small British steamship was sunk North West of the butt of LEWIS.

11th. A small British steamship in coastal convoy was sunk by mine off the East Coast.

2. MILITARY

BURMA. No further reports have been received.

RUSSIA. Russian pressure is being maintained south east of KHARKOV.

3. AIR OPERATIONS

WESTERN FRONT. 9th/10th. In the attack on ESSEN about 157 tons of high explosive bombs and 26,400 incendiaries were dropped. Krupps works were straddled. 16 R.C.A.F., four R.A.A.F. and 12 New Zealand aircraft took part without loss.

10th/11th. 153 aircraft including 27 heavy bombers were despatched. ESSEN 126, of which four are missing and two crashed. BOULOGNE 24, leaflets ANTENS 3. Conditions were difficult owing to haze.

MEDITERRANEAN. 9th/10th. Seaforths torpedoed and set on fire a merchant vessel (believed 10,000 tons) 170 miles north-east of MISURATA. A cruiser and a destroyer were also hit, whilst an escorting aircraft was destroyed and a second damaged. Albacores reported a probable hit on an 8,000 ton merchant vessel off PANTELLARIA.

MALTA. During raids on 10th Spitfires destroyed an enemy fighter probably destroyed two more and damaged a fourth, whilst Hurricanes one of which was lost, damaged another. During the 9th and 10th anti-aircraft fire destroyed two and damaged one.

NEW GUINEA. 8th. An 8,000 ton transport was successfully bombed at SAIAIANA. It is also reported from unofficial sources that an enemy warship, either cruiser or destroyer, was destroyed.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 11, 1942

TO Secretary Morgenthau
FROM Mr. Kemarok
Subject: Summary of Military Reports

R.A.F. Raid on Paris

The Royal Air Force dropped 477 tons of bombs on the Renault Works in Paris. This compares with an estimated 430 tons of bombs dropped on London during the severest night's raid by the German air force last winter. (The British attack on the French factories in Paris must be ranked as the heaviest attack on any one objective in the war to date.)

(U.K. Operations Report, February 26-March 5, 1942)

Japanese Air Force

The Japanese used a new fighter plane over the Dutch East Indies. This plane is believed to be the new Nakajima O-1. It is said to have a top speed of 395 miles per hour, (i.e., considerably faster than our P-40's) and carries four machine guns and two 20-mm. cannon.

(M.I.D. Information Bulletin, Number 9)

Use of Gas by Japanese

The Japanese in Malaya had round flask-like glass grenades, containing a pint of liquid hydrocyanic acid. Instructions found on prisoners indicate that these grenades were to be used for attacking tanks and pill boxes. The bottle is thrown against a tank and breaks upon impact. The acid vaporizes quickly, giving off a gas with a smell like bitter almonds.

- 2 -

The United States Army has just finished tests conducted in this country with duplicates of the grenades. When a tank is struck by one of these grenades, any occupant not wearing the proper gas mask at the time of impact, would be killed. The American mask gives proper protection.

(M.I.D. Information Bulletin, Number 8)

RESTRICTED

MID 319.1
 Situation
 8-11-41

No. 655 M.I.D., W.D. 11:00 A.M., March 11, 1942.

SITUATION REPORTI. Pacific Theater.

Philippines: Situation apparently stabilized. No change to report. Burma: Japanese forces penetrated to positions near Pegu behind the British lines. The British report that this opposition has been overcome and that a withdrawal to the north continues. Landings were made by the Japanese along the China, Bakir and Rangoon Rivers during the attack on Rangoon. Australasia: Japanese troops landed at Finschhafen in New Guinea, north of Salamaua, where earlier landings were made. It is announced from Australia that Australian bombers scored direct hits on a Japanese war ship off Salamaua, New Guinea, and set four other Japanese vessels on fire, leaving two in a sinking condition and one beached.

II. Western Theater.

The British Air Ministry admits loss of four bombers during the night in attacks on the Rhur Industrial Valley. Heavy loads were dropped.

III. Eastern Theater.

There is no change in the general situation. The German High Command reports heavy defensive fighting and claims the repulse of Russian attacks in the Central and Southern fronts. (A situation map will not be issued this date.)

IV. Middle Eastern Theater.

Press reports from Cairo indicate an increasing tempo in ground activity. One of the Axis units forced to withdraw was accompanied by tanks. R.A.F. is supporting British ground troops in attacking rear supply depots. Axis air forces continue the bombardment of Malta. Conflicting reports from Rome and Cairo regarding a British air attack on Axis convoy on March 9. Some indication that Axis air forces in Crete have been reinforced.

RESTRICTED

LIST OF THOSE WHO WILL BE PRESENT
AT MEETING IN SECRETARY'S OFFICE, MARCH 12, 1942

Joseph Eastman -- John R. Turney
James V. Forrestal -- H. Struve Hensel
Robert P. Patterson -- Gen. Henry S. Aurand
Emory S. Land -- Ralph Keating
Claude R. Wickard -- Roy F. Hendrickson
E. R. Stettinius, Jr. -- Oscar Cox; Thomas B. McCabe and
John Hazzard
Donald M. Nelson -- William C. Batt; Samuel Rhett
Clifton E. Mack
George C. Haas -- Sidney G. Tickton

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OFFICE OF
THE SECRETARY OF THE TREASURY

Eastman coming 1615

Forester

Patterson - Gen. A. A. ✓

Land - " 1615 -

Wickard

Steele - Cox John Hazard
McLure

Nelson - Burt + 1

Cliff Mack

Haas - Dickerson

... with a director

... to Russian Protocol

... I am there. -

March 12, 1942
9:00 a.m.

AID TO RUSSIA

Present: Mr. Bell
Mr. Nelson
Mr. Mack
Mr. Batt
Mr. Patterson
Mr. Wickard
Mr. Forrestal
Mr. Keating
Mr. Hendrickson
Mr. Hazzard
Mr. Cox
Admiral Land
General Aurand
Captain Hendron
Mr. McCabe
Mr. Boutner
Mr. Turney
Mr. Eastman
Mr. Stettinius
Mr. Tickton
Mrs. Klotz

H.M.JR: Well, gentlemen, I went to see the President yesterday to tell him our little segment of the Lend-Lease for Russia and what the situation was, what we were trying to do. He was very much interested and quite excited about it and he asked me to get the various people together in this room who are here today and to see whether we couldn't help Mr. Stettinius carry out his responsibility. The President said, to use his exact language, so that all of us wouldn't make a damn fool

- 2 -

out of him, opposite Mr. Stalin. He went on to say that he considers - this materiel which has been promised to Mr. Stalin - the most important of all. He said it is absolutely number one and, as an example, he said that if you needed some material that was on the shelf somewhere in some store, go in and buy it and never mind the price, that he will take care of Henderson, and hire a truck and send it down to the boat, but he said we have just got to do it and giving them some additional material in place of what they want doesn't satisfy them.

Well, I don't know how much you are interested in our own particular problems, but we have only, as I say, got a small piece of it. We sent a man to Philadelphia. We found there were ten ships there since the--

MR. TICKTON: Twenty-fourth, Mr. Secretary.

H.M.JR: ... since the twenty-fourth of February, that only one had gotten underway. To give you an example, everything was routed over the Pennsylvania Railroad, and they were holding stuff as far back as Harrisburg and Northumberland, that the B. and O. and the Reading were not busy and that everything was choked up on this one railroad.

As another example, they dumped ten cars for Great Britain on this one dock last week. These are all just little bits which--

(Admiral Land and Mr. Keating entered the conference.)

H.M.JR: ... but this room is just a convenience at the President's request, but I can't overemphasize - he wrote this out for me. He said, "This is critical because (a) we must keep our word, (b) because the Russian resistance means most today." And he said if there was any question of the Russians folding up because he didn't keep his word, losing fifty ships was insignificant compared to keeping his word, that others hadn't, and the only reason he had the influence with Russia today was because up to now he had kept his word, and he said he just wasn't going to accept any excuses, would I please

- 3 -

pass this on, and now the meeting is yours.

MR. STEPTINIUS: Thank you, Henry.

I think everyone in this room in connection with the question of filling the protocol realizes that number one problem above all else now is the bottoms to carry the stuff that is available to go. I have before me a sheet here showing the protocol requirement, the amount shipped, and the amount available shipped by each item. I would like to comment on two or three items just so we can all focus on it.

We had a great many planes available to the War Department, Mr. Patterson, during February that could have gone. Likewise, medium tanks and light tanks. There were several thousand scout cars that could have gone and we didn't have the shipping, likewise trucks, field telephone cable, aluminum, and dural. Nickel, we are way over the protocol requirement, but still we had a vast quantity of nickel that was available to go, but there weren't ships to carry them in. Molybdenum, we are way over the protocol. Rolled brass, a very large quantity of brass. If the brass had been shipped in February, the protocol would have been met as far as brass is concerned. Zinc, if we had had the ships to carry the zinc, we would have been way over the protocol commitment. Tin plate, if we had had the ships, we would have almost met the protocol. Barbed wire, likewise.

Toluol, TNT, phenol, petroleum products, we are way over the protocol commitment, and a large amount of oil did not go because - wasn't available because of lack of ships. Likewise, the same is true of sole leather, Army boots, Army cloth. We would have been way over the commitment of a million yards of Army cloth had we had the ships.

Now, that gives you a sample of the status of certain of the important items.

Now, the one bad outstanding situation here, Mr. Secretary, in the failure of anything to go is armor

- 4 -

plate, tool steel, hot rolled steel, steel billets, cold rolled steel, and so on. Mr. Batt knows more about that than anything.

The Russians are more at fault than anybody in this room because of the failure to bring in their specifications on time. When Mr. Batt went to Moscow last fall with the other members of the delegation, they came back with these quantities of steel, not having in mind that they were going to be special manufactured steel, the like of which had never been manufactured by any steel mill in America before. Mr. Forrestal will remember he and myself discussing the armor plate on the day after Pearl Harbor, that it couldn't be accomplished at that moment, and then later on it was necessary for the Republic Steel Company to install new facilities to roll a certain kind of armor plate that had never been made in America before in order to meet this protocol item, and Mr. Harriman told me that Mr. Stalin had said to him, "We need armor plate. Send us armor plate, no matter what it is, and we will find a way to use it," having no indication that it was going to be a special tailor-made item. Is that correct, Mr. Batt?

MR. BATT: Right.

MR. STETTINIUS: Now, I think the first thing, Mr. Secretary, that I should certainly like, and I should think everyone else would like, is a word from Admiral Land as to what he can say to us on the shipping situation. We have been promised - maybe you would prefer to talk yourself, Jerry - for the March schedule of forty-nine vessels, here we are at the tenth of the month and we have had two of those forty-nine vessels berthed to date. We still have forty-seven vessels of the March allotment to be berthed. Of the forty-five February boats, twenty-five have already sailed and twenty are yet to sail of the February allotment.

Now, I am tremendously sympathetic with your problem, Jerry, but from our standpoint of carrying out the program at this moment no matter where we are, the problem seems

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to be one of space to carry the goods more than any other thing.

ADMIRAL LAND: Well, you are just singing a song for me here that is going to be sung right along, and that is going to get progressively worse. You haven't got enough ships and you aren't going to have enough ships, that is easy. It is going to be worse, and I have known it for some time, and a lot of other people who have listened to it didn't believe it, so it is just factual, it is there.

So far as the number of ships here, Mr. Keating has got the list of what is done and what we hope to do. We have never lived up to our promises; and, as far as I can see, we are probably unlikely to live up to them with exactitude. The repair yards are three hundred percent overloaded. The sinkings are going faster than the buildings, and there are a thousand other excuses that are not worth while even to go into.

Mr. Keating will give you the numbers, and I haven't got any alibi or answer except that we are doing the best we can with the tools we have.

Go ahead, Keating.

MR. KEATING: I think, Mr. Secretary, for the first time, we have enough ships available this month to probably lift the protocol of this month and a certain portion of the backlog. We had a holdover of ships from last month due to a large number of causes, principally delays in arrival and repairs, but I do think that with sixteen boats on berth such as there were yesterday in Philadelphia, plus the transfer of ten to Baltimore, which is contemplated for next week, a division of the movement, I think we have on paper enough vessels available to clean up your March cargo.

Now, the difficulty that has occurred in Philadelphia has been largely an operating difficulty.

(Mr. Cox entered the conference.)

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For example, one vessel yesterday was on berth. Fifty percent of the vessels that were on berth were not loaded to capacity, and the reason for that was that they couldn't get the cars down to the wharf.

H.M.JR: Here is a chart, Jerry, showing the situation as of Monday night.

MR. STETTINIUS: Mr. Keating, I think that is true, sir, but at our last meeting with Litvinoff, we indicated that we were going to have available sixty ships in March. Now, those are coming on now less than at the rate of one a day. Now, we can't possibly see how we are going to be able to move the cargos that we have available to move in March at the present rate the boats are being berthed. I mean, you will recall two weeks ago yesterday you and Mr. Robson and I had a meeting and you said it was perfectly in order to assure Litvinoff that the forty-five February boats would sail before the fifteenth of March. You remember we went to the Embassy?

MR. KEATING: Yes.

MR. STETTINIUS: Well, actually twenty-five of those rather than forty-five of those are going to sail. Here we are put in the position of two weeks ago and you and I having gone to the Embassy and said, "Forty-five boats, and you can cable that to Moscow." Two weeks later it is twenty-five rather than forty-five. Now, that is the kind of thing, Mr. Secretary, that--

H.M.JR: Well, that is--

MR. STETTINIUS: ... is holding up the completion of the program.

H.M.JR: But in fairness to the shipping people, I don't know who is responsible for the goods, that when it moves from the factory door to alongside the ship, but whoever is responsible--

MR. STETTINIUS: That is the Procurement Agency.

- 7 -

H.M.JR: Whoever is responsible for that and the way it is routed and the way it is handled are certainly doing a very amateurish job.

MR. STETTINIUS: Well, you are responsible for your end, and Bob Patterson is responsible for his end, and Mr. Wickard for his end.

H.M.JR: Mr. Eastman, have you looked into this particular phase, I mean, the way this thing was being handled in Philadelphia?

MR. EASTMAN: Yes.

H.M.JR: And the way the stuff was not moving?

MR. EASTMAN: Yes. I think the Philadelphia situation and the one they had down at Norfolk were the two cases where there has been particular trouble in connection with the movement to the ports. Now, that situation in Philadelphia Mr. Boutner can explain better than I can; but, as I understand it, it was caused partly by a sudden shift of cars from Boston where they had been waiting to go to Philadelphia, and then because of the methods of the Russians in picking the cars for loading on the ships, and that matter has been cured since then. They were insisting on cars by numbers, which meant a lot of yard operations and throwing out particular cars and siding them. We have, however, been in contact with the War Shipping Administration and have worked out a plan to govern the movement of materiel to the ports for trans-shipment so that the whole matter will be under one unified, centralized control; and that plan was the subject of a conference the other day which was called by General Somervell. There is some difference of opinion between the Army and ourselves on that point, but that matter is now being worked out, the whole idea, to get the unified, centralized control of the shipping to the ports so that there will be no delay and confusion as between the rails on the one hand and the ships on the other.

H.M.JR: How long will that take, to get that

- 8 -

straightened out?

MR. EASTMAN: Well, I will ask you about that, Mr. Turney.

MR. TURNEY: The plan itself will not be in operation before April 1, but it will be possible to straighten it out before then, particular movements being handled individually.

H.M.JR: Well, this Philadelphia thing wasn't straightened out as of Monday night.

MR. TURNEY: Wasn't what?

H.M.JR: It wasn't straightened out as of Monday night.

