

December 11, 1942
11:09 a.m.

HMJr: Hello.

Allan
Sproul: Good morning, Mr. Secretary.

HMJr: How are you?

S: Fine.

HMJr: Good. Allan, if left to your own devices, when would you close this Victory Fund?

S: When would I?

HMJr: Yeah, what - when.

S: I would keep enjoying myself, and I've discussed it with our sales organization here at some length and also considered it myself. I think if we could keep it going, that we have a considerable amount of momentum now that was reaching - is reaching more and more individuals, and that we would also have an opportunity to get the latecomers who are waiting to see what their year's results or their full eleven months' results are going to be among the corporate investors, and that its importance is emphasized by the fact that if we can get a considerably larger amount than we were - the minimum we were shooting for, that we may be able to postpone the next big drive until after the March tax period, which I think would be very important.

HMJr: I see. Well, what date - how - how long did you have in mind?

S: Well, I would run it at least through the month, and, if possible, take in a few days - the first week in January to catch the first of the January reinvestment demand and to pile up the total so that we could run clear through March, if possible.

HMJr: I see. That - that's the way you feel?

S: That's the way I feel, and I feel that if we could do that it would be a tremendous help.

HMJr: Well, aren't the salesmen getting tired?

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S: Not our salesmen. In fact, our salesmen give us the contrary response; they say we're now beginning to reach the individuals; we've gotten a lot of momentum; and we'd like to keep going on it.

HMJr: I see. Well, that's very interesting.

S: I - I really think if we could do it, it would be a tremendously important thing and a desirable thing to do.

HMJr: Well, I'm going to try to make up my mind today.

S: I see. You want to make an announcement.

HMJr: Well, Bell and Buffington are both pressing me to make an announcement.

S: Well, if - if you are going to close it, I think sufficient time should be given before the closing so as many stragglers as possible can be rounded up....

HMJr: Yes.

S:before it's closed - and that - by that....

HMJr: Well....

S:I mean we should have, say, a week before - before closing.

HMJr: Well, if I announced, say, for tomorrow morning's papers I was going to close it on the 19th, that gives you a full week.

S: That - that would do it, but I - I think you ought seriously to consider keeping it open now that we're - we're going so well....

HMJr: Yeah.

S:and picking up as much money in this drive as we possibly can with the hope and expectation that we could then not - that we'd then not need to go to the nonbank market with another such drive until April. I think that would do more to keep your sales staff in good spirit and lively

(cont.)

- 3 -

S: than to cut them off now and then have to come back at them in February.
(cont.)

HMJr: I see. Well, thank you.

S: While I'm talking to you, there's one other thing - I have your nice wire this morning about the - what the bank examiners are doing.

HMJr: Yes, yes.

S: We had no question here -- certainly I did not and I don't think anyone else did -- about that there was any reflection upon the work of the committee, but it was the reaction we were getting from the banks. The - the traditional job of the bank examiner to come in and check up on the banks in a - in a - an investigative sort of way....

HMJr: Yeah.

S:carried over into the inquiries on this question and made them feel that their voluntary interest which they were gladly giving was being checked on and - officially as by investigators.

HMJr: Oh, well, that's silly.

S: And....

HMJr: I used them as - (Laughs) - I might have used Alcohol Tax men, but I....

S: (Laughs)

HMJr: I thought....

S: Well, that - that's the way they felt that....

HMJr: Well, I....

S:here these investigators were coming in to check up on them and see what they were doing, and that it really had a - a very adverse effect on these people who were doing, I think, an excellent job and were enthusiastic about their volunteer aspect of it.

HMJr: Because the reports I got last week that I sent out were very good, I - you were supposed to have gotten copies of those. Did you get copies?

S: No.

HMJr: Well, this - I did^{my} this - I had a man - oh, whatever his name is - assistant to Lew Douglas went out in the field for me - used to be with Moody's.

S: Woodward.

HMJr: Woodward....

S: Yeah.

HMJr:and he made a report, and it was on - based on what I got from him, that I wanted more information from the whole country.

S: I see.

HMJr: It was based on his report....

S: I see.

HMJr:in the Middle West. Didn't you get a copy of that?

S: No, I did not.

HMJr: I told them to send you one.

S: But I think the use of bank examiners for that job was unfortunate, and I....

HMJr: Did you....

S:think the - the Victory Fund com.. - Fund Committee people out in the various regions....

HMJr: Yeah.

S:felt they were being investigated and didn't understand it, and were....

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HMJr: You got that straightened out now, haven't you?

S: Well, we're trying to straighten it out, and I think we're getting them back on the track.

HMJr: Okay. Anything else?

S: No, but I put in a plug again - I hope you can - that your information will lead you to decide to keep this thing going so that we can put you over to April if we possibly can.

HMJr: Okay.

S: All right.

HMJr: Thank you.

December 11, 1942
11:20 a.m.

HMJr: Hello.

C. S.
Young: Hello, Mr. Secretary. This is Young speaking in Chicago.

HMJr: Mr. Young, can you hear me?

Y: Yes, I can hear you.

HMJr: What I wanted to ask you, how did you feel about when we should close this Victory Fund drive?

Y: Well, I - I hope that we could - if we could close it, say, Friday at midnight before Christmas. It would be lots better if we could do that. I think that it would be the - there'd be a psychological favorable reaction on the part of the public, and, in any event, close it before the end of the year.

HMJr: Well, do you think the 19th is too early?

Y: No, I don't. If we could do that, I think it would - it would be a kind of a shot in the arm for the boys.

HMJr: A shot - you mean it would speed 'em up?

Y: Yes, that's right, and - and I talked to our Victory Fund Committee this morning, and we're - we had a session for an hour....

HMJr: Yes.

Y:and most of them thought maybe that - to hold it on a little - a little while longer, but I really believe that the - if we could close it the 19th it would be lots better.

HMJr: You do?

Y: And then they're - they'll speed up the drive, if they knew that it was going to close, why, I think we'll get more subscriptions too.

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HMJr: Hello?

Y: Hello.

HMJr: Hello.

Y: Yes, I - I'm pretty sure if you close it before Christmas, it would have a - a good effect.

HMJr: Well, do you think any people are holding back because they think they're going to have another drive in February?

Y: Oh, I don't think so.

HMJr: You don't.

Y: I don't think so. There'll be a few, but I - I don't think so.

HMJr: I see.

Y: And the - and the banks will come through on the 16th on the seven-eighths, I think, in great shape. And when you open that, I don't think that - that will go over big. And if you close it early, why, I think you'd tell the whole world the thing is moving fast to get nine billion dollars in that short time.

HMJr: Yes. Well, I - I'm inclined to do it. I'm going to try to make up my mind today, and if I do we'd have an announcement out for tomorrow morning's papers.

Y: Well, if you do that, then we'll make these teams - we've got a lot of teams working today and they could step on the gas, you know.

HMJr: I see.

Y: And - and there's another encouraging thing, I had a committee of - of manufacturers yesterday, and they said that they - that they've probably done all they possibly could but if I would call them at the end of drive and say, "Now we'd like to have you do a little more," they could find a million here and a million there, so I'm going to do that.

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HMJr: Yeah. Because I....

Y: That's very encouraging.

HMJr: I think - Sproul in New York wants to continue it on for a week in January.

Y: Oh, I think that would be a mistake.

HMJr: I do too.

Y: And - because the - the public's working now, and I think that it'll - it'll be better for your February drive to close it early.

HMJr: Yes, yes.

Y: And I'm pretty sure it would have a very - very good effect.

HMJr: Well, that's why - I wanted to get your opinion.

Y: And we had a session on that this morning.

HMJr: Yes.

Y: And the - I think it would be - if you announced it early so that they could - in the next week they could really - really step up the drive.

HMJr: All right. Well, thank you.

Y: All right.

HMJr: Thank you.

Y: Goodbye.

December 11, 1942
11:32 a.m.

HMJr: Marriner?

Marriner

Eccles: Yes, Henry.

HMJr: I hope you don't mind my calling you out.

E: That's all right.

HMJr: But I was afraid I couldn't get you any other time. I'll be very brief. What are your inclinations as to when we should close this Victory Fund drive?

E: I'd close it next week.

HMJr: Next week.

E: Yeah.

HMJr: Well, that's the way I feel.

E: I think it would be a mistake to run into the Christmas week, and I think everybody's getting - by that time will have been pretty well tired and fed up, and I don't think you'd get enough to make it worthwhile, and that....

HMJr: Well, I'd like to do - close it on the 19th, that's Saturday.

E: I would certainly close it Saturday and maybe even Friday.

HMJr: Well....

E: The....

HMJr:we said....

E:the - you see, the - the offering of the two billion....

HMJr: Yeah.

E:to the banks, 16th, 17th, and 18th - that would close as of the night of the 18th....

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HMJr: Yeah.

E:and I'm just wondering - Saturday's a half-day - the - the - there won't be enough outside of the banks to amount to anything at all, and on - it just occurred to me that if you closed the whole drive at the time you close the drive for the two billion, I think that's worth thinking about.

HMJr: Well....

E: That's Fri.. - that's Friday night, you see.

HMJr: Friday night - we could....

E: That's the 18th, the night of the 18th is when you close the books for the bank subscription of the two billion. What would come in on the half-a-day Saturday outside of that would be practically nothing.

HMJr: Well, I could advance it - leave that other - well, open it on the 17th and close it on the 19th.

E: Well, or you could leave it open the four days or the three-and-a-half then. Why don't you do that, leave the - leave the....

HMJr: Well, do you think we ought to - do you think it makes any difference if we let the Victory Fund go one day over?

E: No, I don't know as it makes any particular difference only to close the two billion and leave the other go for another half-a-day, it - you might do this, I don't know whether the announcement is such - I've forgotten whether it was such that - that you couldn't leave the subscription for the certificates....

HMJr: I can ask Bell.

E:open on 16th, 17th, 18th, and you might announce that you - you're extending that before you open it....

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HMJr: Yeah.

E:for 16th, 17th, 18th, and 19th, and then closing the entire....

HMJr: The whole business.

E:the whole business on the 19th, which would make sense.

HMJr: I think - you might mention it to Bell, because he and I are going to have lunch together and try to settle it, and that's why I was call.. - took - I hope you didn't mind my calling you.

E: No, no, no, they're just discussing....

HMJr: Would you mention it to Bell?

E: Yeah.

HMJr: Well, thank you so much.

E: All right, then. Goodbye.

December 11, 1942
3:00 p.m.

TAXES

Present: Mr. Bell
Mr. Gaston
Mr. White
Mr. Cairns
Mrs. Klotz

H.M.JR: I thought I would tell you people this, in the strictest confidence. I am rather pleased with myself, for once, with what happened at Cabinet. I wanted Paul, particularly, to know this - nobody but Paul and you people.

The Attorney General, every once in a while, gets all emotional - I don't understand him anyway - and he made a speech. He said that following out what the President had said he wanted to bring to the President's attention a number of incidents where there had been cross-purposes among the Board members. For example, on this Immigration bill which went before Doughton, he, the Attorney General, didn't know anything about it. He tried to find out, and he thought it originated over at BEW, but he didn't know. He went on about how the Naval Intelligence officers ruined the bill, and how Green went out--

MR. GASTON: That is the other thing - the censorship thing.

H.M.JR: He was laying all this ground work, and then he said, "Now, Mr. President, what I think we should do," - he gets very excited - he says, "I think we should go back the way we did last year on the War Powers bill, where everything was cleared through me, the Attorney General, and then from me to Jimmy Byrnes,

- 2 -

on the Hill. I think that is the way - with such an unfriendly Congress - that is the way the legislation should be handled from now on."

Well, I saw this was something from Jimmy to the Attorney General, so I went back to my experience with Leo Crowley, where the two of them certainly gave me the works, and I felt that this was where we were going to be taken into camp on the tax bill.

The President didn't say anything, and the Attorney General went at him three times. "Now don't you want me to do this, Mr. President? I know the committees and know how to handle the thing, and with Jimmy Byrnes' help--" and so forth and so on.

I thought, listen, in a minute the President is going to say yes, and then it will be too late; so I sat up straight and I said, "Now, Mr. President, I am sure you don't want the Attorney General handling legislation for the State Department and the Treasury - legislation affecting foreign affairs and finance."

So the Attorney General said, "Of course, I wouldn't expect to handle the tax bill" - I mean, as much as to say, "Well, that is all I wanted."

He said, "Of course, I don't expect to handle the tax bill," and I said, "O.K." and he didn't get a peep out of the President.

So the President said something about - the Attorney General said, "Suppose you want something done where there are two or three departments affected, or something like that," and the President didn't answer. But the gist of it was - you see, Jimmy kept perfectly still.

He said, "Of course I wouldn't dream of handling the tax bill."