MR. BOUTNER: I had Mr. Turney in my office Monday morning, and he told me it was. They dumped five thousand cars in there for movement, and it wasn't selected in accordance with the convoy requirements. They transferred the movement from Boston of a lot of traffic that was up there, some two thousand cars, and then they got the other cars from everywhere else at the same time. Philadelphia is not a very good port for export traffic. It is very limited, particularly the facilities of the Pennsylvania Railroad. They have only got about a four- or five-hundred-car space in the port.

The president of Pennsylvania was in there and came down here and reported upon it, and said he had it fixed, and of course shipping five thousand cars around is not a very quick job on that score, and then they came in there on this kind of an arrangement. They billed on a bill of lading as many as sixty cars, and when they went to checking it into the book, they wanted to check it in according to the car numbers on there and some of the sixty cars are out at Harrisburg, as you said a while ago, and that made some delay.

Now, that arrangement of moving the traffic to the

- 9 -

port could have been corrected and we could put all of the traffic on the ships that they can get down to these piers as fast as they can take it off. Now, I am advised--

H.M.JR: Well, it seems to me that before they put in sixteen ships into Philadelphia that somebody might have had the foresight to work out the rail traffic thing so that the thing would flow smoothly to these ships and not have this jam which they have got there now.

MR. BOUTNER: I think that is true, but the thing was precipitated upon us almost overnight. We couldn't make the arrangements with the advice that we had.

H.M.JR: And I don't think it is up to the various procurement agents to act as traffic managers because it is difficult enough to do the buying without also each of us independently acting as a traffic manager.

MR. BOUTNER: I think that is right.

H.M.JR: I didn't think we should.

MR. BOUTNER: No, sir, I don't either.

MR. EASTMAN: This plan which is being worked out contemplates the War Shipping Administration taking the requirements of the various agencies, and then when we know that boats are coming in, determining what can go in those boats, and then giving releases to the agencies so that they can ship them to the port and will know that the boat will be there when the shipment arrives. Those releases will govern the shipment of this traffic to the ports.

H.M.JR: Could I ask Admiral Land a question? What would be a normal number of days that a ship would be in port to be loaded?

ADMIRAL LAND: Of course, it depends on the type of cargo. If it is a mixed cargo, it is longer; and, of course, if it is a bulk cargo, it is shorter. I wouldn't like to answer that, because you can get two-day turn-arounds or three-day turn-around or up to three weeks

- 10 -

turn-arounds in a port, depending upon your conditions, but there have been very abnormal things here; and, after all, any kind of war effort is vastly inefficient. There has been a lot of inefficiency. As long as I am talking, I want to say that the President of the United States has given me in writing the same directives that he talked to you about, in pencil there, not only recently but months ago, and so far as the Maritime Commission and the War Shipping Administration are concerned, it has number one priority and has had number one priority for months. There is no use - if anybody wants to go into it ship by ship, the details, we do it just like you gave me in this confidential report here, and I could distribute the blame all around. Primarily it belongs on us. We are the transportation body, and I accept it. But I don't know how it can be bettered. When we promised a number of ships in February, there is always a slop-over from the last week in February to the first week in March, and it is going to continue.

It is just the nature of shipping even in normal times, and in war times it is just about fifty to seventy percent efficient compared with normal times, and I don't know how you are going to prevent it.

Now, what Mr. Eastman is talking about is being slowly ironed out. As Mr. Turney says, if the recommendations are approved, we will have it the first of April. There are a lot of other holidays that I could pass around to every man in this room at which there may be some dereliction on his part. I don't think that will accomplish anything. I just want to say that we know the urgency, and it is being given number one priority over everything, and we are going to attempt to bring this up.

If there is a lag, it is quite admitted, but I have got ship-by-ship records, as I say, in which we can pin a bouquet mostly on ourselves, but we can distribute the flowers around the room.

MR. KEATING: Mr. Secretary, I think this present difficult is largely one of movement of the cars into the

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port. I believe we have had a sufficient number of vessels on berth in Philadelphia to have sailed them - the number we promised, if we could have gotten the cargo to the ships. I think that is being corrected by Mr. Eastman, in addition to which we have another suggestion made in Philadelphia to send the cars down to the ship regardless of what they are. In other words, to--

MR. STETTINIUS: Well, Mr. Keating, that doesn't check out with our - we have available very large quantities of material during the last two weeks of February that could have gone. I think Mr. Mack or Mr. Hendrickson could tell you of the materials that were available to go but couldn't because of the lack of space.

MR. KEATING: There were four thousand cars in Philadelphia in the yards, and yesterday--

ADMIRAL LAND: They weren't on the piers.

MR. KEATING: Yesterday, there was a ship with no cars alongside. It was a physical, operating difficulty of getting the cars to the ships.

ADMIRAL LAND: When you say Philadelphia, you are covering a lot of environs, and they run clear out for miles there. They weren't down to the piers.

MR. STETTINIUS: Back to Harrisburg.

MR. KEATING: We have, as you know, Mr. Stettinius, transferred some of it to Baltimore--

MR. STETTINIUS: I know.

MR. KEATING: ... with the idea of spreading it a bit.

MR. STETTINIUS: There are ten vessels there now.

H.M.JR: Well, Ed, you have got everybody in the

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room here that can help you now. Here is your chance to jump on all of them.

MR. STETTINIUS: Would you like me to take just five minutes to go over the list to give you the status of each one of the protocol items so everybody can hear that and what the status is?

H.M.JR: Well, this is your chance, and if any of us are below you, use hobnail boots and jump on us.

MR. STETTINIUS: I think that would be worth while, because I think Mr. Nelson and Mr. Batt might speak up on some of these items. I will go down the February column. I won't mention that the airplanes and the tanks and the anti-aircraft guns and so forth - field telephones, we should have had sixty and we have now sixteen. Field telegraph cable, five hundred, one hundred forty-six have been delivered. Underwater cable, two hundred fifty kilometers were promised. Nothing has been shipped and nothing has been available. Can anybody comment on that? It is an emergency item. General Aurand, can you tell us anything about it?

GENERAL AURAND: I have no comment on that.

MR. STETTINIUS: Mr. Hazzard?

MR. HAZZARD: Yes, that is a Treasury item. The reason we are behind on that is primarily because Russia sent in their specifications very late. In fact, they haven't sent in for the whole protocol yet.

MR. STETTINIUS: It is important for you to understand that, Mr. Secretary. The reason we haven't got that is because we didn't have the specifications. Submarine cable, five hundred km., nothing available, nothing delivered.

MR. HAZZARD: That is the same problem, although I might say on underwater cable it takes a double A priority and we had to rely on Mr. Nelson to get that priority.

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MR. STETTINIUS: Have we got it?

MR. HAZZARD: Yes.

H.M.JR: How about the submarine cable?

MR. HAZZARD: That doesn't need the high priority.

MR. STETTINIUS: When will those two items be available for shipment?

MR. HAZZARD: Not immediately.

MR. MACK: Under the double A priority, they will be delivered before the end of this month.

MR. STETTINIUS: Mr. Secretary, here is an item where commitments made from the President to Stalin, these two items will be delivered during the month of April. Aluminum dural, tons, commitment twelve thousand five hundred, thirty-one hundred and fifty having been delivered - having been shipped.

Bill, is there anything that could be done on that one that hasn't been done?

MR. BATT: What were the figures you gave out?

MR. STETTINIUS: There were twelve thousand five hundred tons of aluminum and dural committed for as of the end of February, eighty-five hundred tons available, thirty-one hundred having been shipped. In other words, we are behind the difference between twelve fifty and eighty-five hundred.

MR. BATT: I haven't got a detailed report over here, Mr. Secretary.

MR. NELSON: That is the one where you--

MR. BATT: Those figures don't quite square off. We are preparing a detailed report. We haven't got it

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ready. I have got a lot of material on iron and steel here. We are practically up to date on dural and aluminum together, Ed. There has been a shift from ingot to dural with their agreement. We are taking their ingot and rolling dural. I don't know what those figures are.

MR. STETTINIUS: We are still forty-five hundred tons behind. On nickel we are right up to scratch if we had the ships to carry it. That nickel ought to go forward. The molybdenum, we are way over the commitment. Rolled brass, twenty-five thousand tons committed for, twenty-one thousand tons available, ten thousand shipped. Zinc, that is not a particularly - ferrosilicon, fifteen hundred tons committed, thirteen hundred available, five hundred seventy-six shipped. Anything on that, Bill?

MR. BATT: Ed, you have got sixty items there that I am not prepared to discuss in detail. I hadn't understood that that was what was wanted. I didn't know what we were coming for except the general Russian program. I have iron and steel in some considerable detail because that report was just completed for Mr. Nelson. The rest of the report is being worked on in great detail in our place, and I have only some very sketchy information, but I am not prepared to go through those sixty items piece by piece.

MR. STETTINIUS: Take as a generality the tooled steel, twenty-five hundred tons, none available and none shipped. When will that be available?

MR. BATT: I can discuss that tooled steel. I should say generally, on the steel items, two or three things. In the first place, the items as we drew them up in Moscow were very approximate. When we discussed tool steel over there, it was around a round table with no steel people there, and we had only the very vaguest ideas as to what each of us would interpret tool steel to be when we came to the specifications. We had, at the end of December, received orders from the Russians amounting to about one month's supply of steel. That was about sixty thousand tons. The protocol itself totaled up to about five hundred thousand tons of steel.

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We received - we notified them the early part of January that if we didn't have specifications and details of their requirements in by the twenty-fourth of January that we would assume no responsibility for the further commitment on the protocol. That brought us in seven hundred thousand tons of steel specifications within two weeks but the greater part of them were hopeless of operation. They didn't conform to any American requirements. Some of those specifications, our steel mills had never heard of and they were tiffany specifications, and we have been working the intervening period trying to iron those specifications out.

Now, our iron and steel branch has done a wonderful job of this steel picture. There is no job about that because we are providing not only the half million tons of steel in the protocol but another half million tons. We expect to double the amount of steel in the protocol. We expect to ship them over a hundred thousand tons in the month of March as against an average of protocol of about fifty thousand tons. But we have had a difficult time. When we agreed in Russia that we would ship them steel wire, we made no fixed amount of commitment, but they had no idea what steel wire was and neither did we, but seven thousand tons of steel wire ordinarily would envisage the common grades of steel wire. When that turns out to be a specification for music wire, why of course we can't deliver that amount. The Russians are very naive. They sound naive. They are actually not. That is in discussing their tiffany requirements because all of these are tiffany specifications. Look at their armor plate steel, their bullet-proof steel, their shell steel, and it is the finest specifications that has been developed by any country in the world. That is where they have got these specifications, and they look and they say, "We think America is so big it can supply anything." As a matter of fact, they have asked for large amounts of alloys and we are protesting. We are trying to get those alloys down. They have asked for a steel with four percent nickel. We are trying to get that down to the same nickel which the United States and the British are using because of the tightness of the nickel content.

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MR. NELSON: Well, in the protocol you didn't obligate yourself to do that?

MR. BATT: No, we didn't. The protocol accepted no amounts of steel because we said we would check all those when we came back.

MR. NELSON: And as I understand it from you, the protocol also required that they would be reasonable specifications.

MR. BATT: The protocol didn't, but when we came back - the telegram from the President to Mr. Stalin and my requirements to them have said they must be American specifications. Take the matter of electric furnaces, for example, Mr. Secretary. They had an item of fifty electric furnaces in the protocol. They are of no value. I said we could give fifty electric furnaces if they were table furnaces and I could agree to do that within a week when I came back, but if they wanted fifty electric furnaces such as used in a steel mill, each a hundred to two hundred feet long, which would take a year to manufacture, specifications not available, that is a different question. We are having to work out that picture in that way. We had practically terminated commercial relationships with Russia in so far as the supplying of any material in any amount is concerned over the last seven years. Those relationships are being reinstated. The mechanisms between them and the various suppliers, the specifications, analyses, a hundred and one other difficult, small, but vitally important details are having to be worked out.

MR. NELSON: And, of course, Mr. Secretary, what I want to know is how many times do we have to tell this story? Mr. Stettinius knows this story thoroughly. He has been told time after time this story. We have told everybody this story, and there it is and nobody can change it.

H.M.JR: Well, you don't mind if I differ with you?

MR. NELSON: I don't mind if you differ with me, sir,

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but I am only saying the story has been repeatedly told to Lend-Lease. They know this story better than we do. What they have been urged to get is the specifications.

H.M.JR: Can I show the group something behind you here? Mr. Nelson was kind enough to give us a report on the steel and in the upper thing there it shows in the red the commitments which we were supposed to make under the protocol, and the green, where we would be on April 1, and you will see even by June 30 under Russian protocol we won't have fulfilled the Russian protocol, and then in the lower part we add on top of the green the additional steel which they have purchased over and above the Russian protocol.

MR. NELSON: Yes, sir, but what I mean, sir, what was the protocol? It is American specification steel. That was the protocol. But this that they have given us is not American specification steel. That is the point I am talking about.

H.M.JR: Well, two things. One, if we can't get it, as I said in Cabinet the other day, the President ought to have a memorandum.

MR. NELSON: He is getting one, sir. Mr. Batt is working up a complete memorandum. We sent you a copy of the report that showed the steel.

H.M.JR: Now, if I could just go to the next. We have just been able to take steel wire and cold rolled steel and the way we have worked this thing out, I just want to show you, we have taken each one of these specifications, the date we got it from the Russians. Now, here is the worst one, and it is the biggest one, and the purple shows that it was over in Lend-Lease for thirty-five days before it came out, and then it went over to WPB, and they have only had it ten days. Now, most of these - here is an order for seventeen hundred tons. You had it for twenty-five days. Here is an order for twenty-five hundred and fifty tons, and you have had it for thirty-one days.

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MR. BATT: Well, they might have them for twice that, Mr. Secretary, because if it was specifications that nobody could roll, it would stay in their place or our place until Amtorg had cabled to Moscow and Moscow had cabled back to Amtorg. That has been going on all the time.

H.M.JR: Well, twenty-seven days, twenty-three days.

MR. BATT: That may well be. Maybe twice that much.

H.M.JR: But those of us who are buying or getting the ships, you can't do it until we actually get the order.

MR. NELSON: And you can't get to give the order until you get the specifications.

H.M.JR: Well, it can't reach us until it comes out of Lend-Lease.

MR. HAZZARD: May I state in connection with the Lend-Lease, the thirty-five days, Mr. Secretary, we get these and send them to the War Production Board to consider the specifications before the requisition is sent over finally. That thirty-five days is not just spent with our shuffling papers. It is the period during which they try to get the specification to the nearest American one, and then when they do that we send over the requisition. So that thirty-five days is considered as a conference period during which we try to make the specifications we can do. It isn't just thirty-five days of paper shuffling.

H.M.JR: Well, I appreciate that, but on the other hand, again, looking at it from the President's standpoint, April 1 is only less than two and a half weeks off. It doesn't help him any.

MR. HAZZARD: No, but just having that purple, I think it ought to be a line of purple and yellow, WPB and Lend-Lease.

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MR. BATT: And the Russians.

MR. STETTINIUS: It ought to be all red.

MR. NELSON: No, Mr. Secretary, what was the President's promise? Did he promise to ship them any kind of special thing they asked for? No, he promised to ship them according to American specifications. We can do that tomorrow. These quantities of steel are nothing in American specifications, but if you want something special that our people can't do, then the President or no one else can live up to a promise he didn't make.

MR. STETTINIUS: Don, the Russians have been told that constantly for months, that they could have the steel if they would take a standard type of steel.