MR. BELL: Too bad there was not a record!

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H.M.JR: But just get the play--

MR. GASTON: I heard nearly the same speech - I attended the Censorship Policy Board, and I heard nearly the same speech. He cited the same instance on this Third War Powers bill, so-called, but the joke about that is that he did lead the thing. He was complaining about Zacharias coming up there and gumming up the game, but he and Fahy were running the show, and it was their fault if they didn't get the Navy in line and get an understanding with the Navy.

H.M.JR: That doesn't - I mean, that doesn't interest me - I mean, the point--

MR. GASTON: This is just an instance where he did the job and fell down.

H.M.JR: But the point that I got, I think this was all cooked up between them. The President would say yes, and the next thing we would have known, Jimmy would have had the tax bill.

MR. GASTON: What was the mistake you made?

H.M.JR: I didn't make any mistake.

MR. GASTON: I thought you were going to tell us how you made a mistake.

H.M.JR: No, I said that I thought for once I was smart. I think for once I was smart. I think I just nailed something which practically - there was the play from Jimmy, and therefore - I dug up the letter of last year about where all legislation should clear, you remember, only last week - did you see that letter? There is a letter right now on our books from the Attorney General saying all legislation should clear through him, which I decided we would pay no attention to last year.

MR. CAIRNS: It is just as well that I didn't see it.

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H.M.JR: In other words, these fellows are going to keep - you have just got to keep on your toes every minute, that is all; I just wanted to tell you - those of you who look after the Treasury's interests across the street - and so forth and so on. That is that.

One thing, when I get back Monday, this letter from Cordell Hull laying down this policy as to how we should proceed in Africa - Bell is not going to be here tomorrow - but Monday morning, if you and White would get together--

MR. BELL: We know pretty well what we are going to say.

MR. WHITE: I thought so until I read the letter.

H.M.JR: Don't do any more now until Monday morning. He (Bell) has given me his promise he is going home.

MR. WHITE: There is just the Spanish thing.

H.M.JR: No, not now. I am leaving in twenty minutes.

MR. BELL: I thought we laid that over until Monday.

H.M.JR: I just had the operator particularly tell you this wouldn't run more than five minutes, and it has run seven.

I am awfully glad to have seen all of you. (Laughter)

December 10, 1942.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

If you have not already been advised you may be interested in some of the suggestions as to a tax program made near the close of last night's meeting.

Gilbert (OPA) - A total program of approximately twenty-five billions, including about seventeen billions of forced lending and about eight of taxes, the latter to include a progressive sales tax with exemptions, using the stamp plan as proposed by Ben Cohen, 2-1/2 billions; additional corporation taxes, 2 to 3 billions; additional individual income taxes, 2 to 3 billions.

Ben Cohen - Thinks there is very little prospect of enacting a spendings tax as proposed by the Treasury and proposes instead a rough equivalent, which could be called a progressive sales tax. Free books would be issued carrying stamps up to some such value as \$300 for each individual, which would authorize purchases to that amount. Supplementary books would be sold for cash at progressively higher rates. This is not a new idea but one which has been extensively discussed in the Department and rejected as too difficult to administer and too vulnerable to evasion. Cohen thought it very doubtful that we could get any more income taxes but might get forced lending.

Hanson - Favors a 15 billion dollar program combining taxes and compulsory lending. He regards collection at the source as extremely important. He would like to see the compulsory lending, or at least a part of it, done on an excess income basis, that is, he would compel purchases of Government securities out of increase of individual income over prior years. Hanson also thought the Treasury should take steps to advertise the fact more widely that the British and Canadians pay higher taxes than we do. He thinks this very important.

Colm - Thinks we might go for a program of 10 to 15 billions, principally compulsory lending. He does not think we ought to aim at "closing the gap" because we don't know very

- 2 -

much about what the gap really is. He is also strong for collection at the source. He also thinks improving the tax structure so that later increases may be made more important than additional tax revenue at present.

Harold Smith - We are up against the gun on the budget message. If there are any suggestions to be made as to taxes for the budget message they had better be made quickly so that the President will have an opportunity to do some matching. "What influence you will have depends on what you can present in a concrete manner." He added that there was a problem as to how rapidly we could load the tax system and called attention to the fact that there was a heavy increase in the 1942 bill. He thought, like Colm, that the vehicle was more important than rates.

Stark - He thought we ought to raise 8 to 10 billions, including some forced lending. For the tax portion he would (1) increase income and Victory taxes; (2) Levy additional social security taxes.

Altmeyer thought it possible to raise additional taxes for social security purposes but thought the case would be weakened if the taxes were proposed as an inflationary control measure.

Helvering thought it more practical to raise new taxes by increasing rates rather than attempting to revise the system.

ms

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Dec. 11,
1942

TO Secretary Morgenthau
FROM Mr. Odegard

Mr. Gaston, Mr. Sullivan, Commissioner Helvering, and I met in Mr. Sullivan's office on Thursday, December 10, to discuss the possibility of using high school teachers throughout the country to bring to tax payers a better understanding of income tax procedure.

Immediately thereafter I talked with Mr. Lewisohn who suggested the names of three people who might be of assistance on this project. The people he suggested were L. F. Schiebler, in charge of public relations for the New York schools; Frederick Ernst, Associate Superintendent of Schools for New York; and Forrest Long, professor of secondary education at New York University. Mr. Lewisohn said that in his judgment Professor Long would be the most helpful. I therefore called Professor Long on the phone and asked him if he were interested. He indicated not only his willingness to help but his enthusiastic interest in the plan. He will be in Washington Tuesday morning.

I have also talked with Professor Richard Ballou of Smith College and am trying now to get in touch with Howard Wilson of Harvard.

I will let you know what plans we have in view to carry out your suggestion after our meeting on Tuesday with Messrs. Gaston, Sullivan and Helvering.

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Bill Binf

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MORGENTHAU

I APPRECIATE YOUR GENEROUS TELEGRAM OF YESTERDAY CONCERNING INQUIRIES BY NATIONAL BANK EXAMINERS AMONG BANKS IN THIS DISTRICT REGARDING THEIR PARTICIPATION IN VICTORY FUND CAMPAIGN. OUR CONCERN AROSE NOT BECAUSE WE FELT THESE INQUIRIES WERE A REFLECTION UPON THE WORK OF THE VICTORY FUND COMMITTEE AS SUCH, BUT BECAUSE THEY WERE DISTURBING TO THE BANKERS WHO ARE THE BACKBONE OF OUR ORGANIZATION IN THE FIELD. THE VISIT OF A BANK EXAMINER TO A BANK IS TRADITIONALLY A VISIT OF INVESTIGATION AND A VISIT OF THIS CHARACTER DID NOT SEEM TO BE IN HARMONY WITH THE SPLENDID VOLUNTEER JOB THE BANKERS ARE DOING IN THE VICTORY FUND CAMPAIGN. I REALIZE, OF COURSE, THAT YOU WERE SEEKING INFORMATION WHICH WOULD BE HELPFUL TO ALL OF US AS IT IS THE KIND OF INFORMATION WHICH WE ARE GETTING AND PLAN TO DIGEST AND STUDY IN PREPARATION FOR OUR NEXT BIG DRIVE SPROUL.

Under Secretary

Exp. Loans

C
O
P
Y

December 10, 1942

(Chairman, Victory Fund Committee, Copies to
Executive Managers, Victory Fund Committee.

To ~~Reserve Banks~~, Federal Reserve Banks:

~~Boston, Mass.~~
New York, N. Y.
~~Philadelphia, Pa.~~
~~Cleveland, Ohio~~
~~Richmond, Va.~~
~~Atlanta, Ga.~~

~~Chicago, Ill.~~
~~St. Louis, Mo.~~
~~Minneapolis, Minn.~~
~~Kansas City, Mo.~~
~~Dallas, Texas~~
San Francisco, Calif.

I understand that you feel bank examiners in your district are placing undue emphasis upon activities of Victory Fund Committees in their conversations with bank officials. The purpose of the questioning was to learn the reactions of banks to the current drive and to secure information as to what changes Treasury should make in its approach to next drive. It is only a continuation of the policy followed heretofore in some of our major financing operations. This information would be in addition to what I would expect to obtain from you and Executive Manager. The two-day survey completed today was in no way intended as a reflection upon the work of your committee. Your fine spirit of cooperation has exceeded our expectations.

MORGENTHAU

Initialed
DWB:GB

to: Miss Chauncey

This letter was
signed by the
Secretary & original
handed to Mr. Dooley
by me.

Slut Brown

GEORGE BUFFINGTON

December 11, 1942.

Dear Mr. Dooley:

It is a real encouragement to me to know of the careful and valuable work of the banking institutions of Washington, and of their many men and women employees engaged in those fiduciary tasks which increasingly concern securities of the Government.

I am especially glad to know that nearly \$60,000,000 of direct Treasury obligations now rest in fiduciary accounts of these banks, and that related subscriptions to the current Victory Loan total close to \$3,000,000. These are heartening signs that we are all becoming aware of our perils and our responsibilities in this war of survival. Equally encouraging is the steadily improving record of the trust department personnel of the banks in purchasing of War Bonds and Stamps.

Ours is a continuing task, requiring even greater sacrifices and responsibilities as the war goes on. I know that I can count on you to intensify your efforts to help finance the winning of the war.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Aubrey O. Dooley,
Chairman, Fiduciaries Section,
District of Columbia Bankers Association,
Washington, D. C.

Copy in Diary

File to Thompson

GB:FK:eg

December 11, 1942

Dear Jesse:

I wonder if you would be good enough to let us have a hundred-word statement over your own signature in support of the Treasury's \$9,000,000,000 Victory Loan drive.

As you know, we are trying to raise money in this drive mainly from nonbanking sources, since that is the soundest method of borrowing. Senator Glass and Mr. Garner have already supplied statements for us. I can assure you that a statement from you would be of immense help to us, and I shall appreciate it personally very much.

If you would send the statement to Mr. George Wanders in my office, he will see that good use is made of it in our campaign.

Sincerely,

(Signed) Henry

Honorable Jesse H. Jones,

Secretary of Commerce.

Copies in Diary

By Mess. Givens 4:27
12/11/42

Dear Jesse:

Would you be good enough to consider the issuance, over your own signature, of a statement in support of the Treasury's \$9,000,000,000 Victory Loan Drive. Your reputation for sound financial judgment is so high throughout the nation, and especially in Texas, that such a statement doubtless would be helpful.

As you know, we are trying to raise money in this Drive mainly from nonbanking sources, since that is the soundest method of borrowing. Senator Glass was the first to issue a statement supporting our program, and John H. Garner has supplied another. You would, therefore, be in choice company.

Sincerely, yours,

Honorable Jesse H. Jones,
Secretary of Commerce.

GWJ.
GW:dwb

December 11, 1942

Dear Governor Green:

I am delighted to learn from your letter of December 3rd of the fine work being done by the State of Illinois and its employees to push the sale of War Bonds and Stamps.

The story you tell is most encouraging to all of us here at the Treasury, and I appreciate especially your pledge of continued cooperation in the War Bond program.

We are counting on Illinois to do even better than its previous record in the coming year.

Sincerely,

(Signed) H. Morgenthau, Jr.

Hon. Dwight H. Green,
Governor of Illinois,
Springfield, Illinois.

FK/cgk

Photo file in Diary
File to Thompson

DEC 7 1942



OFFICE OF THE GOVERNOR
SPRINGFIELD

DWIGHT H. GREEN
GOVERNOR

December 3, 1942

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

Dear Mr. Secretary:

As honorary chairman of the Illinois War Bond Committee I am pleased to report to you on what the state of Illinois and its employees are doing to increase the sale of war bonds and stamps.

The latest step, taken at my suggestion, is the posting of war bond posters on state trucks and other mobile equipment. More than two thousand of these vehicles are being placarded with three posters, one on each side panel and one on the end gate. These will be changed monthly. I believe Illinois is the first state to take this step.

The drive of the State Employees War Bond Committee, of which I am chairman, to enroll officers and employees under the payroll savings plan has met with notable success. Approximately ninety per cent of the state officers and employees have enrolled and their subscriptions average approximately eight per cent of their salaries. Many exceed ten per cent. Recently I addressed a letter to all state officers and employees urging them to secure the co-operation of members of their families in extending the war savings plan.

State officers and employees are urged to take part in campaigns in their home communities and are encouraged to do everything possible to promote the sale of war bonds and stamps.

State officers and employees also have had a part in the success of the rubber, metal and other salvage campaigns in Illinois.

Sen. Henry Morgenthau--Dec. 3, 1942.