MR. NELSON: The story has been told back and forth and they insist they want what they want. The President didn't promise to ship them that. The President promised to ship according to American specifications. That was the protocol.

MR. BATT: Mr. Secretary, the Division of Materials of War Production Board has worked as hard on this Russian thing as anybody around this town has.

MR. STETTINIUS: There is no question about that.

MR. NELSON: And it has taken more of our time than the whole war program, really, on steel.

MR. BATT: Now, I could give you innumerable examples. There have been some delays. Some delays on our part at one time or another and there certainly must have been some on Mr. Stettinius', and great numbers on the part of the Russians. But ever since I have come back from Russia and certainly ever since January 1, this thing has been pushed and pushed and pushed, and I know of no - nothing further that can be done except the President ought to keep needling.

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Now, just to keep the record clear--

H.M.JR: Well, that is what he is doing this morning. (Laughter).

MR. BATT: You asked about taking the goods off the shelf, Mr. Secretary, but you didn't say anything about taking it away from the Army or Navy.

H.M.JR: Well, what the President said yesterday, and you gentlemen - I think those who know me will accept my word, he said, "Take it wherever it is," and he said that this is more important than anything else. He said, "Take it wherever you can find it," and he said, "If anything should happen to Russia or if Mr. Stalin should lose confidence in my word," he said, "there isn't a greater calamity that can happen to the war effort." He said, "Take it wherever you can find it," and he said, "I will back you up. I don't care what you pay for it."

Now, I don't - and as I say, the only reason I disagreed with Mr. Nelson, not on your sincerity or efforts, because Mr. Nelson has told me again and again how much Mr. Batt has done, but there are things which can be changed, and I think could be foreseen that when you ask Admiral Land to put in a dozen ships at Philadelphia and the ships are there and then we worked out the transportation problem after the ships are there. I think it is inexcusable.

MR. BATT: Well, now, we have not taken aluminum--

H.M.JR: I don't think anybody - if anybody had the time to listen to the troubles of Moore-McCormack have had, and instead of we, in the Government, making it easy for them as possible to handle it, we have made it just as difficult as possible for them to load these ships.

ADMIRAL LAND: I would like to just accentuate that. There were seventeen ships on berth at Philadelphia working at fifty percent efficiency due to lack of cargo on the piers. God knows where it is. It may be some place

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in Philadelphia. Now, that is a fact.

MR. NELSON: Well, who is responsible for getting stuff there?

ADMIRAL LAND: All of us are responsible one way or another.

MR. STETTINIUS: Well, General Aurand ought to specify that. It is a quartermaster's responsibility.

GENERAL AURAND: The only thing that I know is what Mr. Eastman has already told and what was told at your meeting yesterday, that each one of these shippers has shipped into the ports heretofore independently and that some organization has to be gotten - or put in charge so that that can be done under a single control; and, until that is done, you are going to have this confusion at the ports. There is no question about that.

H.M.JR: I would like to ask Mr. Patterson, why do we have to wait until the first of April to straighten out whose responsibility it is? Why can't this be done in twenty-four hours, Mr. Patterson, and why do we have to wait?

ADMIRAL LAND: Because there is a difference of opinion as to who should have the responsibility.

H.M.JR: All right, let's settle it, Mr. Patterson. Can't we settle it without having to go to see teacher? Why does it take until the first of April?

GEN. AURAND: I think Mr. Eastman should answer that.

MR. PATTERSON: I am not aware of that at all.

MR. EASTMAN: Well, this particular plan we are ready to put into effect at once. That is, the War Shipping Administration and the Office of Defense Transportation, there are certain mechanics connected with it that I am not sure they are all ready. As Mr. Turney says, you can

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improvise on those before the thing goes into effect. But the Army had a different opinion. The Army felt that it ought to have complete control of this instead of this plan which has been devised. So General Somervell called a conference and our plan was presented in that conference, and then he said the next thing to do was to refer it to Mr. Hopkins. So I presume that matter is before Mr. Hopkins now. I may say about the Philadelphia situation, though--

H.M.JR: Mr. Hopkins happens to be sick just now. I mean, he was yesterday. He wasn't available.

Again I say, why can't we settle it amongst ourselves, if it is a conflict?

MR. EASTMAN: I think it should be said about the Philadelphia situation that I think, and Admiral Land can correct me if I am wrong about this, that that is the first time the ships have had to wait for cars. Isn't that so?

MR. KEATING: Since the first of May, Mr. Eastman.

MR. EASTMAN: Well, I mean up to that time, back over months.

MR. KEATING: This is the first time we have had enough ships--

H.M.JR: The first time they have had any ships, and they are lying there.

MR. EASTMAN: Well, you mean - we have been shipping to Russia right along.

H.M.JR: In dribblets. Now you have got the ships and can't get the cars.

MR. EASTMAN: There are other shipments going to all parts of the world under the Lease-Lend program, going to Great Britain. I understand this is the first

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time that the ships have had to wait for cars.

H.M.JR: Well, Mr. Patterson, seeing that General Somervell comes under you, couldn't this be settled in twenty-four hours without waiting--

MR. PATTERSON: I think so.

H.M.JR: ... on anybody? Can't we, amongst ourselves, do this? My representative says there is a conflict between the War Department and the Coordinator of Shipping, as to who should have it.

ADMIRAL LAND: There are two or three elements there. I might make it plain to all of you. There is an agreement between Mr. Eastman's outfit and my outfit. There is a difference of opinion in the War Department. While they have never expressed any serious objection, but they haven't gone along with it, and it could be settled in ten minutes if somebody would say either the War Department take it all or Eastman and Land take it all. That is all that amounts to.

MR. BATT: Mr. Secretary, I have just been looking at this chart on the wall. That first chart is very misleading, and I will tell you why. We have been unable to get an agreement with the Russians and ourselves as to what the items in the protocol meant. There are items in the protocol, over-all items. Calibrated steel, for example.

H.M.JR: That is based on your own memorandum.

MR. BATT: That one is?

H.M.JR: Yes, sir.

MR. TICKTON: It is taken from the table in the report.

H.M.JR: It is right out of your own shop.

MR. BATT: Well, I stuck my neck out apparently.
(Laughter)

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I still say we are going to keep the protocol much better than the thing shows by June 30. I think I had better borrow your charts, if I may, so I can tell you what is wrong with them.

H.M.JR: You had better look at the report.

MR. BATT: Oh, I have been all through it. I have it right here.

H.M.JR: It is based on that. We may be wrong too, but that is what it is based on.

MR. BATT: Well, this is the point I wanted to make, is that the difference between classifications is not important, that where we filled something that suits them that doesn't come in one protocol classification, we think - if it meets their requirements, that is the important thing. We are going to get them more steel items they want than they have asked for by June 30, indeed by April 30.

MR. McCABE: Mr. Secretary, the two great problems right at the moment, as we have studied it, is, one, the regulating job at the ports. That has to be settled before we can bring order out of chaos. That is number one. The second is the clearing up and simplifying the paperwork in connection with these shipments. That is, the cars arrive, the shipping papers are not with the cars. It causes endless confusion because sometimes there are fifty to sixty cars under one bill of lading, and they can't get clearance under those until the bill of lading comes in, because they can't pick those cars out. There are two things that have to be corrected until we can bring order out of this chaos. One is to determine definitely who is the shipping regulator, and the second one is clearing up this paperwork in connection with the shipments so that when the cars arrive at the port they can be instantly cleared for loading on the ships.

Now, so far as getting the stuff through, I would just like to say this, that when we made our appeal first to you, Treasury Procurement--

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H.M.JR: Well, you people started me on this rampage.

MR. McCABE: ... the steam went on terrifically and your men went to bat like nobody's business to get stuff rolling. We made the same plea to the War Department and the War Department delivered like nobody's business to get their stuff rolling. In turn we made the appeal to the War Production Board, and we were in daily conference with Carl Adams of the Iron and Steel Division, because we wanted the heavy stuff moving so we could get balanced loading, and he assigned two of his fellows on it almost full time to get that rolling, so from the standpoint of the appeal to date, wherever it has been made, the co-operation has been extraordinarily good. Up to this windfall of ships, our number one problem was ships. Now that we have got the ships, we have got to immediately correct these two glaring things. One, determine who is going to regulate the shipments, and second, who is going to iron out this paperwork, because to me that is the disgraceful thing, to have the cars flowing through the ports and the paperwork lagging anywhere from one to two to three and sometimes more days.

MR. STETTINIUS: Well, you mean invoices that go with the cars?

MR. McCABE: Well, the waybills, the bills of lading, the things that go with the cars that have to be ironed out. Now, that is up to the procurement divisions in cooperations with the various people concerned to do that. Now, on the question of the regulator, the number one problem that you have put your finger on is to determine as quickly as possible how that can be solved, because the question of loading the ships--

H.M.JR: You mean who is going to be - what do you call this, control of shipments from factories to port?

MR. KEATING: Yes, that is right.

MR. McCABE: The man at the port who determines the movement from the factories to the port and the control of those cars and the loading of those cars on the ship.

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H.M.JR: Well, Mr. Patterson, wouldn't you take that on personally?

MR. PATTERSON: Yes, I will discuss it with General Somervell of course. I wasn't aware of the problem. He had a conference yesterday, I understand. I wasn't present at it.

H.M.JR: Wouldn't you try to settle it in twenty-four hours.

MR. PATTERSON: Yes, sir.

H.M.JR: That would be something gained. It would be something gained. It would be important.

MR. HENDRICKSON: Mr. Secretary, let me offer one or two points. In the first place, the notice on the Russian ships has been very short, and I think there could be improvement there from the standpoint of on the Russian end of it, and I understand it is possibly coming. With respect to the difficulty of settling the control of the domestic traffic to ports, I was at that conference the other day and it appears to me to be something like this. There is an Executive Order which is quite clear from the standpoint of vesting that authority in Mr. Eastman. There is some difference with the Army group; and, as far as we are concerned, it doesn't make any difference as long as somebody has the authority. The notice has been extremely short. We had noticed there would be about twelve thousand tons available, and there turned out to be about sixty thousand at about the same time. That was no trick to handle in the case of wheat and flour, but it does become a very great trick when you run into thirty or forty or fifty foot items, which are more difficult to pick up.

Now, I think there is one more point. I am not sure who is responsible, and it was probably necessary, but in the case of our - our first information was that the Russians would pick up their stuff at Boston, and then it was moved on very short notice to Philadelphia. I am not sure but what, for this emergency situation, that it was so wise entirely to close out New York on

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those because the facilities were very much better and particularly until an adjustment could be made at Philadelphia.

ADMIRAL LAND: May I ask, in your West Coast comment about ships, whose ships were they?

MR. HENDRICKSON: Those were Russian ships.

ADMIRAL LAND: Well, I have got enough troubles without taking theirs on my neck. I just wanted to clear it up. (Laughter)

MR. HENDRICKSON: But there is the point, Admiral.

ADMIRAL LAND: I understand the point, but we are the recipient of most of this ball passing, and I just wanted to let everybody know that particular point.

MR. HENDRICKSON: Somebody ought to get control of the knowledge of what is going to happen in the way of Russian ships coming in.

ADMIRAL LAND: I don't want to make unpleasant comments about our absent ghost here, but a lot of this trouble, and everybody here knows it, is the Russians themselves. It took me months to find out who was the shipping man that I could contact. I was passed around the ring like the ball at a football field. We finally had a conference with the Ambassador, and it is at least settled for the moment, and there is a purchasing commission coming over with a general and admiral, and the admiral is going to have something to do with shipping, so I think maybe we will have some points of contact. There certainly has been a woeful lack of proper point of contact with Amtorg mixed up on one side giving orders and various and sundry Embassy staff giving orders.

MR. STETTINIUS: That mission will take the place of Amtorg as their official supply agency with two new members.

H.M.JR: Now, do you want to say anything? Do you

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want to sum up?

MR. BATT: You have said nothing about refining equipment. You are not satisfied with what has happened to refining equipment, are you?

MR. HAZZARD: The--

MR. STETTINIUS: The last thing on that, Bill, is that the Russian engineers went to Texas to take a look at the second-hand, used equipment, and we are waiting upon them to tell us whether they are willing to take it.

MR. BATT: But that is only part of it. There is a lot of new equipment involved, too.

MR. HAZZARD: I can speak for a moment on that. Mr. Batt and General Burns originally worked very hard trying to get this thing coordinated with the Petroleum Coordinator, which is the only place, I understand, that can buy petroleum equipment. Since July, when the President approved those plans, we have been going to conferences. So far, we haven't got any plants or any program of plants. I think we are going to have to get a man outside the Petroleum Coordinator's office who is not under their control who will prepare a program, submit it to them and say, "Either give it priority or turn it down."

MR. BATT: The reason I want that laid on the table is that that is one place where there has been no support whatever for help to Russia as far as I can find.

MR. STETTINIUS: That is entirely true.

MR. BATT: For six months that has been allowed to die repeatedly week after week and week after week.

H.M.JR: Who is that, Ickes?

MR. STETTINIUS: Yes.

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H.M.JR: Well, do you want to sum up?

MR. STETTINIUS: Well, I want to thank you for the - for having us all together, and I think it has been very, very helpful, certainly for us, and I am sure to the others. I think we should have another roundup at an early date to take inventory again.

H.M.JR: Well, I would like to, because I think these confessional meetings are good for the soul.

MR. STETTINIUS: I don't know if we need as large a group again.

MR. PATTERSON: Is there still trouble on the procurement side with regard to the parts or specifications?

MR. McCABE: Yes.

MR. BATT: Oh, yes.

MR. PATTERSON: It seems to me it is quite conceivable that the Russian specifications were impossible of attainment within the time of objective.

MR. BATT: Oh, they are without a doubt.

MR. PATTERSON: And recognition of that and just getting them the nearest thing we could within the limited time would be the only sensible arrangement you could possibly make and forget their specifications. They can't possibly deliver it.

MR. BATT: You can't quite do that, Bob, because there are various ways you can go in changing a specification, and you have got to see what their actual operating people want when you make a shift.

Now, you take a case - we got a requisition yesterday through you, a couple of days ago, for forty thousand tons of railway axles, car axles, and they are specified as all rough-turned axles.

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MR. STETTINIUS: Of course that is not a protocol item.

MR. PATTERSON: Well, Bill, take nickel steel. If we can't give them four percent nickel and one percent goes for us and Britain, one percent, that is an item we can furnish.

MR. BATT: That is the position we are taking, but we let them go back and clear it up with their people before we do anything.

MR. PATTERSON: No use their arguing. They just can't get it within the time limit.

MR. BATT: That is right, but we don't go ahead and order the substitute either until they approve, and that is where the delay has taken place.

MR. PATTERSON: I wonder if we shouldn't do that? It will come to that in the long run anyway.

MR. BATT: I have given our men instructions to try to lock themselves up in the room with the Russians and not come out until they get an agreement.

MR. STETTINIUS: There has been no promise for these odd specification materials. Some of the things we have discussed here are not a protocol commitment.

MR. PATTERSON: I suggest this on an item like that they be told that the achievement of that objective within the time limit is impossible, and that we will give them the equivalent, the nearest equivalent we can within the time objective. We have ordered it for them and there it is, and tender it to them. Otherwise you will come to that in the long run, but you will lose two or three months.

MR. BATT: It is important, as I see it, to recognize that the President has not said in such fashion that it is taken as a Bible that this Russian requirement comes ahead of everything. You try to take some of this Russian

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material away from most any of the people in this room who have fixed commitments to the President, and they will bitterly object.

MR. PATTERSON: I understand, Bill, but what is suggested is not a departure from the protocol at all, because the protocol didn't mention any specifications.