Assuring you that the state of Illinois and its
and employees will continue to co-operate in
as possible to further these war efforts, I am,

Respectfully yours,

Dwight H. Green

Governor

December 11, 1942

Mr. C. C. Colbert
President, Nehi Corporation
Columbus, Georgia

Dear Mr. Colbert:

I have seen the War Bond posters sponsored by your company to be displayed in 1700 cities and towns throughout the country.

I want you to know how much I appreciate your help and cooperation.

Sincerely yours,

(Signed) H. MORGENTHAU JR.

PHO:jrc

December 11, 1942

Dear Mr. Harrington:

I am sorry that it is not possible to have executed the forms of release or license for a copyright proprietor which you submitted to Mr. Callahan in your letter of December 2, 1942. In the absence of statutory provision for such action, it is beyond the authority of a Federal official to execute an indemnity agreement.

However, the Secretary of the Treasury has authority to grant licenses for the use of Government property, and he has granted a general license to radio broadcasting stations and broadcasting companies, which I hope and believe will answer your purpose. A copy of that license, covering all songs now or hereafter owned and copyrighted in the name of the Secretary of the Treasury, is attached.

For your information, the four songs owned or copyrighted by the Secretary of the Treasury are: "Any Bonds Today" and "I Paid My Income Tax Today", by Irving Berlin, and "Jolly Nelly Fitcher" and "Everybody Do'ry Payday", by Richard B. Uhl and Thomas M. Adair. In addition, the Secretary holds a non-exclusive irrevocable license to perform and authorize others to perform "The Lincoln Had Just One Country", by Oscar Hammerstein 2nd., Otto Harbach, and Jerome Kern.

Sincerely,

Ferdinand Kuhn, Jr.,
Assistant to the Secretary.

Mr. W. Clark Harrington,
Copyright & Music Clearance Department,
Columbia Broadcasting System, Inc.,
485 Madison Avenue,
New York, New York.

Attachment

JAG/bvg
12-10-42

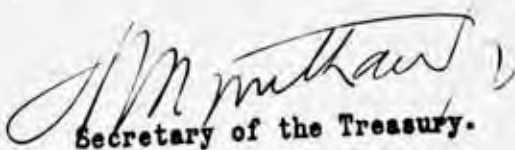
LICENSE

December 11, 1942

In order to promote the sale of War Savings Bonds, every radio broadcasting station and broadcasting company is hereby licensed to make such arrangements or adaptations of musical compositions owned and copyrighted by Henry Morgenthau, Jr., Secretary of the Treasury, or which may hereafter be owned and copyrighted by him or his successor in office, as it may desire, and to record or perform for radio broadcasting, and to radio broadcast (including television) such recordings or performances of said composition or adaptations or arrangements thereof at any time or place it may desire.

No fees or royalties are payable to the Secretary of the Treasury for the rights herein granted, and no other person, company, or agency whatsoever has been authorized to make any charge for the rights granted by this license.

This license is revocable at will.


Secretary of the Treasury.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 12-5-42

John A. Gilmore.

OM
Ross Barrett, Jr.

Attached is a letter just received from Mr. Harrington of the Columbia Broadcasting System. Would you be kind enough to handle this for us?

COLUMBIA BROADCASTING SYSTEM, INC.

485 MADISON AVENUE, NEW YORK

WICKERHAM 2-2000

December 2, 1942

Mr. Vincent Callahan
War Savings Staff
Sixth floor-709 12th St., N.W.
Washington, D.C.

Dear Mr. Callahan:

Mr. E.G. Opie, Chief of Transcriptions and Recordings of the War Savings Staff here in New York City, suggested I write directly to you concerning the license, or permission to broadcast over our facilities certain songs which are the property of the Treasury Department. Among these, the only two songs of which I know so far, are, "EVERYBODY-EVERY PAY DAY" and "MARCH FOR THE NEW INFANTRY". I have had some preliminary correspondence with Mr. Opie, and some telephone conversations during the course of which I endeavored to obtain for CBS our standard types of license, and/or release -not only for these two numbers but for any, and all numbers presently unknown to me or yet to be acquired by the Treasury Department. Even though Mr. Opie took to Washington the license forms I sent him on September 15th, 1942, I have not as yet received these licenses back, nor had any answer from your Washington office, excepting that given me verbally today by Mr. Opie to the effect that the licenses are there, and that I could expect some sort of answer any day now.

To provide for the eventuality that the licenses Mr. Opie took to Washington have been mislaid, I am enclosing another set. If you find them to be in order, may I ask you to sign all three copies and fill in the date-spaces and return all three to me, whereupon I shall have them duly executed by a CBS signatory and one copy returned to you. Should the license forms not meet with your approval, please examine the enclosed duplicate-copy release forms which we could use for clearance purposes failing your signing our license. Of these two, only one need be returned to us, signed and dated in ink.

I would greatly appreciate your prompt attention to these matters, and would like to have as well, a list of other publications, or songs owned by the Treasury Department, exclusive of "ANY BONDS TODAY".

Yours very truly,

COLUMBIA BROADCASTING SYSTEM, INC.
Copyright & Music Clearance Dept.,

W. Clark Harrison
Assistant Director

WCH:m
Enclosure

COLUMBIA BROADCASTING SYSTEM, Inc.
485 Madison Avenue
New York, N. Y.

Dear Sirs: owner(s)
 copyrighter(s)
 author(s)

I am (We are) the creator(s) of the following composition(s):

EVERYBODY EVERY PAY DAY - MARCH FOR THE NEW INFANTRY

and I (we) hereby grant to you and your owned and operated or affiliated stations the right, without payment of any fees, to publicly perform such composition(s) for profit by broadcasting in any of its forms and regardless of place of origination or type of program, until revocation hereof upon thirty days' written notice to you and to make arrangements, adaptations and transcriptions thereof and to broadcast the same. In consideration of your cataloging such composition(s) as available for broadcasting, I (we) agree to hold you, your owned and operated or affiliated stations, sponsors, agencies, your and their successors and assigns and others making use of such composition(s) under this license free and harmless from any and all claims, damages, liabilities, costs and expenses, including attorneys' fees, arising out of the use of such works as herein contemplated.

Very truly yours,

(Signature) ~~XXXXXX~~ for the War Savings Staff,
Treasury Department

(Signature) ~~XXXXXX~~

Dated by signatories:

KNOW ALL MEN BY THESE PRESENTS, That we,

WAR SAVINGS STAFF, TREASURY DEPARTMENT, WASHINGTON, D.C.

in consideration of the agreement of Columbia Broadcasting System, Inc. to consider the works published and/or copyrighted by us available for performance over any and all stations owned and operated by or affiliated with it, we hereby grant to said Columbia Broadcasting System, Inc., and to all such stations the right, without payment of any fees, to publicly perform for profit by broadcasting in any of its forms and regardless of place of origination or type of program, any and all compositions published by us and/or copyrighted in our names, whether now published and/or copyrighted or hereafter to be published and/or copyrighted. We further grant to Columbia Broadcasting System, Inc. and such stations the right to make any and all arrangements, adaptations and transcriptions of such works which Columbia Broadcasting System, Inc., in its sole discretion, shall find necessary or desirable for broadcast use.

We agree to hold Columbia Broadcasting System, Inc., its subsidiaries, owned and operated or affiliated stations, sponsors, clients, advertising agencies, its and their successors and assigns and others making use of such works under this license free and harmless from any and all claims, damages, liabilities, costs and expenses, including attorneys' fees, arising out of the use of such works as herein contemplated.

This agreement shall continue until terminated by either party giving to the other ninety (90) days' notice in writing, by registered mail.

IN WITNESS WHEREOF, we have hereunto set our hand,
this day of , 194 .

War Savings Staff, Treas. Dept.,

By _____

We hereby agree to consider the compositions of
War Savings Staff, Treas. Dept., available as aforesaid.

COLUMBIA BROADCASTING SYSTEM, INC.

By _____

December 11, 1942

Dear Sam:

Many thanks for sending me the clippings from the Daily Mirror.

As you know, we already have buttons to show that a worker is buying his ten percent. The moment we get beyond ten percent, however, I feel that we would be making a mistake to distribute buttons of the kind suggested in this article. My own feeling is that there is no special reason for issuing a badge or button to a man who can easily afford to put twenty-five percent of his income into Bonds. The man who has to scrimp and save to reach his ten percent is just as worthy of recognition.

Anyway, I appreciate your sending this suggestion to me.

Sincerely,

(Signed) Henry

Mr. Sam A. Lewisohn,
61 Broadway,
New York, N. Y.

FK/cgk

File in Diary

DEC 7 1942
306

SAM A. LEWISOHN
61 BROADWAY

NEW YORK
December 2,
1942

Dear Henry:

I do not know whether this enclosure is not "sending coals to Newcastle" as no doubt you have thought of this sort of thing already. It was called to my attention by someone whom I regard as quite constructive. It may be suggestive in some way. Pardon me for intruding in the midst of the tremendous tasks you are shouldering, but it is tempting to see if one can be helpful.

Not live to Elly
With best regards,

Yours,

Sam

P.S. We have some movies of you in dignified garb leaving Twin Ponds. I hope you will see them soon.



Investing for Victory

"ARE you salting away 10 per cent of your salary in War Bonds, neighbor?" If every working American had to give an answer to that question, the various hues of red that would creep upward from American collars would make a rainbow look pale by comparison.

The fact is most Americans are not putting 10 per cent of their salaries in War Bonds. Treasury figures tell the story: On Nov. 15, 22,000,000 American wage earners were putting \$300,000,000 into bonds under the payroll deduction plan each month. That represents only 8 per cent of their income, 2 per cent short of the 10 wanted by the Treasury.

What's 2 per cent, you ask? It's only 2 cents out of each dollar in your pay envelope. It will pay the postage to send your Uncle Godfrey a letter if he lives in your borough. But multiply it by millions 52 weeks each year, and that little 2 per cent can make the difference between a well-balanced national war economy and financial chaos and inflation. Especially when millions of other Americans are only investing 5 per cent or less.

Not Enough

However, should the current Treasury drive to have everybody a 10 per center by New Year's be successful, even that may not be enough to keep our national economy on an even keel. HEADLINES questioned a leading New York financier, a man who by experience and training should know the answers, and this is what he told us:

1. The people of the U. S., according to estimates, will produce during the current fiscal year about \$120,000,000,000 worth of various military and civilian goods. Since that money is allocated and is being spent, we shall have what we call a national income of \$120,000,000,000.

2. The \$120,000,000,000 worth of goods will be divided roughly half-and-half between war and civilian requirements. In other words, we will probably produce about \$60,000,000,000 worth of cannon, tanks, planes and equipment and \$60,000,000,000 worth of hats, shoes, groceries and other civilian services.

3. Therefore, though there will pass into our hands during the year \$120,000,000,000 to spend, we'll have only \$60,000,000,000 worth of things to spend it on.

4. If the American people are taxed \$25,000,000,000 of the surplus \$60,000,000,000, it will still leave \$35,000,000,000 or more lying around that has to



It will take more than movie stars, such as James Cagney and Irene Dunne (center), to sell enough War Bonds to keep American wartime economy on an even keel. Enough bonds will have to be sold to take in the surplus purchasing power rising from our war effort.

be taken in somewhere to avoid the inflation that inexorably sets in when there is more money than goods available.

That is the whole problem in a nutshell—how to keep this \$30,000,000,000 from bidding up the prices of the civilian goods in the market. One way to do it would be to increase taxes still further (U. S. taxes, high as they will be next year, are still below Britain's, for example). Another would be to get Americans to invest still more in War Bonds.

Even 10 per cent of the American income invested in War Bonds would account for only \$12,000,000,000 of this excess purchasing power. The remaining \$18,000,000,000—demanding to be spent—would soon raise hob in the form of spiraling prices that could wreck the war effort.

For a Thrift Corps

Can Americans be persuaded to invest more than 10 per cent of their income in bonds? Yes, the financier said, provided the job of buying War Bonds was put on a war basis, on a go-the-limit scale.

Let every American, he said, be permitted to tell the world how much of his income he is investing in victory. By putting a sticker in his window? No. By enrolling him in a

"U. S. THRIFT CORPS," and giving him a button, like one of those below, to wear always in his coat lapel.

"I am certain," the financier explained, "that once the plan is adopted, very few citizens would care to be seen on the streets without one of these buttons in their lapels."

For All to Know

The insignia on the buttons range in military fashion from Private to General. They would be awarded in a democratic manner—not according to the AMOUNT, but according to the PERCENTAGE of the salary assigned. A working man earning \$50 a week and assigning 20 per cent of his salary toward the purchase of War Bonds would receive the same insignia as a businessman making \$100,000 a year who assigns 20 per cent.

How would you get your button, neighbor? You'd get it from your employer when he instructed him to deduct so much from your salary. If you worked for yourself, you'd get your button from the Department of Internal Revenue in exchange for your pledge.

That is, if the Government would give Americans the opportunity to wear their patriotism over their heart as well as in it.

—George Robert.

Badges for Bond Buyers



Visible pledges for each American's faith in victory.

Regraded Unclassified



TREASURY DEPARTMENT
WASHINGTON

December 11, 1942

MEMORANDUM FOR THE SECRETARY:

You might be interested in reading
the attached telegram from our Administrator
in Honolulu.

GRAVES.
SA

FOR DEFENSE

BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS

C O P Y

309

Honolulu Dec 10 42

Govt Rev Graves

Asst to Secretary Treasury Washington

For your information copy of wire sent Robert W Coyne follows
Quote One million had been set as Dec seventh goal Stop
Hawaii's answer on Pearl Harbor was greatest War Bond promotion
Territory has ever seen Stop Sales of Series E alone for
four day period ending today will be five million dollars
issue value subject to increase from outlying districts Stop
Promotion conceived by our staff and executed with excellent
cooperation of Army Navy bond offices Stop Fifteen special
booths manned by soldiers and sailors swamped with customers
Monday necessitating reopening of booths Tuesday Stop Bonds
carried Pearl Harbor souvenir stamp Stop All issuing agents
report record sales continuing Stop Hawaii has exceeded
December quota of four million two hundred twenty five thousand
in first nine days of month Close quotes.

Kanne Administrator

750 am Dec 11

DEC 11 1942

The Honorable,

The Secretary of War.

Dear Mr. Secretary:

I was glad to have your letter of November 23, giving current information about the results of the payroll allotment plan for the purchase of War Bonds in the War Department.

This report is most encouraging, and I thank you for sending it to me.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

HNG:fns

Photo file in Diary

Orig. file direct to
Graves' office

WAR DEPARTMENT

WASHINGTON

NOV 23 1942

The Honorable,

The Secretary of the Treasury.

Dear Mr. Secretary:

In reply to your letter of November 9, 1942, regarding the sale of War Savings Bonds by the War Department, the following information is submitted.

The acceptance of pay reservation authorizations for the purchase of War Savings Bonds by pay roll deduction from civilian and military personnel of the War Department began in April, 1942. It was estimated there would be received by December 31, 1942, approximately 1,000,000 authorizations. This estimate proved to be far too conservative as the reservations received, to include July 31, 1942, were 1,216,424 and as of November 11, 1942, total 2,648,491. Receipts by months were as follows:

April and May	390,713
June	492,171
July	333,540
August	373,196
September	475,746
October	388,485
November 1-11 inclusive	<u>194,640</u>
	2,648,491

Of the above number it is estimated that approximately 600,000 represent civilian participation in the plan and the balance military.

As a result of the authorizations mentioned in paragraph 1 hereof there has, as of October 31, 1942, been deducted from pay rolls for the purchase of War Savings Bonds the sum of \$35,932,296.16. The October deduction was \$15,952,845.59, which indicates an annual purchase of bonds by all War Department personnel of \$191,434,147.08 per year. This figure will increase as it is to be noted that new reservations are currently being received at the rate of approximately 17,000 per day, and it is further noted that many reservations already received are effective at future dates.

There is in progress at this time a campaign to enroll over 90% of the civilian employees of the War Department in the War Bond Savings Plan, and to secure reservations of at least 10% of their gross pay. This campaign is producing excellent results, and it is confidently expected the goal will be attained.

Sincerely yours,

Henry L. Stimson

Secretary of War.

Analysis of Exposure to Payroll Savings Plans
December 5, 1942

	Number exposed to payroll savings plans	Total number in the country (estimated)	Percent of total exposed
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Part A - Summary by Number of Organizations Exposed

I. Business organizations			
(1) Firms with 5,000 employees or more.....	470	473	99
(2) Firms with 500 to 4,999 employees.....	5,646	5,785	98
(3) Firms with 100 to 499 employees.....	<u>25,076</u>	<u>29,083</u>	<u>86</u>
(4) Subtotal - large firms.....	31,192	35,341	88
(5) Firms with less than 100 employees.....	<u>130,179</u>	*	*
(6) Total business organizations.....	161,371	*	*
II. Governmental organizations.....			
	*	*	*
III. Grand total.....			
	<u>161,371</u>	<u>*</u>	<u>*</u>

Part B - Summary by Number of Employees Exposed

I. Business organizations			
(1) Firms with 5,000 employees or more.....	8,645,091	*	*
(2) Firms with 500 to 4,999 employees.....	7,405,313	*	*
(3) Firms with 100 to 499 employees.....	<u>5,685,795</u>	*	*
(4) Subtotal - large firms.....	21,736,199	*	*
(5) Firms with less than 100 employees.....	<u>3,187,080</u>	*	*
(6) Total business organizations.....	24,923,279	32,900,000 1/	76
II. Governmental organizations			
(1) Federal Government.....	2,376,067	2,800,000 1/	85
(2) State and local governments.....	<u>1,405,443</u>	<u>2,900,000</u>	<u>48</u>
(3) Total governmental organizations.....	<u>3,781,510</u>	<u>5,700,000</u>	<u>66</u>
III. Grand total.....			
	<u>28,704,789</u>	<u>38,600,000 1/</u>	<u>74</u>

Treasury Department

December 11, 1942

1/ Excludes agricultural employees, military personnel, employees on WPA or NYA or CCC projects, proprietors, firm members, self-employed, casual workers and persons in domestic service.

* Data not available.

Firms Employing 100 to 499 Persons Participating in Payroll Savings Plans
(As reported by the War Savings Staff's State Administrators)

State	Number of firms with payroll savings plans			Total number of firms (estimated)	Percent of total having payroll savings plans		
	Apr. 18	Nov. 28	Dec. 5		Apr. 18	Nov. 28	Dec. 5
Alabama.....	149	256	256*	347	43	74	74
Arizona.....	43	71	71	71	61	100	100
Arkansas.....	44	48	54	100	44	48	54
Northern California.....	512	720	720	792	65	91	91
Southern California.....	756	1,072	1,072*	1,248	61	86	86
Colorado.....	113	136	137	142	80	96	96
Connecticut.....	277	570	576	698	40	82	83
Delaware.....	21	59	59	65	32	91	91
District of Columbia.....	52	166	166*	210	25	79	79
Florida.....	147	213	214	214	69	99	100
Georgia.....	133	392	392	419	32	94	94
Idaho.....	31	33	33	33	94	100	100
Illinois.....	1,300	2,074	2,081	2,253	58	92	92
Indiana.....	415	686	691	860	48	80	80
Iowa.....	160	176	176	263	61	67	67
Kansas.....	276	288	288	299	92	96	96
Kentucky.....	136	226	226*	303	45	75	75
Louisiana.....	179	284	286	317	56	90	90
Maine.....	60	155	160	172	35	90	93
Maryland.....	177	346	347	405	44	85	86
Massachusetts.....	639	1,143	1,155	1,550	41	74	75
Michigan.....	689	1,005	1,010	1,308	53	77	77
Minnesota.....	376	440	440*	446	84	99	99
Mississippi.....	59	95	96	112	53	85	86
Missouri.....	472	712	715	962	49	74	74
Montana.....	40	49	49	49	82	100	100
Nebraska.....	103	135	137	144	72	94	95
Nevada.....	14	21	21	27	52	78	78
New Hampshire.....	89	144	145	170	52	85	85
New Jersey.....	463	980	986	1,182	39	83	83
New Mexico.....	33	41	41	42	79	98	98
New York.....	2,060	3,921	3,929	4,257	48	92	92
North Carolina.....	282	483	485	552	51	88	88
North Dakota.....	14	20	20	20	70	100	100
Ohio.....	1,126	1,736	1,743	2,030	55	86	86
Oklahoma.....	166	301	301	323	51	93	93
Oregon.....	211	295	295	307	69	96	96
Pennsylvania.....	1,682	2,276	2,285	2,285	74	99	100
Rhode Island.....	154	289	292	361	43	80	81
South Carolina.....	71	158	158	173	41	91	91
South Dakota.....	21	26	26	26	81	100	100
Tennessee.....	199	410	411	527	38	78	78
Texas.....	326	712	712*	989	33	72	72
Utah.....	36	44	44	44	82	100	100
Vermont.....	59	68	68	73	81	93	93
Virginia.....	281	363	364	386	73	94	94
Washington.....	234	357	358	456	51	78	79
West Virginia.....	134	220	220*	314	43	70	70
Wisconsin.....	278	482	491	680	41	71	72
Wyoming.....	17	23	23	23	74	100	100
Alaska.....	2	2	2*	2	100	100	100
Railroads.....	49	49	49	52	94	94	94
Total.....	15,360	21,971	25,076	29,083	53	86	86

Treasury Department

* Data are for November 28, inasmuch as no December 5 report was received.

December 11, 1942

Regraded Unclassified

Firms Employing 500 Persons or More Participating in Payroll Savings Plans
(As reported by the War Savings Staff's State Administrators)

State	Number of firms with payroll savings plans			Total number of firms (estimated)	Percent of total having payroll savings plans		
	Apr. 18	Nov. 28	Dec. 5		Apr. 18	Nov. 28	Dec. 5
Alabama.....	41	67	67*	68	60	99	99
Arizona.....	9	14	14	14	64	100	100
Arkansas.....	16	17	17	17	94	100	100
Northern California.....	122	130	130	131	93	99	99
Southern California.....	121	151	151*	156	78	97	97
Colorado.....	25	31	31	31	81	100	100
Connecticut.....	114	153	154	165	69	93	93
Delaware.....	15	25	23	23	65	100	100
District of Columbia.....	32	50	50*	51	63	98	98
Florida.....	28	44	44	48	58	92	92
Georgia.....	86	126	126	126	68	100	100
Idaho.....	11	11	11	11	100	100	100
Illinois.....	391	493	494	499	78	99	99
Indiana.....	88	147	148	165	53	89	90
Iowa.....	22	40	40	47	47	85	85
Kansas.....	23	25	25	25	92	100	100
Kentucky.....	38	49	49*	51	75	96	96
Louisiana.....	29	51	52	52	56	98	100
Maine.....	48	55	55	55	87	100	100
Maryland.....	84	111	111	111	76	100	100
Massachusetts.....	237	318	320	330	72	96	97
Michigan.....	265	287	287	287	92	100	100
Minnesota.....	79	81	81*	81	98	100	100
Mississippi.....	26	34	36	36	72	94	100
Missouri.....	103	138	138	140	74	99	99
Montana.....	3	4	4	4	75	100	100
Nebraska.....	23	28	28	28	82	100	100
Nevada.....	4	5	5	5	80	100	100
New Hampshire.....	29	32	32	32	91	100	100
New Jersey.....	142	196	196	197	72	99	99
New Mexico.....	5	5	5	5	100	100	100
New York.....	759	907	908	931	82	97	98
North Carolina.....	103	137	137	140	74	98	98
North Dakota.....	0	0	0	0	-	-	-
Ohio.....	412	483	484	502	82	96	96
Oklahoma.....	31	52	52	52	60	100	100
Oregon.....	48	55	55	55	87	100	100
Pennsylvania.....	551	621	623	636	87	98	98
Rhode Island.....	61	77	78	85	72	91	92
South Carolina.....	84	98	98	98	86	100	100
South Dakota.....	5	5	5	5	100	100	100
Tennessee.....	50	88	88	92	54	96	96
Texas.....	63	120	120*	121	52	99	99
Utah.....	8	10	10	10	80	100	100
Vermont.....	12	12	12	12	100	100	100
Virginia.....	93	102	102	102	91	100	100
Washington.....	49	73	73	73	67	100	100
West Virginia.....	36	77	77*	77	47	100	100
Wisconsin.....	127	154	154	154	82	100	100
Wyoming.....	1	4	4	4	25	100	100
Alaska.....	3	3	3*	3	100	100	100
Railroads.....	109	109	109	115	95	95	95
Total.....	<u>4,864</u>	<u>6,103</u>	<u>6,116</u>	<u>6,258</u>	<u>78</u>	<u>98</u>	<u>98</u>

Treasury Department

December 11, 1942

* Data are for November 28, inasmuch as no December 5 report was received.

Regraded Unclassified

Sales of United States savings bonds, Series E
December 1 through 10, 1942
Compared with sales quota for same period

(At issue price in millions of dollars)

Date	Actual sales		Quota, December 1 to date	Sales to date as percent of quota
	Daily	December 1 to date		
December 1	\$ 4.1	\$ 4.1	\$ 5.5	74.5%
2	4.5	8.6	11.0	78.2
3	10.0	18.6	23.1	80.5
4	39.7	58.3	35.2	165.6
5	16.6	75.0	57.1	131.3
7	46.4	121.4	95.3	127.4
8	11.9	133.3	110.2	121.0
9	17.9	151.2	133.2	113.5
10	13.6	164.8	158.5	104.0
11			181.5	
12			194.2	
14			233.6	
15			248.8	
16			272.9	
17			300.4	
18			326.3	
19			340.8	
21			385.5	
22			402.3	
23			428.2	
24			457.9	
26			472.7	
28			518.4	
29			551.3	
30			585.3	
31			650.0	

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

December 11, 1942.