MR. NELSON: That is right.

MR. PATTERSON: So that you are not breaking any promises at all.

MR. NELSON: We are not.

MR. STETTINIUS: Of course, the protocol also said delivery of finished article at Pittsburgh and Detroit and not in Murmansk. It didn't say anything about delivery of the protocol.

MR. BATT: We were fully aware of the shipping question, and we debated--

ADMIRAL LAND: It didn't say anything about ice at Archangel, either.

H.M.JR: Mr. Batt, to answer you as to that, from the way the President spoke yesterday, if you are short on something, take it and he will back you to the limit. I mean--

MR. BATT: I have have felt so, Mr. Secretary, but I am just one of the people down the line here.

MR. NELSON: May I ask a question about this however, sir, just to get it clearly on the record. Does this mean that if the Russians want something, whatever they want, we stop the airplane production lines or any production line we have to give it to them, no matter how critical the item may be?

H.M.JR: What the President told me yesterday was

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that the Russians - filling his promises to Stalin, that that came first over and above everything else. That is what he told me, to make good on his promises so that he personally would not be left out.

MR. NELSON: I mean on the aluminum, you would shut down the airplane line to give it to them?

H.M.JR: I can only repeat what he said. He said if it is a question of fulfilling his promise which was made on his behalf to Stalin and signed that that was more important than anything else, that his promise be fulfilled.

MR. BATT: Don't you think we are entitled then in operating this agreement to some kind of a statement from the President which we can put in front of anybody's face when such an issue comes up, as it comes up every few days.

MR. STETTINIUS: We have had that in mind for the last couple of weeks. We have been working--

H.M.JR: If I were in your shoes, I would want something in writing.

MR. STETTINIUS: For the last couple of weeks, Mr. Secretary--

H.M.JR: Excuse me. I asked for something and that is what I got.

MR. STETTINIUS: Both a reclarification from the President that we in turn could transmit to each of the Procurement agencies as to the protocol, commenting upon the items that are not going to be filled by April 1 and also a message - draft for the President to send Stalin. We are working on such a communication, because I think the time has arrived now when such an indication must go. If we took the President literally, there are a lot of things of great importance--

MR. BATT: There are several of the powder making

elements. Phenol, as an example. To keep their requests under the protocol, we would have to take that away from our own Ordnance Department out of their present program, and they would - at least they have in the past - be not very happy about that.

H.M.JR: Well, speaking for myself, I am going to take him literally until I get into hot water. I can only talk for myself, and when I say myself, I mean Procurement in the Treasury, but each person has to - I mean, that is why I asked him to give me a little chit in writing.

ADMIRAL LAND: I want to side in with you on that, because that is what we are doing, despite all our fallings down. That is what we are going to do. We are taking it literally, and I have got it in writing.

MR. STETTINIUS: Jerry has had it in writing repeatedly for months. Of course, the War Department have had its own individual directives from the President, and they have had special dispensation to make amendments in certain cases.

MR. BATT: It doesn't meet the issue specifically.

MR. NELSON: No, this note from the President doesn't say that we shall stop all steel production and make a special steel.

MR. STETTINIUS: Will you leave that with us, Don, to clear up?

MR. NELSON: But be sure he knows exactly what the issue is, that it is clear, that what we are talking about, all the rest of the stuff--

MR. STETTINIUS: We will.

MR. BATT: First is first. If you say rank - first is first and the--

H.M.JR: If it was mine to settle and you had a

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certain kind of steel rolling out and it was two percent nickel and they wanted four, I would give them the two percent.

MR. STETTINIUS: But they won't take it.

MR. NELSON: I say that fulfills our promise.

MR. PATTERSON: Does Litvinoff say he won't take it, or does some fellow down the line say that?

MR. BATT: They take it, Bob, but it takes them a month to find out whether they will take it or not.

MR. STETTINIUS: Well, they didn't take the barbed wire with three prongs rather than four prongs for months.

MR. BATT: We gave in on that because we sympathized with their situation.

MR. STETTINIUS: I got the steel mills to work over the weekend to make them three prongs, and then they wouldn't take them Monday morning.

H.M.JR: That is one of the stories I have heard.

MR. EASTMAN: The Russians say they have got to be loaded, the cars, by number, and we objected to that, and they said, "If you don't do that, we will be shot."

H.M.JR: I think if Mr. Stimson and Mr. Nelson get up a memorandum to go to Mr. Stalin and give it to Mr. Roosevelt, that that would help a lot. Well, I thank you all for your coming.

MEMORANDUM.

OFFICE OF THE ASSISTANT SECRETARY.

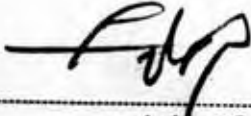
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Mar 11

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W.M.J.

This is critical
because (a) we must
keep our word -
(b) because Russian
assistance events
most hasty



Assistant Secretary.

March 12, 1942
11:10 a.m.

HMJr: Nelson.

Nelson
Rockefeller: Yeah. Good morning, Mr. Secretary.

HMJr: How are you?

R: Say, I'm fine; but I feel badly not having been able to get the answers I wanted on the Argentine situation for you in relation to the problem we discussed.

HMJr: Yes.

R: Now, now frankly when we got the thing out - and we've been working with Harry White, who's been simply magnificent on it, it looked as though that considered by itself - and I have a pretty comprehensive memo - is out of the question, for political reasons.

HMJr: I see.

R: But in the light of the over-all picture, it might be a possibility.

HMJr: Yeah.

R: Therefore, I've got two alternatives; one is to give you, if you'd like to see it, the memo on the Argentine and discuss it with you briefly.....

HMJr: Yes.

R:or - and we're getting the one up on the over-all picture - or to wait and present you the over-all one if you'd like. Now, I'd be glad to stop over with this one and go over it briefly with you at your convenience, or send it to you.

HMJr: Supposing you send it to me, because for the rest of the week I'm sort of sunk.

R: All right. Well, that's simply grand. I'll

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do that with.....

HMJr: You mean it's grand that I'm sunk?

R: (Laughs) No. I beg your pardon.

HMJr: I see.

R: Listen, what do you mean on that?

HMJr: Well, I mean I've got to testify and so forth on the Hill tomorrow.

R: Oh, oh.

HMJr: I've got to testify in the morning, and Cabinet in the afternoon.

R: Yeah.

HMJr: So I'm - well, you send it on over and I'll take it home and read it at night.

R: Good.

HMJr: Then when I understand it a little bit better, I'd like to see you.

R: Swell. Well, I'll - any time that you are ready, I'd like to have a word with you on it. In the meantime, we're proceeding with the over-all picture.

HMJr: Fine.

R: And I just want to tell you again how much I appreciate the cooperation I got from Harry.

HMJr: Good.

R: And the thing on the movies is going along in swell - in grand style.

HMJr: I hear that we have a sponsor in "Reader's Digest".

R: Oh, really? I hadn't heard that yet.

HMJr: Yeah. I hear we're going to do it under their cloak - that's the last thing.

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R: Oh, really? Well, we've been working with them on a deal for South American "Selecciones", and I'm just delighted that it's working out that way for this one.

HMJr: Well, I understand that he wants to do it under the name of "Reader's Digest", and he thinks it would be more acceptable to the theatre, so he's gone on up to see them so I've been told.

R: Well, it looks like we have - there'll be five of us in that.

HMJr: Yeah.

R: (Laughs)

HMJr: Yeah. Anyway, thanks for your cooperation on that.

B: Well, I'm simply delighted that you let me have a chance to come in with you; because I think it's one of the most effective things that's being done and there's certainly a need for it.

HMJr: Well, I'm very enthusiastic about it; and I understand that all six scripts are written now by Deuel.

R: Wonderful.

HMJr: Yeah.

R: And then are they going to appear as stories in "Reader's Digest"?

HMJr: That's what they're going to try to do.

R: Say, that is very smart.

HMJr: They're going to try to have them first appear as stories in "Reader's Digest" and then come out as a Disney picture. We stay in the background.

R: Oh, grand! Say, that is swell.

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HMJr: Sounds good. I had nothing to do with it.

R: Well, you just originated the idea and got it going, that's all.

HMJr: (Laughs) Well - that's all.

R: (Laughs) All right. Thanks loads, and best of luck on the Hill.

HMJr: Thank you.

R: Okay.

HMJr: Good-bye.

R: Good-bye.

STRICTLY CONFIDENTIAL

cc - Mr. D. Bell ✓

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March 12, 1942
1:01 p.m.

HMJr: Hello.

Operator: Mr. Burgess.

HMJr: Hello.

Randolph
Burgess: Oh, hello, Henry.

HMJr: I got a message that you called me.

B: That's right, yes.

HMJr: What's on your mind?

B: Well, we've talked with Marriner about his program.

HMJr: Oh.

B: His program for tap issues, you know.

HMJr: Yeah.

B: And we've talked it over with the best bond fellows we can find here, and we don't think much of it.

HMJr: Uh huh.

B: And I don't know what the Treasury reaction is, but before anything was adopted, Henry, we just want to talk with you.

HMJr: Well, let me be very frank. You know the last meeting we had, everything down to the last word, you know, afterwards was in the "Wall Street Journal", you know.

B: That's right, but we didn't do that. That was one of your boys.

HMJr: Huh-uh.

B: I was very much embarrassed by it.

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HMJr: One of my boys?

B: It must have been.

HMJr: Well, I.....

B: It's the Washington reporter, I'm - Henry, I'm.....

HMJr: No. No, I think if you look back you'll see it was.....

B: Well, I'm just as certain as I'm sitting here it couldn't have come from our fellows.

HMJr: Yeah. Well, I didn't call you at the time, but I just couldn't understand it.

B: Well, I couldn't either, and.....

HMJr: Well, certainly, it didn't give me the breaks, the article.

B: I thought it was very bad in every way. It was a very poor article.

HMJr: Yeah.

B: And it couldn't be run down as to the source, but I'd be willing to bet that it was somebody in the Treasury.

HMJr: Well, I'll bet you ten dollars to one it wasn't.

B: (Laughs)

HMJr: So there's a good bet.

B: Well, I don't know of any way of finding out.

HMJr: Ten dollars to one dollar it wasn't.

B: Well, I'll take your bet, but I don't know how you're going to.....

HMJr: What?

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B: Then how are we going to find out?

HMJr: Well, I don't know; but we don't - you know, things - in the meetings in my office, you know, we have them all day long, and they don't come out.

B: Yeah. Yeah. Well, Henry, we - I didn't even tell my people here at the bank what took place. I just said, "This is off the record; nothing can be said until after....."

HMJr: Well, that's what I thought. That's what surprised me so.

B: Well, I'm just as sure as I can be it didn't come from our fellows.

HMJr: Well, did Marriner tell you what his program was this time?

B: He was up here Friday and talked with us about it.

HMJr: Uh huh.

B: And we've given it a lot of careful thought.

HMJr: You have.

B: And I think there are a lot of outs about it, Henry.

HMJr: You do.

B: And if he wants to get the cooperation of the bankers on it, which we want to give, I think it needs a lot of thinking about before it's adopted.

HMJr: Well, suppose I see you and Stonier this time without Marriner. Marriner was present last time.

B: Yes.

HMJr: Supposing we try it once more and see if it appears in the paper.

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B: All right.

HMJr: What?

B: All right.

HMJr: I'm - I mean, he was the only non-Treasury person present.

B: Yeah.

HMJr: Well, after all, I'm not going to - I mean, on what you say, I've always taken your word. I want to take it now.

B: Well, certainly as far as I was concerned, there was.....

HMJr: You read the article.

B: Oh, I read the article, and I was very unhappy about it.

HMJr: Yeah.

B: Because I don't think it was good for either of us.

HMJr: Yeah.

B: It made it look as though the Treasury was doing something that the New York bankers were pushing for.....

HMJr: That's right.

B:and it just made it harder for us as well.

HMJr: Yeah. That's why I know it didn't come from the Treasury. I'd have written the story differently.

B: You would have.

HMJr: Oh, I would have written what a big, broad-gauged fellow I was, you see, to invite you fellows in.

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B: Oh, I know that it didn't come from you.

HMJr: (Laughs)

B: (Laughs)

HMJr: Well, anyway.....

B: I thought it was written by somebody that didn't like the decision, Henry.

HMJr: Yeah.

B: That was my explanation of it.

HMJr: Well, I tell you, Randolph, before - I'll give you fellows a hearing; we'll try it once more.

B: All right, sir.

HMJr: And.....

B: When would you like to see us?

HMJr: Well, I don't know because - I'll know better around four o'clock today.

B: All right, sir.

HMJr: I'll - you'll hear from me later today.

B: All right. That's fine.

HMJr: Okay.

B: Good.

HMJr: Good-bye.

B: All right. Thanks a lot.

March 12, 1942
2:25 p.m.

Miss Birney: Hello.

HMJr: Miss Birney.

B: Yes, sir.

HMJr: Mr. Morgenthau speaking.

B: Yes, Mr. Secretary.

HMJr: Is Mr. Hopkins still at the hospital?

B: Yes.

HMJr: Well, now, look. He sent me over his income tax.

B: Uh huh.

HMJr: And there are several corrections we think should be made.

B: Yes.

HMJr: And Mr. Randolph Paul is available if you could tell us how to get in touch with Mr. Hopkins or whether you'd get in touch with him.

B: Well, I'm going out there this afternoon.

HMJr: Yes.

B: And I can take it out to him.

HMJr: I see. Well, I tell you what. Will you stay on the wire and let me switch you over to Mr. Paul; and maybe he could ask you the information that he needs.....

B: All right.

HMJr:to make corrections which he thinks should be made. How's that?

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B: Surely.

HMJr: Will you just stay on, please?

B: Yes, uh huh.

Operator: Operator.

HMJr: Miss Birney should stay on, and give me Mr. Paul on the wire.

Operator: All right. Mr. Paul.

HMJr: Mr. Paul.

Randolph Paul: Yes.

HMJr: Miss Birney, Mr. Hopkins' secretary, is on this wire. Hello.

P: Yes.

HMJr: And she is going out to Mr. Hopkins; and if you could tell her on the telephone what you need to know, she could get the information.

P: All right. I could do that. Can you transfer the call?

HMJr: She's right - Miss Birney, are you there? Hello. Hello. She was on here a minute ago.

P: Maybe I can call her direct.

Operator: Operator.

HMJr: Where is Miss Birney?

Operator: I didn't know you wanted her on here. Wait just a minute.

HMJr: Yes. Give her to Mr. Paul.

Operator: All right.

HMJr: Will you, please.

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Operator: Yes, I will.

HMJr: Hello.

Operator: Do you want Mr. Paul again?

HMJr: No. Let Miss Birney speak to Mr. Paul.

Operator: All right.

March 12, 1942
2:28 p.m.

HMJr: When am I going to answer that letter from Sumner Welles?

Daniel
Bell: Well, we had a little meeting before I went to the Federal, and I was just calling Harry and Bernie now. They were going to work on a couple alternatives, and I think we're prepared to discuss it now and then they can work on it while we're having the meeting with Marriner.

HMJr: Well.....

B: He's coming over at three o'clock, you know.

HMJr: Well, couldn't you come in about ten minutes of three with the men?

B: Yeah. Will that give you enough time?

HMJr: What, on China?

B: Yeah.

HMJr: Quarter of three.

B: All right.

HMJr: Quarter of three.

B: Well, I see you had a conversation with Burgess.

HMJr: Yeah.

B: (Laughs)

HMJr: Did you read it?

B: I haven't read it all yet. I've just read about half of it. I've got something else to tell you on that.

HMJr: On that?