Source: Actual sales figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds. Figures have been rounded and will not necessarily add to totals.

UNITED STATES SAVINGS BONDS - SERIES F AND G COMBINED

Comparison of December sales to date with sales during the same number of business days in November and October, 1942

(At issue price in thousands of dollars)

Date	: December : : daily : : sales :	Cumulative sales by business days			
		: December :	: November :	: October :	: December as : : percent of November
December 1942					
1	\$ 197	\$ 197	\$ 303	-	65.0%
2	329	527	1,115	-	47.3
3	2,688	3,214	7,846	\$ 2,218	41.0
4	13,947	17,161	14,720	20,322	116.6
5	12,303	29,464	31,425	24,325	93.8
7	17,522	46,986	34,030	31,922	138.1
8	2,872	49,858	43,940	46,695	113.5
9	9,576	59,434	49,326	55,998	120.5
10	5,651	65,085	58,842	59,711	110.6

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

December 11, 1942.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds. These figures have been adjusted on the basis of wire reports and therefore will not agree with the Treasurer's accounts.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE December 11,
1942

TO Secretary Morgenthau
FROM Mr. Haas
Subject: Recent Changes in Prices and Yields of Government Securities

Prices of taxable Government securities rose slightly last week, while those of tax-exempt securities showed further small declines. The strength in taxable securities was concentrated in bonds with first call dates in the Fifties, while the weakness in the tax-exempts was concentrated in the short and medium maturities.

The regular weekly offering of bills was awarded at an average rate of 0.367 percent, fractionally less than the average rate of a week ago. Yields of outstanding certificates showed no change except for the February 1943 maturity which declined .02 percent.

The comparison of present prices and yields with those prevailing on September 1 in Table II shows that prices of all but 5 Government notes and bonds outstanding on September 1 are now below their levels of that date. Yield changes, on the other hand, are almost evenly divided between rises and declines. The difference is, of course, due to the amortization factor discussed in a number of previous memoranda of this series.

As discussed in last week's memorandum, Table III, which compares yields on the basis of the September 1 pattern of rates, gives the best comparison of the actual change in the market since that date. Reference to the last column of this table will show that the market, as a whole, has risen in yield (lost ground) since that date -- the average adjusted increase in yield amounting to about .03 percent.

Purchases of Government securities by the Federal Reserve System totaled \$426 millions during the week. They consisted of \$225 millions of bills, \$120 millions of certificates, \$7 millions of other taxable issues, and \$74 millions of partially tax-exempt securities. Sales, confined solely to bills, amounted to \$71 millions and bill maturities totaled \$3 millions, with the result that the net increase in the System's holdings was \$352 millions.

Attachments

Table I 313
Price and Yield Changes of United States Securities
December 3, 1942 to December 10, 1942

(Based on mean of closing bid and asked quotations)

Security	Prices			Yields		
	Dec. 3, 1942	Dec. 10, 1942	Change	Dec. 3, 1942	Dec. 10, 1942	Change

(Decimals are thirty-seconds)

(Percent)

TAXABLE SECURITIES

<u>Bills</u>						
Average rate last issue	-	-	-	.37	.37	.00
<u>Certificates</u>						
5/8 2/1/43	-	-	-	.36	.34	-.02
5/8 5/1/43	-	-	-	.53	.53	.00
7/8 8/1/43	-	-	-	.68	.68	.00
7/8 11/1/43	-	-	-	.79	.79	.00
7/8 12/1/43	-	-	-	n.q.	n.q.	-

Taxable Notes

3/4 3/15/43	100.03	100.02	-.01	.41	.51	+.10
3/4 9/15/44	99.21	99.20	-.01	.95	.97	+.02
1-1/4 3/15/45	100.02	100.04	+.02	1.22	1.19	-.03
3/4 12/15/45	99.01	99.01	.00	1.08	1.08	.00
1 3/15/46	99.05	99.04	-.01	1.26	1.28	+.02
1-1/2 12/15/46	100.01	100.02	+.01	1.49	1.48	-.01

Taxable Bonds

2 3/15/48-50	101.07	101.07	.00	1.76	1.76	.00
1-3/4 5/15/48	100.01*	100.01*	.00	1.74	1.74	.00
2 6/15/49-51	100.13	100.13	.00	1.93	1.93	.00
2 9/15/49-51	100.10	100.10	.00	1.95	1.95	.00
2 12/15/49-51	100.07	100.07	.00	1.97	1.97	.00
2 3/15/50-52	100.04	100.04	.00	1.98	1.98	.00
2 12/15/51-55	100.01	100.02	+.01	2.00	1.99	-.01
2-1/2 3/15/52-54	103.13	103.15	+.02	2.09	2.09	.00
2-1/4 6/15/52-55	101.04	101.05	+.01	2.12	2.12	.00
2-1/2 3/15/56-58	102.26	102.29	+.03	2.25	2.25	.00
2-1/2 6/15/62-67	100.03	100.03	.00	2.49	2.49	.00
2-1/2 12/15/63-68	100.01*	100.01*	.00	2.50	2.50	.00
2-1/2 9/15/67-72	100.17	100.16	-.01	2.47	2.47	.00

TAX-EXEMPT SECURITIES

Wholly Tax-exempt Notes

1-3/4 12/15/42	100.01	100.01	.00	.70	0/32**	+1/32**
1-1/8 5/15/43	100.13	100.13	.00	.36	.33	-.03
1 9/15/43	100.17	100.16	-.01	.32	.34	+.02
1-1/8 12/15/43	100.28	100.26	-.02	.27	.32	+.05
1 3/15/44	100.24	100.24	.00	.41	.40	-.01
3/4 6/15/44	100.13	100.13	.00	.48	.48	.00
1 9/15/44	100.30	100.29	-.01	.47	.48	+.01
3/4 3/15/45	100.15	100.16	+.01	.54	.53	-.01

Partially Tax-exempt Bonds

3-3/8 6/15/45-47	101.18	101.16	-.02	.42	.43	+.01
3-1/4 10/15/43-45	102.08	102.06	-.02	.63	.64	+.01
3-1/4 4/15/44-46	103.14	103.12	-.02	.71	.72	+.01
4 12/15/44-54	106.10	106.08	-.02	.86	.86	.00
2-3/4 9/15/45-47	104.29	104.27	-.02	.96	.97	+.01
2-1/2 12/15/45	104.15	104.14	-.01	1.00	1.00	.00
3-3/4 3/15/46-56	108.20	108.18	-.02	1.07	1.07	.00
3 6/15/46-48	106.21	106.21	.00	1.07	1.06	-.01
3-1/8 6/15/46-49	107.01	107.01	.00	1.09	1.08	-.01
4-1/4 10/15/47-52	114.06	114.01	-.05	1.23	1.26	+.03
2 12/15/47	103.27	103.27	.00	1.21	1.21	.00
2-3/4 3/15/48-51	107.06	107.06	.00	1.34	1.33	-.01
2-1/2 9/15/48	106.16	106.16	-.02	1.32	1.32	.00
2 12/15/48-50	103.23	103.22	-.01	1.36	1.36	.00
3-1/8 12/15/49-52	110.11	110.11	.00	1.57	1.56	-.01
2-1/2 12/15/49-53	105.30	105.30	.00	1.60	1.60	.00
2-1/2 9/15/50-52	106.10	106.10	.00	1.63	1.63	.00
2-3/4 6/15/51-54	107.30	107.30	.00	1.74	1.74	.00
3 9/15/51-55	110.01	110.01	.00	1.76	1.76	.00
2-1/4 12/15/51-53	104.17	104.17	.00	1.71	1.71	.00
2 6/15/53-55	103.03	103.03	.00	1.68	1.68	.00
2-1/4 6/15/54-56	104.23	104.23	.00	1.80	1.79	-.01
2-7/8 3/15/55-60	109.02	109.02	.00	2.04	2.04	.00
2-3/4 9/15/56-59	108.09	108.09	.00	2.11	2.06	.00
2-3/4 6/15/58-63	108.12	108.12	.00	2.15	2.11	.00
2-3/4 12/15/60-65	108.31	108.31	.00		2.15	.00

December 10, 1942.

Treasury Department, Division of Research and Statistics.

* 100.00 bid, 100.02 asked.

** Excess of price over zero yield.

Regraded Unclassified

Table II
Price and Yield Changes of United States Securities
September 1, 1942 to December 10, 1942

Issues outstanding on both dates only

(Based on mean of closing bid and asked quotations)

Security	Prices			Yields		
	Sept. 1, 1942	Dec. 10, 1942	Change	Sept. 1, 1942	Dec. 10, 1942	Change
	(Decimals are thirty-seconds)			(Percent)		

TAXABLE SECURITIES

<u>Bills</u>						
Average rate last issue	-	-	-	.37	.37	.00

<u>Certificates</u>						
5/8 2/1/43	-	-	-	.52	.34	-.18
7/8 8/1/43	-	-	-	.76	.68	-.08

<u>Variable Notes</u>						
1/4 3/15/43	100.03	100.02	-.01	.57	.51	-.06
3/4 9/15/44	99.17	99.20	+.03	.98	.97	-.01
3/4 12/15/45	99.01	99.01	.00	1.05	1.08	+.03
1 3/15/46	99.05	99.04	-.01	1.24	1.28	+.04
1-1/2 12/15/46	100.05	100.02	-.03	1.46	1.48	+.02

<u>Taxable Bonds</u>						
2 3/15/48-50	101.05	101.07	+.02	1.78	1.76	-.02
2 6/15/49-51	100.11	100.13	+.02	1.95	1.93	-.02
2 9/15/49-51	100.08	100.10	+.02	1.96	1.95	-.01
2 12/15/49-51	100.06	100.07	+.01	1.97	1.97	.00
2 12/15/51-55	100.02	100.02	.00	1.99	1.99	.00
2-1/2 3/15/52-54	103.23	103.15	-.08	2.07	2.09	+.02
2-1/4 6/15/52-55	101.06	101.05	-.01	2.12	2.12	.00
2-1/2 3/15/56-58	103.03	102.29	-.06	2.23	2.25	+.02
2-1/2 6/15/52-57	100.13	100.03	-.10	2.47	2.49	+.02
2-1/2 9/15/57-72	101.06	100.16	-.22	2.44	2.47	+.03

TAX-EXEMPT SECURITIES

<u>Wholly Tax-exempt Notes</u>						
1-3/4 12/15/42	100.14	100.01	-.13	.21	0/32**	+2/32**
1-1/8 6/15/43	100.20	100.13	-.07	.33	.33	.00
1 9/15/43	100.22	100.16	-.06	.33	.34	+.01
1-1/8 12/15/43	100.30	100.26	-.04	.39	.32	-.07
1 3/15/44	100.25	100.24	-.01	.49	.40	-.09
3/4 6/15/44	100.14	100.13	-.01	.50	.48	-.02
1 9/15/44	101.01	100.29	-.04	.49	.48	-.01
3/4 3/15/45	100.16	100.16	.00	.55	.53	-.02

<u>Partially Tax-exempt Bonds</u>						
1-3/4 6/15/43-47	102.08	101.16	-.24	.50	.43	-.07
1-1/4 10/15/43-45	102.28	102.06	-.22	.66	.64	-.02
1-1/4 4/15/44-46	103.28	103.12	-.16	.83	.78	-.11
4 12/15/44-54	106.29	106.08	-.21	.94	.86	-.08
2-3/4 9/15/45-47	105.08	104.27	-.13	.99	.97	-.02
2-1/2 12/15/45	104.31	104.14	-.17	.96	1.00	+.04
3-3/4 3/15/46-56	109.00	108.18	-.14	1.15	1.07	-.08
3 6/15/46-48	106.31	106.21	-.10	1.11	1.06	-.05
3-1/8 6/15/46-49	107.13	107.01	-.12	1.12	1.08	-.04
4-1/4 10/15/47-52	114.28	114.01	-.27	1.24	1.26	+.02
2 12/15/47	104.09	103.27	-.14	1.16	1.21	+.05
2-3/4 3/15/48-51	107.10	107.06	-.04	1.37	1.33	-.04
2-1/2 9/15/48	106.28	106.16	-.12	1.31	1.32	+.01
2 12/15/48-50	104.06	103.22	-.16	1.30	1.36	+.06
3-1/8 12/15/49-52	110.19	110.11	-.08	1.58	1.56	-.02
2-1/2 12/15/49-53	106.09	105.30	-.11	1.58	1.60	+.02
2-1/2 9/15/50-52	106.20	106.10	-.10	1.62	1.63	+.01
2-3/4 6/15/51-54	108.12	107.30	-.14	1.72	1.74	+.02
3 9/15/51-55	110.15	110.01	-.14	1.74	1.76	+.02
2-1/4 12/15/51-53	105.01	104.17	-.16	1.66	1.71	+.05
2 6/15/53-55	103.15	103.03	-.12	1.65	1.68	+.03
2-1/4 6/15/54-56	105.13	104.23	-.22	1.74	1.79	+.05
2-7/8 3/15/55-60	110.02	109.02	-1.00	1.97	2.04	+.07
2-3/4 9/15/56-59	109.10	108.09	-1.01	1.99	2.06	+.07
2-3/4 6/15/58-63	109.15	108.12	-1.03	2.05	2.11	+.06
2-3/4 12/15/60-65	110.02	108.31	-1.03	2.09	2.15	+.06

December 10, 1942.