- 2 -

B: Not on this, but tied in with it with Marriner. I take it that's what he called you about.

HMJr: Well, I tell you what you do. Let's - I'll see you at a quarter of three with these men on China.

B: Yeah.

HMJr: And then you and I have a few minutes before Marriner comes.

B: All right.

HMJr: How's that?

B: Swell.

HMJr: All right.

B: Thanks.

March 12, 1942
2:46 p.m.

HMJr: Hello.

Operator: Mr. Mack.

HMJr: Hello.

Clifton
Mack: Yes, sir.

HMJr: How do you think our meeting went, Clif, this morning?

M: Why, I think it was grand.

HMJr: You do.

M: Oh, I think it was grand. The big thing when you get right down to brass tacks is this transportation.

HMJr: Yeah.

M: And I think that the way you handled it, they'll come to a decision very shortly, because they're on the spot.

HMJr: That's right.

M: And the number two thing, of course, is this matter of clarifying what was evidently an uncertainty in the minds of both Batt and Nelson.

HMJr: Yeah.

M: As I gather the picture, here Land was interpreting the order of the President to actually give precedence. Stettinius, of course, has been emphasizing that, but I think from the questions that Nelson put, it indicated that there was a good deal of latitude.

HMJr: That's right.

M: And those are the two things that stuck out in my mind; although I did get a terrific kick out

- 2 -

of Batt's criticism of the chart.

HMJr: Didn't you love that?

M: I thought that was wonderful.

HMJr: Wasn't that wonderful?

M: Indeed it was, because he laid himself - well, he walked into it.

HMJr: Well, I prepare myself very carefully for a meeting like that, because I know - I've just got to remove all elements of human error.

M: That's it.

HMJr: And then when we go into a meeting like that, I'm carefully prepared.

M: That's right.

HMJr: And Batt wasn't.

M: Well, that's very evident. There's only one thing that occurred to me, and it's this, that question raised by one of the Stettinius group that they were charged with too much supply.

HMJr: Yeah.

M: Well, nevertheless, that's when the requisition first reached them and it was in the discussion stage.....

HMJr: Yeah.

M:and so.....

HMJr: Well, I wouldn't worry about that.

M: Yes.

HMJr: Let them worry about that.

M: Very good.

HMJr: And they did - don't worry.

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M: I'm sure of that.

HMJr: And if we do nothing else but get the transportation thing settled this week, that'll be something.

M: Well, that's so. And the very important thing, the letter from Stettinius to clear up any doubt that may be in War Production Board's mind.....

HMJr: Yeah.

M:as to what they should do. I think it was grand. I think that - well, frankly, that's what Stettinius should have done himself.

HMJr: Oh, sure. Well, he hasn't got the guts.

M: Well, that's it.

HMJr: He can't stand up against these people.

M: Well, it really is - well, of course, it's a big order, but it calls for a big order.

HMJr: Yeah. Well, we'll watch it a day or two and see what happens.

M: Well, very good. I was really thrilled.

HMJr: Nobody's taking it out on you in any way?

M: Oh, no. No, not at all.

HMJr: Well.....

M: Not at all, and I think it was grand.

HMJr: Well, I congratulate you that your stuff showed up the best of anybody's.

M: Well, we're going to keep batting away at it because it's so important. You know in two or three months, this Russian situation can be - if we let it down - it can be so critical of the entire outcome.

HMJr: That's right.

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M: And that's very important.

HMJr: Okay.

M: All right. Yes, sir.

HMJr: Thank you.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 12, 1942

TO Miss Chauncey
FROM The Secretary

Get back the letter from Sumner Welles, on China, which you gave to Harry White last night. Have photostats made of it, and give a copy to Bell, Viner, and Harry White.

Tell Mr. Bell that I want to do something about it today. Please have something ready for me right after lunch.

*Ross, White, Fox, Donohue, Foley
Freeman, Bernstein, Taver
saw the Perry at 2:50*

March 12, 1942
2:50 pm

AID TO CHINA

Present: Mr. Fox
Mr. White
Mr. Foley
Mr. Viner
Mr. Southard
Mr. Friedman
Mr. Bernstein

H.M.JR: Well, I read this letter, and I see I can either have a new Article Two or give them an alternative. I can either say I want a new Article Two or give them their choice.

MR. BERNSTEIN: Or an exchange of letters. You can either put in a new Article Two or an exchange of letters, doing the same thing.

H.M.JR: Well, I didn't read that. "Another possible line of procedure which might be considered to be identical--"

MR. BELL: That means the letters.

H.M.JR: Oh.

MR. BELL: Like we did in the first Chinese thing.

H.M.JR: One way is to do it by letters, and the other way is to do it by hand?

MR. BELL: No, one way is to do it by letters, and the other is to do it by the agreement.

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MR. FOX: There is a third alternative, Mr. Secretary, and that is to put the thing in your hands and decide to make the decision.

H.M.JR: Well, these fellows have been in Washington so long, they are not like you and me. They have got me kind of playing inter-office politics.

MR. FOX: It looks as if the State Department would try and do that.

H.M.JR: I told Mr. Welles he was trying to make a written record on this thing, and I was more interested in what happened to China than I was in the written record, and he didn't like it.

MR. BELL: Well now, we wonder whether you want us to go ahead and take it up with Soong on this basis or--

H.M.JR: Or do it in writing?

MR. BELL: Well, either way, or whether it ought to be discussed with the President. Is it important enough to get a decision out of the President as to whether this is going to have a bad effect in China.

H.M.JR: Oh no, I don't want to bother the President. I would - they give us the alternative of sending for Mr. Soong and showing him this or doing it in the form of a letter with Soong. Well, I am against a letter. That doesn't give me a chance to crawl out. If you give this to Soong and he cables it over and Chiang Kai-shek says, "I will have nothing to do with it," then that is enough. Three strikes are out, and I am not going to strike out.

MR. WHITE: How would Soong communicate it back to his Government unless he had something in writing?

H.M.JR: Well, just give him this.

MR. BELL: Give him a new draft of the agreement, with Number Two modified as the Secretary suggests, with the other changes which we have suggested.

- 3 -

MR. SOUTHARD: Supposing you fly out with the second strike, Mr. Secretary, and China comes back with a very bad reaction to it, and then the President wants to know what happened?

H.M.JR: Well, I did what Mr. Welles told me to.

MR. FOX: As a matter of fact, Mr. Secretary, it is all right to have a draft of the provision. This is merely eye wash, a lot of words. You have no more consulting possibility under this wording than if you had none at all, and had good will, but they might accept it and realize it is just eye wash. I don't think there would be a bad reaction. I hope there won't be, because we can't afford it now in China.

MR. WHITE: Doesn't the President have to approve it anyway? At what point would you bring it to him, I don't mean this point, but I mean the draft?

H.M.JR: After the Chinese agree to it.

MR. WHITE: After the Chinese agree to it? You are setting the terms and conditions with the approval of the President. It may be that this document was drawn up in such a way that you are at the same time getting the President's approval of the draft, of the terms and the conditions, so that he could settle both issues at once if you like.

H.M.JR: Look, what you can do, Dan, is this. You can say, "Now look, Dr. Soong, here is this thing, but the State Department has asked us to make this modification." (Laughter.) That is tip enough to him. (Laughter.) Why not?

MR. BELL: Oh, I don't think so.

H.M.JR: Oh, sure.

MR. WHITE: It is all right with me. I suggested it, but I was voted down.

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MR. FOX: Mr. Secretary, I don't think you need to give him the tip-off. They will send something.

H.M.JR: Well, let him read Welles' letter. (Laughter.) That is what I would do.

MR. FOX: I don't think you need to go that far.

MR. BELL: Send him a copy of the letter and say, "Be guided accordingly. We don't agree with it, but go ahead."

MR. WHITE: Well, I think it had better be handled orally, rather than written. The only thought I had in mind, it is not important, but the State Department said you fixed it in handing it to him, the way you handed it to him.

H.M.JR: I would not write any letter. I don't want any letter going out of the Treasury on this because I am ashamed of it, so I just would say here, "You have been looking for this thing, and informally we are giving you a copy of the State Department's alternative suggestion." I would tell him that.

MR. FOX: I don't think - you can just say, "An alternative has been made." You won't need to give him three guesses. Two will be enough.

MR. FOLEY: Well, you could take care of that anyway, couldn't you, if there was any doubt about it?

MR. BELL: He doesn't want to, because it hasn't been taken care of already.

MR. FOX: You are a mind-reader. (Laughter.)

H.M.JR: Well, if in all this room there can't be an official leak, I am sorry.

MR. BELL: Well, you are willing to take a chance on going back to Soong with the alternate suggestion?

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H.M.JR: Yes, and then if to my great surprise he comes back and says, "No," we will stop fussing around and sign up, and give it to him on an aluminum platter. That is about as rare a metal as there is around here just now.

MR. WHITE: Soong said he was going away.

MR. FOX: Today.

MR. BELL: He said he was going to a doctor.

MR. FOLEY: Get it to him right away.

MR. WHITE: Before he dies.

MR. FOLEY: Sure. Ask him to come down.

H.M.JR: I would do it today.

MR. BELL: He has gone to New York to a doctor.

H.M.JR: Has he gone already?

MR. BELL: Yes.

H.M.JR: He is gone already?

MR. BELL: Yes. He had this appointment in New York with a doctor, and he had to go up this afternoon and be there tomorrow. Maybe I can get him Saturday.

MR. FOLEY: Shall we go up to New York and show it to him?

H.M.JR: Well, you had better send somebody up to New York.

MR. FOX: I have made an appointment in New York tomorrow.

H.M.JR: There you are. Go on, let him take it up.

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MR. BELL: All right.

H.M.JR: Well, that is settled.

MR. WHITE: Not to lose time.

H.M.JR: That is very convenient, that you are going up to New York.

MR. WHITE: He was going.

MR. BELL: He can study it on the train coming back.

MR. FOX: There is where I spoke out of turn. By the way, Mr. Secretary, there is no question in the last two months there has been sort of a change in the situation, a stiffening in attitude.

MR. BELL: You mean against us or against the enemy?

MR. FOX: Oh no, generally. They are a little cockier than they were. They have read about Singapore and so forth.

H.M.JR: Well, do you blame them?

MR. FOX: Oh, no, I am just stating a fact. I mentioned that in connection with this.

H.M.JR: Well, we have asked Sumner Welles to advise us how to proceed, and he has advised us. I can't--

MR. BELL: This is one thing that worried us when we were talking about it, that we had asked for this advice, and he had given us the advice, and now we are running to the President about it.

H.M.JR: I wouldn't run to the President.

MR. BELL: I was wondering if you and Welles both shouldn't see the President and tell him the story.

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H.M.JR: No, this is all right, but I would get this to Welles just as soon as possible, and I would let him know where this suggestion comes from. I mean Soong.

MR. FOX: I think you had better do it, Dan.

MR. BELL: Well, I can't go to New York.

H.M.JR: Well anyway,--

MR. BELL: I will trust you, if you want to take it up.

H.M.JR: Yes. Those aren't instructions.

MR. FOX: I understand.

March 12, 1942
3:05 pm

FINANCING:

Present: Mr. Murphy
Mr. Lindow
Mr. Buffington
Mr. Sproul
Mr. Goldenweiser
Mr. Draper
Mr. Rouse
Mr. Kennedy
Mr. Williams
Mr. McKee
Mr. Viner
Mr. Eccles
Mr. Bell

H.M.JR: Do you want to start, Marriner?

MR. ECCLES: Here is a memorandum that has just been hurriedly finished. We haven't had a chance to go over it. I think it states the results up to date.

H.M.JR: George, our people on this question of the three on the range of rates, where do we stand?

MR. HAAS: My group feel very definitely that it shouldn't be allowed to go below par, but they wouldn't want to have the bottom of the range at par, but they would want it slightly above, say twelve thirty-seconds. We feel that it would - if we are going to control the market, why not control it in a place where it would be of greatest advantage, that the market we feel will look better if it is above par, but we also feel it would be easier to handle if you don't let it go below par, but not to peg it exactly at par, except the range above par, the range of control. Dan Bell, I think he

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is - I don't know just where he is at today.

H.M.JR: If he doesn't come in soon, we may decide something. And on four--

MR. HAAS: On four, we feel that the amount of reserves that will have to be put in sooner or later are so large that we would like to put about a half billion in the New York situation. To do that - if the Fed was to do that, they would have to be supplied some bills in order to have some material to work on.

MR. ECCLES: George, as I get the thing, though, that is your point of view, but it isn't Dan's or Viner's.

MR. HAAS: I don't know what Dan's is.

MR. ECCLES: I think the Treasury is divided on both these.

(Mr. Bell enters the conference.)

MR. HAAS: That is mine and Lindow's.

H.M.JR: You are too late, Dan.

MR. BELL: Is it all settled?

H.M.JR: Yes.

MR. ECCLES: That is a relief, isn't it?

H.M.JR: I was asking Dan - they haven't prepared me.

MR. ECCLES: They have been with us nearly all day.

MR. McKEE: We thought you were on a vacation this morning.

H.M.JR: I had a nice vacation. A good time was had by all. Between now and sunset, Leo Crowley has promised to give the Federal Reserve Bank of San Francisco whatever is necessary.

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MR. ECCLES: Well, I have already talked to Szymczak. I haven't had time to talk to the other Board members. I have talked to Foley and--

(Discussion off the record.)

MR. ECCLES: We met with your boys for a couple of hours and discussed the whole picture this morning.

H.M.JR: Well, Dan, I just asked George while you were out of the room where the Treasury stood on three on whether, I gather, they should try to maintain these two bonds above par or below par, and George says his boys would like to see it above par. Where do you stand?

MR. BELL: That is where the difference is. The thing that has worried me right along is as to whether we should try to maintain these securities at par or better, and I have been a little worried as to whether we should allow, for psychological reasons, any security to go through par, but I have come around to the conclusion that I don't think it does any harm to let it go below par as long as we don't allow it to go down too far, and I think a range of a little below par and a little above par wouldn't do any harm.

H.M.JR: Buffington?

MR. BUFFINGTON: I don't see any magic in par. I thought that it might possibly increase the saleability of these short-tap issues by letting the public know that they can go below par, not stabilizing it.

H.M.JR: Viner?

MR. VINER: I would let it go a shade below par, provided it isn't left below par for any long stretch of time. Then, I would like it - I would prefer that it should occasionally be allowed to drop slightly below par so that they can't figure out exactly what your peg is, what your limits are, and so that it is a

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free issue, and also this would aim at, as I read this, a rate somewhat above - below that two point five rate we are supposed to be aiming at, and that would be an aim of higher than two point five, rather than the two point five program.

H.M.JR: Eccles, are you together with that?

MR. ECCLES: These three express my views very strongly. I have got reasons for it, but I don't care about that, that is the way I feel about it. I can give you plenty of reasons for that feeling, but there are other things to talk about.

MR. BELL: It seems to me the most important thing is the range. If you get within that range, I don't think it makes - I have come to the conclusion it doesn't make as much difference as long as you fixed the points, whether it is par or a little below par.

MR. ECCLES: Well, the principal reason is that if you don't let it go below par, the impression is soon going to get out that here is a practical guarantee at par at two and a half, and they begin - it is a peg, and they begin to think that they are going to get two and a half on demand money, and I think that the minimum - if the market begins to get that impression, then your tap issues would simply be out of the window. I think it will hurt the whole market picture if they feel there is no risk whatever in market issue and that - we decided that it wouldn't necessarily be advisable to make any statement about it, and avoid giving the impression that you have got a peg. Now, it is true that there would be in effect a peg within a range here.