Treasury Department, Division of Research and Statistics.

** Excess of price over zero yield.

Yield Changes of Government Securities Relative to September 1, 1942 Pattern of Rates
September 1, 1942-December 10, 1942

Issues with 3 months or more to run outstanding on both dates

(Based on mean of closing bid and asked quotations)

Security	Actual yield as of Sept. 1	Actual yield as of Dec. 10	Change in actual yield	Estimated change in yield required to maintain Sept. 1 pattern of rates	Estimated change in yield relative to Sept. 1 pattern of rates
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TAXABLE SECURITIES

<u>Bills</u>					
Average rate last issue	.37	.37	.00	.00	.00
<u>Certificates</u>					
7/8% 8/1/43	.76	.68	-.08	-.10	+.02
<u>Taxable Notes</u>					
3/4% 3/15/43	.57	.51	-.06	-.17	+.11
3/4 9/15/44	.98	.97	-.01	-.06	+.05
3/4 12/15/45	1.05	1.08	+.03	-.05	+.08
1 3/15/46	1.24	1.28	+.04	-.05	+.09
1-1/2 12/15/46	1.46	1.48	+.02	-.05	+.07
<u>Taxable Bonds</u>					
2% 3/15/48-50	1.78	1.76	-.02	-.04	+.02
2 6/15/49-51	1.95	1.93	-.02	-.02	.00
2 9/15/49-51	1.96	1.95	-.01	-.02	+.01
2 12/15/49-51	1.97	1.97	.00	-.02	+.02
2 12/15/51-55	1.99	1.99	.00	-.01	+.01
2-1/2 3/15/52-54	2.07	2.09	+.02	-.01	+.03
2-1/4 6/15/52-55	2.12	2.12	.00	-.01	+.01
2-1/2 3/15/56-58	2.23	2.25	+.02	-.01	+.03
2-1/2 6/15/62-67	2.47	2.49	+.02	.00	+.02
2-1/2 9/15/67-72	2.44	2.47	+.03	.00	+.03

TAX-EXEMPT SECURITIES

<u>Wholly Tax-exempt Notes</u>					
1-1/8% 6/15/43	.33	.33	.00	-.06	+.06
1 9/15/43	.33	.34	+.01	-.05	+.06
1-1/8 12/15/43	.39	.32	-.07	-.04	-.03
1 3/15/44	.49	.40	-.09	-.04	-.05
3/4 6/15/44	.50	.48	-.02	-.03	+.01
1 9/15/44	.49	.48	-.01	-.03	+.02
3/4 3/15/45	.55	.53	-.02	-.02	.00
<u>Partially Tax-exempt Bonds</u>					
3-3/8% 6/15/43-47	.50	.43	-.07	-.08	+.01
3-1/4 10/15/43-45	.66	.64	-.02	-.07	+.05
3-1/4 4/15/44-46	.83	.72	-.11	-.06	-.05
4 12/15/44-54	.94	.86	-.08	-.05	-.03
2-3/4 9/15/45-47	.99	.97	-.02	-.04	+.02
2-1/2 12/15/45	.96	1.00	+.04	-.04	+.08
3-3/4 3/15/48-56	1.15	1.07	-.08	-.04	-.04
3 6/15/48-48	1.11	1.06	-.05	-.04	-.01
3-1/8 6/15/48-49	1.12	1.08	-.04	-.04	.00
4-1/4 10/15/47-52	1.24	1.26	+.02	-.03	+.05
2 12/15/47	1.16	1.21	+.05	-.03	+.08
2-3/4 3/15/48-51	1.37	1.33	-.04	-.03	-.01
2-1/2 9/15/48	1.31	1.32	+.01	-.03	+.04
2 12/15/48-50	1.30	1.36	+.06	-.03	+.09
3-1/8 12/15/49-52	1.58	1.56	-.02	-.03	+.01
2-1/2 12/15/49-53	1.58	1.60	+.02	-.03	+.05
2-1/2 9/15/50-52	1.62	1.63	+.01	-.02	+.01
2-3/4 6/15/51-54	1.72	1.74	+.02	-.02	+.04
3 9/15/51-55	1.74	1.76	+.02	-.02	+.04
2-1/4 12/15/51-53	1.66	1.71	+.05	-.02	+.07
2 6/15/53-55	1.65	1.68	+.03	-.02	+.05
2-1/4 6/15/54-56	1.74	1.79	+.05	-.01	+.06
2-7/8 3/15/55-60	1.97	2.04	+.07	-.01	+.08
2-3/4 9/15/56-59	1.99	2.06	+.07	-.01	+.08
2-3/4 6/15/58-63	2.05	2.11	+.06	.00	+.07
2-3/4 12/15/60-65	2.09	2.15	+.06	.00	+.06

December 10, 1942.

Treasury Department, Division of Research and Statistics.

MEMORANDUM FOR THE SECRETARY.

December 11, 1942.

Mail Report

Mail during the past week continued to be exceedingly heavy but of little variety or novelty. Bonds overshadowed all other topics, and the general impression is of minor dissatisfactions over one aspect of the program or another.

Complaints or criticism deal with: Increased and unwarranted cashing of Bonds, difficulties in connection with the limitation on Series E Bonds, failure to receive Bonds purchased through payroll deductions, failure on the part of families to receive Bonds thus purchased by men in the service, limitation on farmers, salesmen, and others affected by gas rationing, the draft, etc., and incidental charges for cashing Bonds, keeping them in safe-keeping, etc.

The number of Bonds actually submitted for redemption continues to be quite high. It might be well to investigate conditions at Patchogue, New York, since for some time there has been a small but steady stream of Bonds coming in for redemption from this small Long Island town. In all, 30 employees of the War Department complained that they had not received Bonds long since paid for.

The most encouraging part of the Bond mail was that relating to Victory Fund Committees. These letters reflected excellent morale and good response to local activity.

Most of the tax mail was made up of individual inquiries as to the application of the new Bill. For perhaps half a dozen who opposed the new Tax Bill in general, there were 15 who concretely urged a pay-as-you-go plan, the Rumml scheme being mentioned by name in

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Memorandum for the Secretary.

December 11, 1942.

about half these letters. There were 6 letters approving the Sales Tax and 1 opposing it.

The general mail continued to bring in many complaints against Government extravagances. With increasing frequency families of service men are reporting their failure to receive allotment checks, sometimes adding that complaint has already been made to the War or Navy Departments without any reply being received.

There continues to be a small but gratifying stream of gifts, often Government checks turned back as a contribution to the War effort. Form letters containing a total of \$75.00 in cash were received from 30 citizens of Codorus, Pennsylvania, who, somewhat curiously, called themselves "Fifth Columnists of America Acting as Santa Claus to Uncle Sam".



General Comments

Charles C. Lawrence, Stillman, Maynard & Co., N.Y.C.
As a voluntary worker for the Victory Fund drive of the U. S. Treasury, I consider the address of Mr. Paul of your Department extremely untimely and ill-chosen. Threatening to force saving and subscription to U. S. Government ~~issues~~ at this time will not particularly help our drive. In fact, I have run into very disagreeable reactions to this threat. May I also add that the President's remarks at a press conference yesterday on limitation of incomes and salaries to \$25,000, are not what you might say good "sales talk" for the larger prospects!

George Procunier, Grand Rapids, Mich. I am enclosing my compensation check to be used for the benefit of the Veterans of this war. (\$72.00) I have been amply repaid for all sacrifices I made in the last War, and am desirous that this money shall be used for the benefit of those who have made greater sacrifices in this War. You will receive a check from me each month as they come to me. I asked the checks be stopped but was told they could not be stopped but to send them on to you.

Guy W. Wolf, Secretary, Retail Merchants Association, Oakland, Calif. (Telegram) Shortage pennies and nickels here becoming serious handicap to retail operations. Have taken up with U. S. District Attorney and Capt. Foster of Secret Service matter of getting Department approval our Association to issue scrip for use during emergency. Time short and urgency hourly becoming worse. One local bank today completely out of pennies for store use. Respectfully request approval plan issue scrip to be redeemed by Association upon demand. Need is for one-cent, three-cent and five-cent pieces.

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Lonny C. Deweese, (Operator of Penny Scales), Houston, Tex. May I suggest in order to get more pennies in circulation that are now being held by thousands of coin collectors, that you again mint INDIAN HEAD PENNIES? In my 37 years of collecting pennies from penny weighing scales over a wide area in Texas and Louisiana, people are, and have been since 1909, keeping all Indian Head pennies -- some for the novelty of having them, others thinking some day there will be a premium on them. * * * We believe if you mint new Indian Head pennies, there would be no object of collectors holding the ones they now have.

Isidor Kaufman, Philadelphia, Pa. I got a Position with the Quartermaster as a Jr. Clothing Inspector...and got discharged without Prejudice, on account one or two persons wich didnt like me they under mined so much till I got the Gate. * * * Now, Mr. M, I had 25 yrs expierince in the Clothing Field, furthermore I have expierience on Raincoats, I can put the Paterns down on the cloth and can cut and make a garment, I am a citizen and a good Democrat. Mr. M, I am a Genius on Raincoats. You need people to work for the Government, specially somebody that understands everythink clothing and Raincoats wich is verry essential, not to get Rid of them. * * * I wish you would get in tuch with Sect Stimson and Explain to him about me.

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Favorable Comments on Bonds

Benjamin Nathanson, Brooklyn, N.Y. We have a very small business, but since the Japs attacked Pearl Harbor we bought a bout fifteen hundred dollars in War bonds, and now on Dec. 7th we are going to buy seven more War bonds. Next monday is Dec. 7th and seven more bonds will be bought from one family. Hopping for a quick victory, Benjamin N.

A. Cyril Daldy, St. Louis, Mo. * * * Recently I caught a patriotic friend of mine in the act of contributing some unwanted articles of metal (in good condition) to the scrap metal drive. I pointed out to him that he could serve his country better by selling them to someone who had need of them, putting the proceeds into War Bonds, and thereby taking the money realized out of circulation. He decided to follow my advice and obtained \$30 for the articles at public auction. To this he added \$7.50 and bought a \$50 War Bond. It seems to me very likely that the purchaser of the articles, if he or she had not been able to obtain them in this way, might easily have spent the money on new merchandise with consequent inflationary effect. Multiply the incident by a few million and quite an appreciable amount of good might be done through a publicity campaign.

P. B. Brill, Vice President, Tampa Shipbuilding Company, Tampa, Fla. (Telegram) In addition to launching seven naval vessels yesterday the employees and officials of this company subscribed for approximately fifty thousand dollars War Savings Bonds in special Pearl Harbor Day campaign -- this in addition to regular weekly payroll deduction of fifty-five thousand dollars, making total deduction for subscriptions for this week twenty percent of payroll.

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Benjamin Wollberg, Washington, D. C. I would like to make a suggestion in regard to the celebration of the New Year. We are at home and enjoying the security and comforts of home while our husbands, sons and brothers are in all parts of the world fighting to make our democracy safe and more secure for us to live in. I think that every person who celebrates New Year's Eve in any public place should be asked to purchase a War Stamp, based on the amount of the cover charge. * * * I feel that the majority of the public would enjoy their evening more if they contributed their bit for the Nation in this small way.