H.M.JR: Well, let's not argue for a minute. Could I get the whole picture? Do you mind, Marriner?

MR. ECCLES: That is right. You asked me what I thought. Now, I don't want to appear to be expressing the views of the other members. There are Ernest and John and Alan here. If you have got some different

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view on this, I wish you would feel free, and all here, who are members of the committee. There are five members of the executive committee who are all here.

MR. SPROUL: My view is the same as the latest expressed, that I would allow it to go below par.

H.M.JR: Goldenweiser?

DR. GOLDENWEISER: I feel this way very strongly.

H.M.JR: Well, let's just pass that up for a minute, shall we? And then go to this four. How are you going to increase your excess reserves in New York City?

MR. ECCLES: How are you going to?

H.M.JR: Yes.

MR. ECCLES: I don't think you can until you get some bills in the market to buy unless you took action to decrease excess reserves throughout the country.

H.M.JR: Well, the boys here would argue me against the wall on that, so I will keep that in reserve.

MR. ECCLES: We don't think that is immediately important if we carry out this program in the chronology in which it is suggested. We think that is important. If you are not offering any long-term market issues, that the question of the present excess reserve picture is not a - doesn't make very much difference, and the fact that we here in the bottom of four say that the fact we will maintain these rates here, that means we are going to have to put enough excess reserves in, one way or another, either by purchasing securities which puts the reserves in, or by buying bills that will put reserves in in case you increase bills in the market, so that that in itself, holding these long securities in effect takes care of the reserve picture.

H.M.JR: Well, it might.

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MR. ECCLES: Well, of course, if it then got to the question of where you were going to make an offering and you wouldn't need to make an offering if you followed the program that was indicated here, because this calls for more bills to get something in the market to working on, and to make effective the existing reserves. You see, you have got three billion of reserves in the picture, and if you put more bills into the market, then it is our feeling that this part of three billion would be effective, because funds would come from the country into the money market, and the fact that banks had more bills, it would tend to make the excess reserve picture effective. Today it isn't effective to the extent that it should be, because you have got a vacuum. You have got New York over here, and the country over here. And even if we gave New York excess reserves, there is no reason why they wouldn't go right out and invest all those reserves, and they still wouldn't have reserves or they may be like the Guaranty was last time. They may even have excess reserves and wouldn't buy bonds anyway, so that the mere excess reserve picture in the New York situation doesn't in itself--

H.M.JR: George, where do you stand?

MR. HAAS: On those two points we disagree. We are all together on them. We think that the volume of excess reserves will have to be increased in substantial amounts. We feel that the New York situation could be relieved almost immediately, certainly after you put some bills in and give them material to work on.

H.M.JR: What program would you suggest in order to get more reserves in New York City, your group?

MR. HAAS: An open market operation provided the long-term situation remains as good as it is at the present time.

H.M.JR: But that suggestion isn't in here.

MR. HAAS: Well, it is there, but it is not spelled out. It says there is one group would like to increase the reserves and the other group wouldn't, and

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we are the group that would like to increase them.

H.M.JR: Add me to that group. Where are you, Dan?

MR. BELL: Well, you want to set - it says here a billion and a half. Is that the figure that you want to hit?

H.M.JR: Yes.

MR. BELL: That is what worries me a little, as to whether we ought to set a figure of four in New York and it seems to me more important to get an agreement out of the Federal that when we start issuing these short securities such as bills and certificates that they ought to at that time be in the market and picking up some of those and adding excess reserves, and at the same time maintaining this range of rates that we fixed out on the other end. Now, I think at the present time it would look rather silly for them to step in to the market and conduct open market operations as good as the market is. I think we have got to furnish them some material with which to operate.

MR. HAAS: That is part of our suggestion, too.

MR. BELL: Well, they can't get the billion and a half immediately.

MR. HAAS: Oh, no. It would take a few weeks.

MR. ECCLES: Of course, we feel that the situation is anything but tight, because the rates themselves would indicate how easy the situation is, that you have got bills selling at less than a quarter; and if you will pump in another billion or billion and a half of excess reserves, you drive the bill rate down to the point where the funds from the country will not go into the bill market at all. You will drive - with the pressure of an additional billion and a half of excess reserves, you will drive the banks into the long-bond market, because of the low bill rate, and you accomplish, it seems to me,

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just what you don't want to accomplish. I think you have got to keep your bill rate up in order to get funds from the country to come into the bill market, and the minute you load up excess reserves in the picture, you defeat that purpose.

H.M.JR: What do you say, George?

MR. HAAS: Well, I would say that the buying would be of new bills issued by the Treasury. I might ask Marriner how - if we start issuing these bills, how high would he let the bill rate go?

MR. ECCLES: Not higher than a half in any case, but if the bill rate was high enough to, as some of you people think a higher rate would do, pull down on the long term market, it would immediately show in the support we would have to give under three here, because you agree under three to hold these long-bonds, and immediately you had to begin to give support there that in itself would indicate the need of some excess reserves in the picture. I mean, the very fact that the support becomes necessary would indicate that.

MR. HAAS: We would never visualize a half percent for three months. You see that--

MR. ECCLES: I am talking that as a high point. I say a range between a quarter as a low and a half as a high in order to make effective your excess reserve picture.

MR. HAAS: We were thinking in terms of a half for a year on a certificate, and I think the whole - I mean, the disagreement here is on the question of how high the short term rates should be let go. I think the reserves in New York would be increased and still buy our issuing bills, and still not let the rate - keep it about as is or a little higher on bills.

H.M.JR: Let me ask you this, Dan. Supposing I went as far as to say, "Well, we will begin to increase our

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bills and certificates. Supposing we do two, see, and the Federal Reserve agrees to do three. Do we have to do one at the same time? Dan?

MR. BELL: Well, we ought to do those pretty soon, because--

H.M.JR: But I mean--

MR. BELL: ... they wouldn't have to be done at the same time, no.

H.M.JR: Supposing I said I wanted more time to study, I was not satisfied with it. I am willing right after income tax date to start with the bills and certificates and the Federal Reserve undertaking their program for us on the long-term issues, and then say I want more time to study these non-marketable securities.

MR. BELL: Well, we would have to have more time anyhow, because we couldn't get ready by the time you would start your bill program.

H.M.JR: Then put it a different way. Well, any way you want to put it. Supposing I was ready to start the bill program beginning with Monday, announce it Monday afternoon, and we had an agreement with them on the range and an understanding of what we thought the excess reserves should be as an objective. Could I start that without agreeing to one?

MR. ECCLES: Well, of course, our program in two and four was based on one. I mean, it is all part of one program.

H.M.JR: Well, is it?

MR. ECCLES: Yes, it is with our - I mean as far as the Fed is concerned. We would have to go back to the full Open Market Committee and the presidents to get because the program is one program. Now, we could go back and present some alternative program, if that is what you have.

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MR. BELL: You don't think they could be separated?

MR. ECCLES: No. I don't think three and four - certainly I wouldn't want to make a commitment on three and four without one, because one is - it is all part of one program. Now, I don't know, is that - would you fellows agree with me, you men on the Committee?

MR. DRAPER: I don't think you could without going back to the other--

MR. ECCLES: To the full committee.

H.M.JR: Well, that is all right.

MR. SPROUL: I should say as far as the consent, two has no strings on it.

H.M.JR: No, I don't see why it has. I don't want to start two, though, unless the Federal Reserve agrees to three.

MR. SPROUL: You first said two and three. That, I think, makes the possible basis for agreement with our group, but if you bring in four, which you did the second time, then I think we get into a further difficulty.

H.M.JR: Let me put it this way. Supposing we are willing to start two and asking you people to agree to three, you see.

MR. SPROUL: I think that would be possible after we had consulted our people, because it is about what we are doing now, three is, and two is what we want. It is one of the things we want.

MR. BELL: One and four would be discussed later when we have more time.

H.M.JR: Yes.

MR. ECCLES: That is right.

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H.M.JR: I mean, I am not deciding, I am just groping.

MR. SPROUL: But I think it would be fair to say that our group thinks that the time has come for the whole program to be decided fairly promptly upon.

H.M.JR: Oh, I agree with you, but I am not entirely sold on the way the non-marketable security is set-up, and evidently some other people who know about this program in the banking world aren't either.

MR. ECCLES: Well, the New York bankers don't like it because they want the usual market information. Now, I would say that either you knock one out, and if you knock one out, then we would do - we would give a lot of excess reserves to the market. We are not concerned how low the rates go, and we depend then upon the market offerings just as we have been doing in the past, letting the banks do it - the banks getting most of the securities. But I don't think if we do that that - I think we ought to recognize then that we are really financing a program largely through the banks.

H.M.JR: Well, what kind of a reception did you have when you went up there Friday?

MR. ECCLES: Well, I talked to Burgess and the ABA people. They were down here. Stonier and Burgess were down and gave me a memorandum, and they talked to what's-his-name and Alan, and I met and discussed the matter with them, and they didn't make any commitment. They talked to the market point of view, and it was quite evident they wanted something to sell, that there is a market, and it is the typical point of view I would expect. They are thinking of it largely from the New York marketing standpoint. They would like to get the underwriting and the selling of the securities, and the commission is the thing they are interested in.

MR. SPROUL: Well, Marriner, I don't think that is quite fair to them. I think that might tinge their thinking, but I would give them credit for trying to

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think now whether it is best for the country and the Treasury, what is the best sort of a financing program to follow, and they, at this stage at least, do not agree with us on the non-marketable issues.

MR. ECCLES: Nor do they agree with the Treasury on more reserves. They would like market financing for the whole thing, largely, except your Defense Savings Bonds, but they don't want any more excess reserves. They would like the excess reserves to drop down to at least - not more than a billion and a half, see.

MR. SPROUL: In the country.

MR. ECCLES: That is right. They would like the excess reserves to drop down and do market financing on a basis of a small excess reserve picture, so that although they don't agree on the tap issue, neither do they agree on having any large excess reserves. And neither do they agree that the market should be held, I mean, that the range of rates should be held, I think, as near to the peg as this is. I think they would like a little more of a free market, which naturally means higher rates on the marketing issues. That is what they want.

MR. BELL: Higher rates?

MR. ECCLES: Sure it is.

MR. BELL: Well, that is one reason they don't want--

MR. ECCLES: They are awfully anxious for a two and three-quarter to a three percent on a long-term bond, a two and three quarter at any rate. They are awfully anxious to - they would like to see the rate picture changed to where they had at least two and three-quarters percent.

MR. HAAS: The country banks probably wouldn't, because they are more - the New York banks had short portfolios where the country banks had longer bonds.

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MR. ECCLES: That is right. So their opposition to the tap-issue, of course, is - the alternative program is higher rates and market financing on a lower excess reserve basis.

MR. McKEE: Well, without differing with your opinion, Alan, of what the New York banks' motive is, the practical aspects are that the fellow that doesn't - that buys something on your past marketing facilities, that he doesn't want, he has been in a position to sell it at a profit. A fellow that wants something has never got all that he wanted, because he was cut down on subscriptions. Therefore, those who don't want it, why wouldn't they want that to continue, because there is a chance to get rid of it, and at a profit. Now, that is just common sense. I would think that some of their feeling would be along that line, irrespective of what Alan has said or anybody else says.

MR. ECCLES: That is right. Buy at a hundred and one - buy at par, and sell at a hundred and one and a half, and make that profit. They don't like that kind of a thing disturbed, I don't think.

MR. McKEE: Anything that is going to be open to continue the subscription is going to cut down that possibility. That is just like cutting a part of their profit off.

H.M.JR: Well, are you, Sproul, satisfied with these two issues that we are suggesting?

MR. SPROUL: Yes, I am.

H.M.JR: You are?

MR. SPROUL: The arguments made against them other than this profit motive argument which I discount, are the increased demand liability on the Treasury, the fact that everyone else but banks is given a guaranteed obligation. The banks have marketless obligations, and the argument that not all has been done that could be done and need be done on the E, F, and G, and until we have exhausted that possibility it would be confusing and undesirable to bring out additional special forms of issuance. I think myself that all of those arguments can be answered, that it is late now to begin on this main job of getting all the funds we can from other than banks and that we had better get started on them.

H.M.JR: Other than banks?

MR. SPROUL: Yes, which would be the main purpose of these special market issues.

MR. ECCLES: They don't compete with any of the Defense Savings. It is entirely another category that just isn't being touched.

H.M.JR: I am going to have to have more time in the sense of days, not weeks. I would like to get together with our own people. There seems to be disagreement. We are not going to have any trouble as to whether it is above or below par. You won't have any trouble with me on that. That seems to be a big argument. You won't have any argument with me because we can always change that. If I say, "Well, I will go along with you and let's let it slide below par," we can always raise it.

MR. ECCLES: That is right.

H.M.JR: We can always raise it.

MR. ECCLES: Well, we have felt, however, that this would take the place of some specific excess reserve

picture because that in itself would determine it. We said, "Here is a pattern and we will see that the market is in a condition to maintain this pattern." That in itself will require that reserves are in the picture.

H.M.JR: But the place you are going to have trouble with me is that once we get started on this thing and we don't get more reserves in New York, that is where you will have trouble with me.

MR. ECCLES: Well, you wouldn't want reserves in New York unless you were going to do some market financing.

H.M.JR: That is right.

MR. ECCLES: All right. Now, if you are going to do market financing, we would be just as anxious as you are - because otherwise we are going to have to buy an awful lot of these bonds if we didn't have reserves there, because we stand here to take these--

H.M.JR: Excuse me, Marriner. You think we will get enough in the next month or two from these tap issues that we won't have to--

MR. ECCLES: And the bills. With the bills and tap issues you won't have to do any financing.

H.M.JR: For a while.

MR. ECCLES: Yes, that is right. These two issues would easily take care of your picture, I think, until May.

MR. BELL: Might be able to get by until May 15th. We have seven or eight hundred million dollars. It is a certificate of indebtedness which wouldn't be over a year at the most. Many banks won't bid on a discount security so this may take care of it.

MR. SPROUL: It seems to me that to set up any sufficient volume of excess reserves to give you full

freedom from any concern on that account would mean that the rest of the program has practically gone by the boards whereas to let the volume of excess reserves be determined by the necessity for maintaining the pattern of rates and facilitated by increased issues of short obligations which would make the reserves we have effective both in New York and the rest of the country would be the best way to approach that problem of excess reserves.

H.M.JR: You think that having this short stuff would bring more - attract more money?

MR. SPROUL: The three billion we have would be more effective. It wouldn't be in compartments. It would move around from bank to bank, from the Guaranty to someone without any reserves or from New York to Albuquerque or San Francisco.

MR. BELL: In other words, your whole short market now is in New York, but if the rate goes up a little - if you are going to do this I think the twenty-fifth ought to be the first date. That is after the tax payment.

H.M.JR: When would you announce it?

MR. BELL: That would be next Thursday, I think.

H.M.JR: You always crowded me before. You begin on Tuesday crowding me.

MR. BELL: Yes, that is right.

H.M.JR: What is the actual day, Wednesday?

MR. BELL: Yes. We could send it out Wednesday and we give the banks until Thursday to get it ready. We could do it Wednesday, the eighteenth.

MR. HAAS: There is one thing about two and three, Mr. Secretary, one question in my mind. Starting out this bill certificate program, how high should the short-term rates go before any purchases would be made by the Federal Reserve Banks? Very easily the bills could go to a half. Those two points are rather at variance in

so far as the Government bond market is concerned.

MR. ECCLES: You mean without effecting the long-bonds?

MR. HAAS: Yes. Well, it would eventually. I mean, if you are going to--

H.M.JR: How high do you think?

MR. HAAS: Oh, I don't like - I think the bills could be - they would suit me as they are now, but they could go somewhat higher than that, but you are putting out a short tap issue which is supposed to provide a higher rate for funds which would not be attracted at low rates. Now, the banks will take them at present rates. If there is an increased volume of them. If they got up slightly higher I think that is all right, but to go up to a half in ninety days, I don't see any reason for it.

MR. SPROUL: I should think, Mr. Secretary, we could have an open market operation which could begin laying in a portfolio at three tenths and stepping it up when we got around three eighths to a pretty strong buying and very heavy if it began moving about half, don't you think so, Marriner?

MR. ECCLES: Yes. I thought of the half as the top, not that that is where it would go and stay.

MR. McKEE: I think you have confused all these boys' mind with this mention of a half rate. What you mean is, that is the maximum--

MR. ECCLES: Sure.

MR. McKEE: From here out into the future some place.

MR. ECCLES: I am not talking about a half today.

MR. McKEE: I don't think you have made that thing clear.

MR. ECCLES: Well, I am talking about a range from a

quarter to a half. Taking your long bonds, you are talking about a range. You don't want to pay anything, you want some leeway. After all, it seems to me that in the case of the long bonds you get a bench mark here with some fluctuation. Likewise, you don't know what that might be with the short market and you are naturally interested in a range there and my idea of a range is half at the top and around a quarter at the bottom. Now, the average in there may be three-eighths.

MR. McKEE: What has been the high on the bills, Dan?

MR. BELL: Thirty-two, I think.

MR. ECCLES: About three-eighths.

MR. BELL: I would hate to see it go above three-eighths because certainly the last time, in '33, there was definite indication it had some bearing on the long market.

MR. ECCLES: Well, you had some other factors.

MR. BELL: Well, I agree with that.

MR. ECCLES: I agree with Alan if it got up to three-eighths we should start buying some bills.

MR. BELL: I agree with Alan that when you get to around three-tenths you ought to buy a few.

MR. SPROUL: We would begin establishing a portfolio there I think.

MR. ROUSE: I think it is also clear that there isn't any broad market at all below a quarter.

MR. ECCLES: You don't get the use of your reserves unless you really get up to where funds come into your market.

MR. BELL: When you get down around a fifth you don't

get them out of Chicago and New York.

H.M.JR: Well, I would like to have a memo from our crowd, the way it is going now, George.

MR. HAAS: All right.

H.M.JR: And let Mr. Bell see it before it comes to me.

MR. HAAS: All right.

H.M.JR: I mean, with Bell, especially on where they should begin buying on these bills and so forth and so on.

MR. BELL: All right.

DR. GOLDENWEISER: May I say a word, Mr. Secretary? I have been impressed by the studies that the - your staff has made about the over-all picture of the income and source of income, and the amount of financing and where it would come and so forth, which shows that the banks in the course of the next eighteen months or so will have to buy a great deal of Government securities at the very best and it seems to me rather important for you not at this time to issue a long-time bond that would be largely taken up by the banks.

H.M.JR: By the who?

DR. GOLDENWEISER: By the banks. For that reason I think it is very important that your immediate financing in the open market should be short, short bills and those certificates and things of that sort, and the sooner you can start your non-market issues the better it will be because I think one of the objectives should be to avoid the necessity of issuing the long-bond in the open market any sooner than necessary. I think after you have sold quite a lot of these non-open market ones and if you have increased your supply of short maturities, which has a lot of various important bearings, you might get to a point where there would be a real demand for the long bond in

the open market and then you can issue it, but I think if you issued one now by the time you trimmed it so as to fit the market it would be largely taken by banks and it would be another undesirable element in the picture.

H.M.JR: O.K. We will study this some more.

March 12, 1942

Proposed Basis of Agreement on
Financing Policy

There does not seem to be any difference of opinion on (1) and (2) below except as to timing and as to their relationship to (3) and (4). There is some difference of opinion with respect to (3) and (4).

(1) Nonmarketable securities. The Treasury shall announce and place on sale, as soon as practicable, two nonmarket securities — one designed to appeal to short-term and the other to appeal to long-term funds. These securities shall not be available for purchase by banks receiving demand deposits. They shall be sold through the Federal Reserve System.

(2) Bills and certificates. The Treasury will begin immediately to increase the amount of regular weekly Treasury bills outstanding to \$2.6 billions or over. It will also issue a substantial amount of coupon certificates of indebtedness, to be paid in cash at maturity (i.e., without "rights"). The purpose of the increase in the bills and the issuance of certificates is to increase the amount of short-term obligations, so as to make existing excess reserves more effective and to provide the Federal Reserve Banks with ample means for the conduct of open-market operations.

(3) Range of rates. All are agreed that the two longest-term taxable Treasury bonds ($2\frac{1}{2}$'s of 1967-72 and $2\frac{1}{2}$'s of 1956-58) should represent the bench-mark for the determination of the range of rates at which the Federal Reserve System should support the market. One group believes that an appropriate range for the $2\frac{1}{2}$'s of 1967-72 would be from a 2.44 per cent basis to a 2.54 per cent basis (i.e. from $99 \frac{5}{32}$ to $101 \frac{4}{32}$); while another group believes that an appropriate range would be from a 2.40 per cent basis to a 2.48 per cent basis (i.e. from $100 \frac{12}{32}$ to $101 \frac{29}{32}$). The crucial question is whether this issue should be allowed to fall below par.

(4) Immediate increase in excess reserves. There is very little agreement with respect to this point. One group believes that excess reserves in New York City should be increased to at least \$1.5 billions and this level maintained indefinitely or until it should be mutually agreed by the Board and the Secretary of the Treasury that such maintenance was no longer necessary. Another group believes that if the rates are maintained as agreed under 3, such action on reserves as may be necessary will result automatically. This group thinks that action on reserves as such is unnecessary.



THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

March 12, 1948

TO MR. BELL:

Senators Byrd, McKellar, Glass, George and Nye and Congressmen Woodrum, Taber and Treadway attended the meeting of the so-called Byrd Economy Committee today. The principal witness was Mr. Mallett, Director of the Office of Government Reports, who was accompanied by one of his executive assistants.

Senator Byrd wrote a letter to Mr. Mallett and asked him to submit certain data involving the estimated costs of the building now being constructed; the appropriation from which such building is being paid; the total funds available to the Office of Government Reports, whether appropriated funds or Presidential allocations; the number of employees and their salaries; and Mr. Mallett's reasons why his organization is essential.

Mr. Mallett explained that the building is estimated to cost \$300,000; that it will take about \$62,000 for additional equipment and will involve about 150 additional employees, 102 of which will be involved in an expansion of the United States Information Service. His office now has space in rented quarters on which \$43,000 a year rent is being paid. Total appropriations for the current fiscal year are \$1,090,000 and the office received \$300,000 by allocation from the President's Fund.

Mr. Mallett did not have much difficulty, and the members of the Committee, on the whole, were not unduly critical. Senator McKellar argued that Congress had been ignored in that it was not asked to pass upon the construction of this building, which involves an expanded program for the agency.

Representatives of the Todd Shipbuilding Corporation appeared before the Committee in an effort to correct certain testimony previously made before the Truman Committee and the Naval Affairs Committee. There was certain information submitted concerning the profits made by this company and its subsidiaries, but it was rather technical and a number of the Committee members had left the meeting. Senator Byrd invited the representatives to submit in writing the information he had requested and announced that it would be analyzed for the Committee by expert accountants.

W8



March 12, 1942

I told General Smith, over the telephone, that I recommend that all planes other than Army, Navy and transport be not allowed to fly within 20 miles of that part of the coast which they have to defend.

If I do not hear from him by next Wednesday, I want to take it up with him again.

Gen Smith's record
547 -

March 12, 1942

Mr. Foley

The Secretary

Please have your boys draw up an amendment to the President's Executive Order making it impossible for the new APC to draw on us for funds, through Frozen Funds, unless they pertain to a particular business. If this is not clear, please discuss it with me.

I am sure the President did not want to be able to draw on the French gold; on the other hand, if there was a French concern doing business, that Crowley could have the right to draw on the funds pertaining to that particular business.

I'd like something along these lines drawn up. If necessary, give me all kinds of suggestions to test Crowley's sincerity when he said to me yesterday, if we needed any changes in the Executive Order, he'd be glad to see that they were brought about.

TREASURY DEPARTMENT
WashingtonFOR IMMEDIATE RELEASE
Thursday, March 12, 1942.Press Service
No. 30-72

At a joint press conference held today by Secretary Morgenthau and Mr. Leo T. Crowley, newly-appointed Alien Property Custodian, concerning the President's Executive Order establishing the Office of Alien Property Custodian and defining its functions, it was pointed out that there would be no interruption in the various programs vital to the war effort which are now in the process of execution relating to foreign-owned and foreign-controlled property. It was also pointed out that Secretary Morgenthau and Mr. Crowley had worked in cooperation for the last several months on certain of these programs, and that this spirit of close cooperation would continue.

It was also stated at today's conference that in addition to the freezing control powers which were left in the Treasury Department by the President's Executive Order, other powers and authority which were previously vested in the Secretary of the Treasury would remain with the Secretary of the Treasury pending the staffing and organization of the Office of the Alien Property Custodian. Accordingly, there was released today the text of a memorandum to the Secretary of the Treasury dated March 11, 1942, issued by the Alien Property Custodian. The text of the memorandum is as follows:

"Washington, D. C.,
March 11, 1942.

MEMORANDUM FOR THE SECRETARY OF THE TREASURY:

There is hereby delegated to the Secretary of the Treasury all power and authority under Sections 3(a) and 5(b) of the Trading with the Enemy Act, as amended, conferred upon me by the President by Executive Order dated March 11, 1942. This delegation is temporary, pending the staffing and organization of the Office of the Alien Property Custodian, and shall continue until revoked in writing in whole or in part at any time by me. This delegation shall not be construed as a limitation upon my authority to exercise such power and authority at any time.

(signed) LEO T. CROWLEY
Alien Property Custodian"

-000-

Statement of Randolph E. Paul,
Tax Adviser to the Secretary of the Treasury,
Before the Ways and Means Committee
of the House of Representatives
on H. R. 6358

March 12, 1942

The bill before your Committee, H. R. 6358, would change fundamentally the present treatment of capital gains and losses under the Federal income tax law in that it would completely segregate capital gains and losses from other income and that it would tax net capital gains at a flat rate of 10 percent for both corporations and individuals.

The Secretary of the Treasury in his Statement of March 3, 1942, recommended certain changes in the present tax treatment of capital gains and losses. In deciding upon these recommendations the Treasury gave full consideration to the proposals embodied in H. R. 6358 and found them unacceptable.

As to individuals, the Treasury recommendations differ from this bill in the following respects:

1. Under the Treasury recommendations, a differentiation would be retained between short-term and long-term capital gains; while under this bill, there would be no distinction between short-term and long-term capital gains.

2. Under the Treasury recommendations, net short-term capital gains would be included in net income and subjected to the full normal and surtax rates; while under this bill, short-term net gains would be taxed at 10 percent.

3. Under the Treasury recommendations, net long-term gains would be reduced by one-half and included in net income subject to normal and surtax rates, with a maximum effective rate on net gains of 30 percent; while under this bill, long-term net gains would be taxed at a flat rate of 10 percent.

4. Under the Treasury recommendations, up to \$1,000 of capital net loss would be deductible from other income in the current year, while under this bill there would be no deduction of capital net loss from other income.

5. Under the Treasury recommendations, capital net losses could be carried forward and offset against future capital net gains over a five-year period; while under this bill, capital net losses could be carried forward and offset against future capital net gains over a two-year period.

As to corporations, the Treasury recommendations differ from this bill in the following respects:

1. Under the Treasury recommendations, net capital gains would be taxed as part of net income at the regular corporation income tax rates; while under this bill, capital net gains would be taxed at a flat rate of 10 percent.

2. Under the Treasury recommendations, capital net losses could be deductible against other income of the current year up to \$1,000; while under this bill, capital net losses could not be deducted from other income.

3. Under the Treasury recommendations, capital net losses could be carried forward and offset against future capital net gains over a five-year period; while under this bill, capital net losses could be carried forward and offset against future capital net gains over a two-year period.

The Treasury is of the opinion that this bill is deficient in the following respects:

1. This bill completely abandons the principle of ability to pay with respect to the capital gains of individuals.

Under this bill, capital gains would be removed entirely from the progressive income tax structure and would be taxed at 10 percent regardless of whether the other net income was large or small or there was no net income at all.

Under the present law and in the Treasury recommendations short-term net capital gains are treated like income from other sources and are taxed at the regular progressive rates applicable throughout the income scale.

On long-term net capital gains the rates are progressive up to \$12,000 of surtax net income, at which point the 15 percent maximum rate would be effective. Under the Treasury capital gains recommendation, the rate of tax on long-term net capital gains would be progressive where the net income was less than \$50,000, at which point the proposed 30 percent maximum rate would be effective.

In removing the effect of possible exemptions and progressive rates from application to capital gains, this bill completely abandons for a large segment of income the principle of taxation in accordance with ability to pay.

2. This bill recognizes no difference between short-term capital gains and long-term capital gains.

Short-term capital gains under present law and under the Treasury recommendation are defined as gains from assets held not to exceed eighteen months. Long-term capital gains and losses, those defined as derived from assets held over eighteen months, frequently represent an increase in value extending over several years. The gain is realized and subjected to tax in the year when the sale of the asset takes place, although the value of the asset may have been increasing throughout the time it was held. The concentration of the capital gain into the year of sale for purposes of taxation makes the tax higher than it would have been if the gain had been taxed as it accrued over the years. For this reason, in the case of individuals, long-term capital gains are treated differently from short-term capital gains under the law and under the Treasury recommendation.

For corporations, on the other hand, the tax rate has usually been either flat or only mildly progressive as at the present time. Capital gains are not taxed under the progressive excess profits tax. It is accordingly not necessary to scale down the amount of long-term capital gains for corporate tax purposes.

3. This bill would place a premium on speculation as a way of securing a living.

Under present law and under the Treasury recommendations short-term net capital gains are included in income subject to the regular rate scale. This bill would tax such gains at 10 percent. In general, short-term capital gains and losses are associated with speculative activity to a much larger degree than are long-term capital gains and losses. For many people speculation is a way of securing a living in whole or in part. This bill would tax income derived from speculation at a rate which in many cases would be only a small fraction of the rate imposed on other income.

4. This bill would favor a relatively small group of taxpayers in the higher income brackets.

In 1937 (which is the latest year for which data are available) less than one individual in ten reported capital transactions. This bill would thus reduce the taxes of not more than one-tenth of the taxpayers with the probable result that the other nine-tenths would be called upon to pay what the one-tenth saved.

The capital transactions are largely concentrated in the higher income groups. In 1937 more than 60 percent of the returns with incomes above \$25,000 reported capital transactions. In 1938 statutory net capital gains constituted 64.7 percent of the net income of individuals with net incomes of \$1,000,000 and over but less than 1 percent of the net incomes of individuals with net income under \$5,000.

5. This bill would facilitate tax avoidance.

The taxation of short-term net capital gains at 10 percent would greatly encourage the practice of using capital gains as a means of realizing corporate earnings. At the present time it is possible for a person to pay low rates of tax on income earned through corporations by allowing earnings to accumulate in the corporation and selling the stock at the higher values resulting from such accumulations. The stock can be sold to someone who has no need for the income currently or to someone in low income brackets who would be subject to low tax rates on the dividends paid from such corporate earnings.