Mrs. Mary B. Cook, Mill Valley, Calif. Your "Message To The American Farmer" arrived about the same time as a V-letter from my boy overseas. It seems an excellent reply to any "doubting-Thomases" as to how the boys over there feel about buying Bonds. This probably will never reach your desk, but it gives me some small degree of pleasure to send it. -- (Letter from Stephen C. Cook, U. S. Naval Air Station, Maui, T. H.) Dear Mom, Dad, Al, and Kay: Yesterday was Navy Day. Fortunately, I had a chance to take part in it, and believe me it was one of the most impressive things I have ever seen. It wasn't the displays, but instead a few thousand people buying Bonds. I only wish they could have taken moving pictures of the show and then could have sent them back to the States, so the people back there could really see true Americans in action. Folks, could you imagine about half the people in Marin County getting together and buying \$160,000 worth of Bonds in one day? Well, that's the way they celebrated Navy Day on Maui. Everybody dug down deep into their socks and pulled every last cent to buy as many Bonds as they could. They hadn't saved up especially for this one day. It was all spontaneous and above their regular buying. Many of them apologized for not being able to buy more because they had already bought Bonds this month. And you should have seen the little shoe shine boys. They would go out and get a customer, then come back and buy Stamps. The school

- 5 -

youngsters didn't hang back either. One school got over six hundred dollars in Stamps alone. Another got over four hundred dollars in Stamps, and that besides the many Bonds they purchased. One man came up with a pineapple can full of coins and said, "My son shines shoes and has saved up this money to buy Bonds, and I would appreciate your checking it for me". I dumped the money out in a box, all half dollars and quarters. They never seemed to stop rolling, and when I got through counting, there was sixty-nine dollars worth. To that sum this father added some more to make it come out enough for \$150 worth of Bonds. Maui was certainly on a Bond Bender, and I'll bet there are plenty of people pulling their belts in for the rest of this month. The comment yesterday and today was, "It's too bad it couldn't have gone another day to take care of all the buyers". Frankly, I don't see how there could have been anybody left to buy. If everybody in the States was like the people out here, we could really cut a lot of time out of this war. Out here they work until they are ready to drop, and instead of complaining they turn right around and make a showing as they did on Navy Day. Maybe that explains some of my true feelings toward this Island. You have to forget race and color when you see such things. I was planning to send you a paper telling all about it, but they didn't print half the story. Guess they are too busy to spend any time bragging about their accomplishments. * * *

Walter Herslman, Wheatfield, Ind. The letter you sent me (A Message To The American Farmer) was just in accord with the plan I have had in mind. You can send me Stamps or Bonds for every cent of my AAA payment. If there are two payments, make it all in one and as soon as I sell my corn and soy beans, I am not going to put in just 10%, but 40% of it.

Isabel A. Stevens, Miami, Fla. * * * I had over subscribed \$400 so I endorsed my Bonds and turned them in to the Federal Reserve Bank of Atlanta, Ga. I then received a communication informing me there is a new ruling about co-owners and each one is entitled to \$5,000. maturity value, or \$10,000. together. He said he would send them back to me if I so wished. I requested him to return them to me, and on the strength of his information, I bought some more Series E Bonds yesterday. I had so much difficulty trying to convince the Superintendent of one of the branches here that I could buy more, that I am again wondering whether I am within my rights or not. I showed him the letter I received from Mr. McCorvey. * * * The Superintendent of the branch Post Office called the main Post Office and read the letter to someone there, but they still insisted I could not buy any more, as they had not been notified of the change. I needn't have spent so much time and talk with them, and just bought my Bonds and went along about my own business, but I thought they would appreciate knowing of the change, but they seemed to resent it instead, only saying they didn't know anything about a change and they hadn't been notified. If I may say so, I think it would be very beneficial to a great many if these rules of buying Bonds were simplified and made clearer. * * * What happens for example if I have my full quota of Bonds and some relative or friend bought Bonds in the same year and then in 1945 or 1946 they passed away and left them to me? * * *

Mrs. George W. Zimmerman, Grand Blanc, Mich. You would sell more Bonds if you could find some way for us to take care of them other than putting them in the bank for safe-keeping. The bank charges \$3.00 per year to take care of the Bonds -- \$30 for 10 years -- that is too much for the working man with a family. We want to buy Bonds to help America, not to give it all away to the banks. * * * Most of the workers are buying the \$25 Bonds, and I think you could provide a safe place for 1¢ each Bond. Our banker told us to pay him \$3 on or before the 15th of this month, so do something right now about this matter. * * *

- 1 -
- 2 -

Dear Mr. Morgenthau --

No gas. No job.
No job. No money.
No money. No Bonds.

Yours truly,
J. Burnett,
Portland, Oregon.

H. W. Wade, Sec.-Treas., Standard Hosiery Mills, Inc., Alamance, N.C. * * * We are deducting about \$2,500 per month now on payrolls, for War Bonds. We are endeavoring to pay our employees a Bonus, and this Bonus is slightly larger than paid last year, and we have had this TURNED DOWN. How can we go at our employees to sell them more Bonds when the Government refuses to permit their employer to give them a little Christmas Cheer in the form of a Bonus? We have made application to a higher board for the approval of this Bonus, but why so much unnecessary work in order that we may do a thing that our Directors are anxious to do? The information requested takes quite a bit of time to get up, besides the money spent by the Government in setting up offices to handle these Bonus and Salary and Wage Applications. Why not save these costs and let corporations and employers in general pay reasonable bonuses and increases and thus create a better feeling between employer and employee? Our employees know that it is our intention to pay this Bonus, and if approval is denied, they will doubtless cancel their Bond deductions. * * * Don't forget those increased taxes our employees are going to have to pay the coming year!

David Pesetsky, Detroit, Mich. I am an employee of the War Department Tank-Automotive Center, Detroit, Mich. Last May I subscribed for War Savings Bonds, Class A Pay Reservation. I have paid in about \$100. Up to this date, which has been a period of seven months, I have not received a single Bond or any information or acknowledgment thereof. In view of the fact that it is possible to buy and receive a War Bond in a few minutes at any Post Office, theatre, or bank in the United States, it seems incredible that such a condition should exist within a Government agency.

Mrs. Alva C. Frey, Port Orchard, Wash. We are the average American family and we are trying to do our part in the war effort. My husband works for the Puget Sound Navy Yard and we have been putting 10% of our wages into War Bonds. * * * It became necessary the other day to cash in three of these Bonds so we took them to our bank to cash them and they charged us a dollar for handling the Bonds, and I want to know if they had any legal right to do so. We did not go to the Post Office as we have to bother one of the merchants to identify us, and we felt it was easier to go to the bank where we were known. I thought the Government should know about this as we, like many other families, will not be able to buy so many Bonds unless we can use them in our emergency without too long a wait and too much expense.

Douglas Fosdick, Publisher, Rumford Falls Times, Rumford, Maine. I am enclosing correspondence which I have had recently with one of three local firms, the Stowell-MacGregor Corporation of Dixfield, Maine, regarding the sponsorship of a War Bond advertisement. It is my understanding that the Stowell-MacGregor Corporation is largely engaged in war production work. (Letter refused curtly to sponsor ad, "no appropriation".) I think you will discover in this correspondence the reason why we publishers have been unable to sell the very splendid advertisements you have sent us in mat form. In the past year I have succeeded in selling but one of these ads, and in my judgment it is a complete waste of your time and energy, and the public's money, for you to maintain a staff of advertising experts and artists to put out material which is practically impossible to sell. * * * I guarantee that this voluntary sponsorship program, no matter how attractive the copy is, will not work because private business cannot see why it should be burdened with a function that is not their own, but that of the Treasury Department which is out selling something. As far as my newspaper is concerned, you can save money for the Government by taking our name from your War Bond mat list. We have enough full-page mats on hand now to

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last us for the duration if the duration is five years. As you must realize, the newspapers are giving your Department, and all other Government Departments, a vast amount of free space, on which we receive no return whatever. * * * We cannot afford to run these full pages for nothing. I earnestly recommend that it is now time for your Department to adopt a business-like policy along the lines I have indicated above. (Campaign of paid Advertising.) * * *

Senator Vandenberg forwards copy of letter written by F. H. Beach, President of the Eaton County Savings Bank, Charlotte, Mich., and addressed to Mr. George C. Haas. -- I wish to inquire if you or the head of the Government are aware what they are doing to the Banks in the U. S. In our little Bank we are short of labor yet we are spending about \$100 per month in selling Bonds, and practically every day we are asked for a report from someone who has a fine office, probably draws a nice salary and has nothing to do but sign his name. The majority of Bankers probably haven't got the guts to write this type of letter. I wish you would take this matter up with Mr. Morgenthau, Jr., and ask him which he would prefer to have us do, sell Government Bonds or spend the time answering inquiries which undoubtedly would be filed away and never seen by any one.

R. Malley, General Chairman of Machinists, St. Louis Southwestern Railway, Pine Bluff, Ark. (Telegram) On account of the Bonds not being delivered either by the Federal Reserve Bank of St. Louis or the Railroad Co., the employees whom I represent have informed me that they are going to ask that their deduction orders for Bonds be cancelled unless this condition is corrected.

T. A. Williams, Riverside, N.J. I am writing to you as an appeal, as I have more trouble buying Bonds than I have getting the money to buy them with. * * * As it happened, this day I was at the Post Office at 5:30 p.m. and the Postmaster would not sell me a Bond -- this is not

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- 11 -

the first time I was refused. I am a shipyard worker, a ten percenter at the yard. At times I would buy more Bonds, but I can't buy them at the Post Office if it is after 5:30 p.m., although the Post Office is open until 6:00 p.m. * * * I have 22 Bonds, but I would have at least 10 more if the Postmaster were more patriotic to his country instead of his time. * * *

Pvt. Jerome Smolinsky, Aberdeen Proving Ground, Md.
I have written you a number of times previously concerning two \$100 Bonds I purchased while employed at Picatinny Arsenal. Up to the present time I haven't received any answer from you, and I would like to know whether or not you intend to send me my Bonds. The deduction of \$10 per week was taken out of my pay check, commencing with the May 11, 1942, payday. Seven months have passed and I still have not received the Bonds. * * *

Unfavorable Comment on Taxation

Donald Fisher, Elizabeth, New Jersey. I was recently approached by a friend who works for a bank and is interested in the sale of U. S. Government Bonds. I advised him that, after caring for my present commitments, I would have to lay aside any spare funds that I might have to take care of my next year's income tax. He brightened and said, "That is what Series A. Bonds are for. Invest in them and give the Government the use of the funds in advance." I remarked that it had already cost me about \$80 this year to help the Government in that way. On March 10, 1942, I was advised by my employer that \$1,094.26 paid to me as sickness benefits in 1938 should have been classed as nontaxable income and that I should make a claim for a refund. My claim (\$82.85) was filed immediately and I was subsequently advised that it had been disallowed as the application should have been filed within three years of the time that the return was filed (February 16, 1939). I have since learned that several of my fellow employees who received similar notification on the same day have been reimbursed. Why? Because they waited until the eleventh hour to pay their taxes, whereas I endeavored to give the agents a "break" by filing mine ahead of time. * * * Since Deputy Commissioner Mooney's decision is probably final, I presume that there is little use in appealing to you. However, I thought that it might serve some purpose to call this injustice to your attention in the hope that the cause can be corrected. As for buying Series A Bonds to pay taxes, I fear the hidden rules and hesitate to get "burned" again.

December 11, 1942.

Dear Mr. Nelson:

Thank you for your letter telling me of the establishment of a Procurement Policy Board, and asking that the Treasury nominate a member to sit with this body.

I should like to have Mr. Clifton Mack serve in this capacity, and hope that you will call upon him whenever you are ready to do so.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Donald M. Nelson,
Chairman, War Production Board,
Washington, D. C.

Photo file in Diary

File to Thompson

GEF/ab*

WAR PRODUCTION BOARD

WASHINGTON, D. C.

IN REPLY REFER TO:

December 8, 1942

My dear Mr. Morgenthau:

By General Administrative Order No. 2-68, copy of which is attached, there is established a Procurement Policy Board as the successor to a committee known formerly as the Purchases Policy Committee and later as the Procurement Policy Committee.

In accordance with the provisions of that order, will you be good enough to nominate one member. The Treasury Department member of the previous committee was Mr. Clifton Mack.

Sincerely yours,



Donald M. Nelson
Chairman

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



United States of America
WAR PRODUCTION BOARD

MANUAL OF POLICY
AND PROCEDURES

GENERAL ADMINISTRATIVE ORDER NO. 2-68

1 OF 2

EFFECTIVE DATE

December 2, 1942

SUPERSEDED BY

BY

SUBJECT

PROCUREMENT POLICY DIVISION AND PROCUREMENT POLICY BOARD

Section 1. Establishment of the Procurement Policy Division and Procurement Policy Board:

.01 There is hereby established within the Executive Office of the Chairman a Procurement Policy Division.

.02 There is also established within the Procurement Policy Division a Procurement Policy Board.