The bill would facilitate the practice in two ways. First, it would lower the rate on capital gains, thus increasing the amount of tax benefit which could be obtained. Second, by applying the low rate to short-term gains, it would permit securities to be bought just after the payment of one year's dividends and sold just before the payment of the next year's dividends, thus putting the practice on an annual basis. The result would be widespread tax avoidance and loss of revenue to the Government.

6. This bill would provide excessively low rates of taxation.

In comparison to ordinary income capital gains at the present time are given the most favored treatment in the history of the income tax.

At its most favorable level in the 1920's the tax on the capital gains of individuals was imposed at a maximum rate of 12½ percent, or one-half the top combined normal and surtax rates. At the present time the maximum rate on capital gains from assets held longer than two years is 15 percent, or less than one-fifth the maximum rate on ordinary income. Or to be more realistic, the maximum capital gains tax under the 1928 Act was higher than the combined normal and surtax rates at a surtax net income of \$25,000 while at the present time it is one-third the combined normal and surtax rate at an income of \$25,000.

Despite the highly favorable treatment of capital gains which now prevails, this bill would cut the maximum rate substantially. The Treasury Department holds to the view that a

person should not be able to accumulate a fortune without paying his fair share of taxation on the income which is represented by the accumulation.

In summary, if this bill were approved:

1. The principle of ability to pay with respect to the capital gains of individuals would be completely abandoned.
2. The very real and equitable distinction between short-term capital gains and long-term capital gains would be eliminated.
3. A relatively small group of taxpayers in the high income brackets would be favored.
4. Additional opportunities for tax avoidance would be provided.
5. The effective rate of taxation on one type of income, capital gains, would be drastically and unnecessarily reduced at a time when all elements in our population are called upon to pay higher rates of taxation than ever before.

Accordingly, the Treasury Department is opposed to the passage of H. R. 6358.

MEMORANDUM

March 12, 1942.

TO: The Secretary

FROM: Mr. Sullivan

Jhs

RE: Commander William F. Kurfess

Commander Kurfess bought in his own name \$10,000 in Tax Anticipation Notes and attempted to use them to discharge the income tax obligations of himself and his wife. The Treasury Regulations do not permit notes in the name of one person to be used to pay the tax of another.

In this instance however, a waiver was granted and the Internal Revenue Collector at Chicago was instructed to communicate with Commander Kurfess's agent and to receive and accept the notes.

I have notified Commander Kurfess and he appeared to be very much relieved.

March 12, 1942

MEMORANDUM FOR MRS. MORGENTHAU:

Mr. Duffus telephoned in connection with the miniature of the exposition you saw in his office this morning. You thought the Secretary would like to see it either in the Treasury or in Mr. Duffus' office.

If it is to be shown in the Treasury, Mr. Duffus would appreciate having a couple of days' notice because the men would have to come from Philadelphia to set it up. He would also like to know in what room in the Treasury it would be displayed as it requires space on a table 4 feet by 6 feet.

Walter E. Duffus
3/12 -

CONFIDENTIAL

POSTAL SAVINGS STAMPS

Estimated Total Value and Number of Units Sold
by Denominations and by Months
May 1941 - February 1942
(All figures in thousands)

Month	Number of Units by Denomination						Total Value
	10¢	25¢	50¢	\$1.00	\$5.00	Total	
<u>1941</u>							
May	2,444	5,170	1,169	673	111	9,567	\$ 3,349
June	1,557	5,595	855	457	60	8,524	2,738
July	1,739	7,859	1,111	571	51	11,331	3,520
August	2,617	9,946	1,198	751	55	14,567	4,372
September	4,120	12,347	1,318	687	69	18,542	5,192
October	4,664	14,526	1,516	787	68	21,563	5,985
November	5,799	14,996	1,575	847	78	23,295	6,354
December	53,528	53,022	4,983	2,636	384	114,553	25,657
<u>1942</u>							
January	110,003	85,651	7,130	3,638	278	206,700	41,006
February	<u>100,023</u>	<u>82,749</u>	<u>6,504</u>	<u>3,327</u>	<u>262</u>	<u>192,865</u>	<u>38,580</u>
Total	<u>286,493</u>	<u>291,861</u>	<u>27,360</u>	<u>14,375</u>	<u>1,417</u>	<u>621,505</u>	
Total Value	<u>\$28,649</u>	<u>\$72,965</u>	<u>\$13,680</u>	<u>\$14,375</u>	<u>\$7,085</u>		<u>\$136,754</u>

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

March 12, 1942.

Source: Division of Postal Savings, Post Office Department. Total dollar sales for May through December are audited figures. Number of units by denominations for these months, as estimated by the Post Office Department, are prorated in this table to agree with audited dollar sales. Dollar sales and number of units for January and February are reported by central postal savings depository offices and those first class offices supplied directly by the Post Office Department.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals. For the same reason, the sum of units times denominations does not necessarily agree exactly with the total value.

POSTAL SAVINGS STAMPS

Total Sales by Months and by States
May 1941 - February 1942

(In thousands of dollars)

State	May - August, incl.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Total
Ala.	\$ 91.4	\$ 30.8	\$ 36.4	\$ 42.7	\$ 197.8	\$ 323.3	\$ 260.4	\$ 982.8
Aris.	36.2	13.2	13.2	15.4	70.4	102.2	100.2	350.8
Ark.	55.7	14.1	27.8	36.0	115.6	201.4	267.9	718.5
Calif.	992.7	334.4	374.4	380.9	1,878.3	2,786.7	2,359.3	9,106.7
Colo.	80.3	31.9	41.7	50.9	204.9	269.3	241.2	920.3
Conn.	385.7	155.5	188.8	196.6	599.1	1,006.4	901.9	3,434.1
Del.	34.2	12.5	13.4	12.7	63.3	93.3	86.4	315.9
D. C.	566.7	296.9	320.1	358.5	580.4	771.3	694.5	3,588.3
Fla.	182.3	68.0	78.1	85.7	298.1	497.6	483.8	1,693.7
Ga.	153.0	60.1	68.1	64.1	275.1	476.2	368.7	1,465.2
Idaho	20.9	23.7	18.2	21.3	79.2	110.7	96.5	370.6
Ill.	918.0	319.7	375.7	412.3	2,075.9	3,371.2	2,998.4	10,471.2
Ind.	188.7	82.4	99.0	112.1	586.9	1,027.9	1,016.5	3,113.5
Iowa	121.0	48.7	49.9	50.0	315.5	540.4	546.3	1,671.8
Kansas	102.7	31.5	37.3	40.4	212.7	350.7	355.9	1,131.3
Ky.	100.6	49.6	53.5	51.5	283.3	444.8	417.3	1,400.6
La.	144.2	43.9	50.8	49.6	254.2	421.8	438.7	1,403.2
Maine	88.4	28.8	40.3	43.7	120.4	216.7	201.9	740.2
Md.	219.4	88.3	107.8	110.3	472.9	1,110.8	770.4	2,879.8
Mass.	722.8	293.3	331.3	337.8	1,119.6	1,845.2	1,710.0	6,360.1
Mich.	774.9	266.9	373.7	335.6	1,114.3	1,730.4	1,638.1	6,233.9
Minn.	140.1	71.8	71.2	77.7	300.4	545.6	537.8	1,744.7
Miss.	88.1	29.5	34.5	38.3	130.6	213.2	201.1	735.2
Mo.	423.8	145.0	161.7	153.0	664.7	906.1	863.7	3,318.0
Mont.	42.2	14.8	21.0	23.2	89.4	148.4	141.5	480.5
Nebr.	78.7	26.7	27.4	30.8	210.7	291.9	283.5	949.7
Nev.	14.8	4.5	5.7	6.4	33.1	56.1	46.8	167.4
N. H.	65.2	17.7	28.7	40.7	90.8	162.8	142.3	548.2
N. J.	665.7	212.5	269.1	275.1	1,069.0	1,837.7	1,808.8	6,137.7
N. Mex.	28.5	12.1	18.5	16.9	68.3	95.8	82.8	322.8
N. Y.	2,710.8	939.0	985.2	1,062.8	4,355.0	6,440.3	6,530.3	23,023.4
N. D.	125.9	42.2	51.8	52.1	250.0	376.9	372.5	1,271.3
N. Dak.	22.0	6.2	8.6	11.6	53.9	109.0	104.9	316.1
Ohio	632.2	264.0	287.9	318.1	1,269.2	2,545.9	2,360.1	7,677.4
Ore.	120.2	34.3	43.1	56.0	247.5	316.6	276.4	1,094.1
Penn.	141.5	55.7	56.0	64.0	197.1	368.6	399.8	1,282.7
R. I.	919.1	370.7	501.4	547.5	2,244.2	3,640.2	3,470.6	11,693.7
S. C.	132.3	47.8	54.5	59.3	329.8	460.5	404.0	1,488.2
S. Dak.	75.3	21.5	23.2	25.4	264.7	170.0	160.1	740.3
Tenn.	23.9	6.3	7.6	9.9	52.4	117.7	119.3	337.1

POSTAL SAVINGS STAMPS

Total Sales by Months and by States
May 1941 - February 1942
(Continued)

(In thousands of dollars)

State	May - August, incl.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Total
Tenn.	\$ 134.1	\$ 60.3	\$ 59.5	\$ 56.6	\$ 290.5	\$ 369.6	\$ 336.0	\$ 1,306.5
Texas	641.1	176.7	205.2	233.1	1,053.3	1,592.7	1,554.3	5,456.4
Utah	30.0	13.0	15.6	16.4	63.2	126.2	124.8	389.2
Vt.	32.7	10.2	13.2	15.8	54.5	94.6	90.9	311.9
Va.	171.8	68.9	78.6	89.2	312.9	533.9	526.7	1,781.9
Wash.	217.7	82.1	94.2	91.8	305.5	485.8	410.8	1,687.8
W. Va.	72.8	25.6	32.4	34.1	198.7	360.8	336.7	1,061.1
Wis.	176.3	45.3	64.3	86.4	423.7	811.9	772.7	2,380.7
Wyo.	21.5	6.2	8.6	9.9	48.5	61.2	69.2	225.0
Alaska	3.5	.6	.2	.4	.9	-	-	5.6
Guam	.1	-	-	-	-	-	-	.1
Hawaii	23.5	81.9	49.4	34.1	57.5	55.3	84.4	386.1
Puerto Rico	23.0	4.9	7.9	9.5	9.3	11.8	13.3	79.6
Samoa	.1	-	-	-	-	-	-	.1
Virgin Is.	1.0	-	.2	-	-	-	-	1.2
Total	\$13,979.3	\$ 5,191.6	\$5,985.4	\$6,354.3	\$25,657.1	\$41,005.7	\$38,580.3	\$136,753.8

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

March 12, 1942.

Source: Division of Postal Savings, Post Office Department. Sales for May through December are audited figures and differ from previously reported estimates. Sales for January and February are reported by central postal savings depository offices and those first class offices supplied directly by the Post Office Department.

Note: Figures have been rounded to nearest hundred and will not necessarily add to totals.

Daily changes in the stock of Series E savings bonds on hand ^{1/}
(In thousands of pieces)

	: Number of : pieces sold : this day	: Number of pieces : manufactured : this day	: Stock on hand : : at close of : : day	: IBM : deliveries : this day
Mar. 1	none-closed	none-closed	24,386	-
2	304	500	24,582	-
3	160	500	24,922	625
4	171	500	25,251	-
5	200	500	25,551	625
6	210	500	25,841	-
7	211	none-closed	25,630	625
8	none-closed	none-closed	25,630	-
9	344	500	25,786	-
10	123	500	26,163	-
11	192	300	26,271	-

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

March 12, 1942

^{1/} Includes stock in hands of (1) Federal Reserve Banks and branches, (2) Post offices, (3) Federal Reserve Bank issuing agents, and (4) Treasury vaults in Washington.

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
First Nine Business Days of March, February and January 1942
(March 1-11, February 1-11, January 1-10)
On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
				March	February	March	February
	March	February	January	over	over	over	over
				February	January	February	January
Series M - Post Offices	\$ 34,635	\$ 41,156	\$ 54,038	-\$ 6,521	-\$ 12,882	- 15.8%	- 23.8%
Series M - Banks	<u>100,247</u>	<u>155,203</u>	<u>135,858</u>	- <u>54,956</u>	<u>19,345</u>	- <u>35.4</u>	<u>14.2</u>
Series M - Total	134,882	196,359	189,896	- 61,477	6,463	- 31.3	3.4
Series F - Banks	18,196	26,802	21,050	- 8,606	5,752	- 32.1	27.3
Series G - Banks	<u>79,022</u>	<u>133,842</u>	<u>84,142</u>	- <u>54,820</u>	<u>49,700</u>	- <u>41.0</u>	<u>59.1</u>
Total	<u>\$232,100</u>	<u>\$357,003</u>	<u>\$295,087</u>	- <u>\$124,903</u>	<u>\$ 61,916</u>	- <u>35.0%</u>	<u>21.0%</u>

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

March 12, 1942.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

UNITED STATES SAVINGS BONDS

Daily Sales - March, 1942
On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
March 1942									
2	\$ 5,811	\$ 15,868	\$ 2,043	\$ 8,726	\$ 26,636	\$ 21,678	\$ 2,043	\$ 8,726	\$ 32,447
3	2,975	8,459	1,629	8,780	18,868	11,434	1,629	8,780	21,843
4	3,395	8,833	2,658	12,558	24,048	12,228	2,658	12,558	27,443
5	3,869	10,448	1,680	11,870	23,998	14,317	1,680	11,870	27,867
6	4,179	10,696	1,759	10,825	23,279	14,875	1,759	10,825	27,458
7	3,480	11,586	1,586	6,328	19,499	15,066	1,586	6,328	22,979
9	4,967	18,636	3,944	8,488	31,068	23,604	3,944	8,488	36,035
10	2,804	5,719	1,365	4,162	11,246	8,523	1,365	4,162	14,050
11	3,156	10,002	1,533	7,287	18,823	13,158	1,533	7,287	21,979
Total	\$ 34,635	\$100,247	\$ 18,196	\$ 79,022	\$197,465	\$134,882	\$ 18,196	\$ 79,022	\$232,100

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

March 12, 1942.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE March 12, 1942.

TO Secretary Morgenthau
FROM Lieutenant Stephens

The following information in regard to the Officers Candidate Schools was obtained from Mr. Howard C. Petersen, Special Assistant to Under Secretary Patterson.

In general no specific educational background is required of candidates for the Officers Candidate Schools. The only exceptions to this rule are in the cases of the Signal Corps School and the Corps of Engineers School, candidates for which must have some technical background, such as a degree in electrical engineering, mechanical engineering, etc. For the Schools of the other branches, the usual high school educational background is sufficient.

The procedure for entering the Officers Candidate Schools is as follows: After the individual is inducted, he is sent to a reception center for a few days. While at the ~~induction~~ ^{reception} center, he is classified for some particular branch of the Army. During this classification period, the individual may state preferences for particular branches of the Army, and depending upon the existing vacancies, he may be classified for the branch of his preference. He is then sent to a replacement center of the branch to which he will eventually be assigned; that is, an infantry replacement center, if he is to be eventually assigned to the Infantry, a Coast Artillery

replacement center if he is to be eventually assigned to Coast Artillery, and so on. The stay at the replacement center is about 13 weeks. During the latter part of this period, he will be given an opportunity to file an application for an Officers Candidate School. He will be given an I.Q. test, and will be interviewed by officers at the Replacement Center to determine his fitness for candidacy to the School.

In view of the present need for officers, Mr. Petersen anticipates very little difficulty for the average college graduate in being selected for an Officers Candidate School.