.03 One member of the Procurement Policy Board shall be nominated by each of the following for appointment by the Chairman of the War Production Board: The Secretary of War; the Secretary of the Navy; the Secretary of the Treasury; the Chairman of the Maritime Commission, and the Administrator of the Office of Price Administration. The Director of Procurement Policy of the War Production Board shall be a member of the Board. The Chairman of the War Production Board shall designate the Chairman of the Procurement Policy Board from among its members. The Chairman of the Procurement Policy Board shall appoint an Executive Secretary.

Section 2. Functions of the Procurement Policy Division:

.01 The Procurement Policy Division shall determine broad policies in accordance with which the several Federal departments, agencies and establishments shall perform their functions with respect to war purchasing and contracts. This statement shall include but not be limited to:

- a) The determination of policies to be followed by the contracting departments in negotiating war contracts.
- b) The determination of policies to be followed in the renegotiation of contracts under Section 403 of Public Law No. 528, known as the Sixth Supplemental National Appropriations Act of 1942, or any amendments thereof.
- c) The stimulation of such war contract forms, war contract provisions, and methods of setting prices in war contracts as will preserve and increase the efficiency of war production.

(over)

.02 The Procurement Policy Division shall administer and maintain continuous reappraisal and examination of the general procurement principles currently set forth in War Production Board Directive No. 2 (Amended) and the War Production Board Clothing Procurement Policy.

.03 The Procurement Policy Division shall, on behalf of the Chairman of the War Production Board, study and develop policies dealing with the broad problems of war contracts, their origin, negotiation, effectiveness in enhancing war production, change, and termination.

Section 3. Functions of the Procurement Policy Board:

.01 The Procurement Policy Board shall assist the Procurement Policy Division in the performance of its functions and review policy determinations prior to issuance. The Board shall be concerned primarily with policy problems which simultaneously involve more than one of the procurement agencies and shall continuously review the performance of the respective agencies in carrying out policy determinations which have been established.

Section 4. The Staff of the Procurement Policy Division:

.01 The Director of Procurement Policy shall employ such personnel as may be necessary to provide the Division and the Procurement Policy Board with information on which to base decisions and to carry out determinations.

.02 The Director shall assign personnel to such procurement agencies as the Procurement Policy Board shall recommend in order to coordinate Governmental procurement.

.03 The Director shall appoint such joint procurement sub-committees for specific commodities as shall be recommended by the Procurement Policy Board.

Section 5. Effective Date:

.01 This order shall take effect on December 2, 1942, and rescinds General Administrative Order No. 12 as amended by General Administrative Order No. 2-31.

.02 Nothing herein shall be considered to supersede or modify the provisions of General Administrative Order No. 2-51 or General Administrative Order No. 2-63.

I CERTIFY THAT THE ORIGINAL OF THIS ORDER
DULY APPROVED AND SIGNED BY THE COM-
PETENT EXECUTIVE WAS FILED WITH ME ON THE
5th DAY OF December, 1942.

Francis A. Campbell
CHIEF OF MANAGEMENT SERVICES

W. L. Batt

W. L. Batt
Vice Chairman

DEC 11 1942

My dear Mr. Eccles:

I am calling a meeting for 3:00 P.M. on Tuesday, December 15 to give further consideration to proposals for post-war monetary stabilization which, you will remember, have been the subject of study by an interdepartmental technical subcommittee.

I would appreciate it very much if you or someone you would care to designate could attend this meeting.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable Warriner S. Eccles,
Chairman, Board of Governors of the
Federal Reserve System,
Washington, D. C.

Copy in Diary

Copies to Thompson

By Mess. Givens 4:27
12/11/42

HIN:dal
12-11-42

DEC 11 1942

My dear Mr. Secretary:

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I would appreciate it very much if you or someone you would care to designate could attend this meeting.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable Jesse Jones,

Secretary of Commerce.

Copy in Diary

Copies to Thompson

By Mess. Givens 4:27
12/11/42

HDW:dal
12-11-42

DEC 11 1942

Dear Mr. Vice President:

I am calling a meeting for 3:00 P.M. on Tuesday, December 15 to give further consideration to proposals for post-war monetary stabilization which, you will remember, have been the subject of study by an interdepartmental technical subcommittee.

I would appreciate it very much if you would designate someone to represent the Board of Economic Warfare at this meeting.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Vice President.

Copy in Diary

Copies to Thompson

By Mess. Givens 4:27
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I would appreciate it very much if you would designate someone to represent the Department of State at this meeting.

Sincerely yours,

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury.

The Honorable,

The Secretary of State.

Copy in Diary

Copies to Thompson

By Mess. Givens 4:27
12/11/42

HDW:rl
12/11/42

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WAR DEPARTMENT
OFFICE OF THE UNDER SECRETARY
WASHINGTON, D. C.

December 11, 1942.

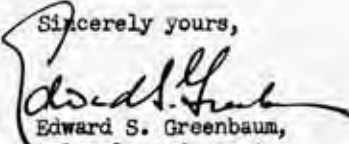
Honorable Henry Morgenthau, Jr.
Treasury Department,
Washington, D. C.

Dear Henry:

This will confirm appointment for luncheon at your office on Tuesday next with General Somervell. We will be there at one o'clock unless you notify me of a change.

There is inclosed for your information a copy of restricted document relating to the subject of military procurement. I think you will be interested in it and hope you will get time to look through it before our luncheon meeting. It is sent for your personal information and not for publication.

Sincerely yours,


Edward S. Greenbaum,
Colonel, Ord. Dept.,
Executive Assistant to
Under Secretary of War.

Incl.

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The annexed document sets forth the War Department's policy with respect to proposed legislation limiting military control of the procurement of munitions of war, and the reasons in support of such policy.

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THE NECESSITY FOR CONTINUED MILITARY
RESPONSIBILITY FOR EQUIPPING
THE ARMED SERVICES

1. Introduction. S 2871 and H. R. 7742 propose to transfer to an Office of War Mobilization the procurement of materiel. Another suggestion is that civilian control over procurement be achieved by executive or administrative order. No plan envisages the transfer of all steps required in the acquisition of weapons, as it is conceded that only the Armed Forces can establish the military requirement of types, quantities and relative urgency. The proposals vary from having a civilian agency do the contracting to having it do the scheduling and follow-up of production.

2. Dissatisfaction With Dislocations of War. The resurgence of proposals to take procurement of weapons away from the Armed Forces is traceable to the dislocations which war makes inevitable. Industrial America has been converted from peacetime pursuits, and stress has resulted. There is longing for pre-war conditions. The hope is that somehow someone other than the Army and Navy, although not trained or experienced for the task, could do the job better. Then all businesses, large and small, efficient and inefficient, would be able to continue undisturbed; there would be no dislocation of labor or housing problems; and an even-balanced flow of munitions would be transmitted painlessly to the troops. In short, the movement for a new control is a phase of "business as usual", although we are engaged in unusual war business.

3. Procurement Must be Handled as Part of a Single Flow. It is simple to propose an administrative arrangement whereby one agency determines what it needs for victory while another agency attends to the fulfillment of the needs and the delivery of the completed items to the using forces. It is, however, an impossibility thus to separate the military program into parts and to introduce divided responsibility, without a complete disruption of the Army and of its successful military operations.

The flow of munitions depends first on strategic and tactical planning of military operations. This requires research to develop new and improved weapons and their design, specifications and drawings. Pilot models must be produced and tested. Facilities must be examined for capacity to produce in sufficient quantities at the times required. Part of the necessary production must be placed in the Army arsenals. New facilities must be constructed where existing facilities are inadequate. Contracts must be placed, and their performance followed up and expedited. There must be inspection for quality, testing and proof firing. Manufacturers must receive shipping orders. Transportation, both domestic and overseas, must be provided. The supplies must be distributed through bases, depots, holding and reconsignment points and ports of embarkation. The supplies and equipment must be maintained in the field, and this includes distribution of spare parts and tools, salvage and rehabilitation.

There is no strict chronological sequence whereby some of these functions may be culled out from the rest and given to a separate agency. The flow is indivisible. Strategic and tactical planning continues throughout and is in turn affected by the progress of munitions manufacture. Programs are readjusted while production is in process. Research and preparation of specifications overlap production and change the course of production. Military testing and inspection occur simultaneously with production. Battle experience must reach the production line with minimum delay. Weapons already completed must be modified or changed in light of such experience or the particular use required. To accomplish a proper flow of munitions, production schedules must be frequently and promptly changed directly with a manufacturer to meet the varying needs of task forces and combat operations overseas. Whole programs must be revised without delay, in light of changes in the military situation. These things cannot be done with dispatch and decision through the complexities of a dual organization.

Any dual arrangement would result in innumerable delays, in difficulty of defining the exact functions of each agency, with resulting jurisdictional disputes, and in complete breakdown of procurement. We are not ordering safety pins at a department store. We are procuring a myriad of complex and difficult items, constantly changed as testing and experience make necessary. The administrative red tape involved in the submission of schedules for thousands

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of weapons and tens of thousands of components for approval and placement by another agency presents insurmountable difficulties, particularly when revisions in quantities and specifications are constantly required as the result of strategic and tactical changes. For example, strategic and tactical developments in the Aleutians created an emergent necessity for a change in bomb fuses. The existing fuses, though eminently satisfactory for high altitude or dive-bombing, were not adapted to the new type of bombing required. To correct this situation, an Ordnance officer with Air Force experience was flown to the Aleutians and participated in bombing attacks on Japanese ships. He flew back to Picatinny Arsenal and in a few days, as a result of his observations, designed a fuse for this particular type of operation. He supervised production line changes and flew the first units produced to the Aleutians where he supervised the trials and the instruction of other officers in their use in actual battle. The Air Force now report that 98% efficiency is attained with this fuse. No such rapid and effective change would have been possible under dual control of production.

It is difficult, even within one agency, to relate munitions requirements to available production facilities and material. The reorganization of the War Department last March, with its creation of the Services of Supply, accomplished such coordination. It would be impossible to bring about a coordination between two different agencies in the accomplishment of a single indivisible program of production.

4. The Armed Forces Alone Can Direct This Flow. No one but the Armed Forces is competent to establish and change military requirements or to receive, use and maintain the material in the field. This much is conceded by advocates of a department of munitions. Hence a dual arrangement and interruption of the flow can be avoided only by placing the entire process of production of weapons in the Armed Forces. Aside from the insurmountable administrative difficulty, the proposal would place the responsibility for production of military weapons in a civilian agency utterly lacking in experience in production of weapons. Modern warfare is largely a war of logistics, and the control of military procurement and supply is essentially a part of the strategy governing the distribution and use of our Armed Forces. It is the basic mission of the War Department, under the supervision of the President as Commander-in-Chief, to organize, equip, dispose and direct our armies in conjunction with those of our Allies so as to defeat the armies of the enemy completely and without delay. Complete responsibility and authority in a single chain of command for the design, procurement, storage, distribution, use, maintenance and salvage of weapons of war is an essential inherent in the responsibility for the performance of this basic mission. Strategy and production of weapons are inseparable if the war is to be won.

The Armed Forces alone have a trained personnel who have specialized for years in the production of munitions. This is recognized in the bills before Congress, where it is provided that Army and Navy officers will be transferred to the civilian agency and placed on non-military status. But it is only by keeping such men with the Armed Forces that they can remain in the chain of unified command or that they can be sent to theaters of operations to carry out planned supply operations, returning from time to time to transmit their direct experience into production of better weapons at home. For example, when the development of Rommel's activities in Libya indicated the growing importance of the tank in desert warfare, the Ordnance sent an officer to participate with the British in actual battle with our tanks in use by British Armored Forces. As a result of months of frontline experience he not only redesigned the system for supply and maintenance of armored forces, but also returned to this country and engaged in designing and supervising the production of our newer tank models. No one but an Army officer could have done this.

Army and Navy officers are free from criticisms which, rightly or wrongly, have been leveled at civilian agencies. No officer has favored "business as usual". A transfer of procurement functions to a civilian agency would enhance the criticisms which such agencies have already encountered and thus divide the united efforts of the Nation.

There is also a morale factor in continuing production under the Armed Forces.

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The Army and Navy "E" symbolizes the direct relationship between every working man and the fighting forces. No civilian procurement officials could obtain the same measure of support.

5. Procurement for the Armed Forces is the Result of Planning. Transfer of procurement to a civilian agency would be entering an untried field, whereas the present method of obtaining military supply is the result of years of study. In 1920 Congress gave to the Assistant Secretary of War the job of planning for mobilization of war resources in the next war. During the period since then, the Army and Navy, with the advice and guidance of seasoned counselors such as Bernard M. Baruch and Hugh S. Johnson, prepared our industrial war plans. These plans envisaged the execution by the Armed Services of the procurement program. The supply services were decentralized and their officers trained at the Army Industrial College and other business and technical schools. 30,000 manufacturing establishments were surveyed by our officers and their facilities allocated. The Industrial Mobilization Plan, as amended and supplemented from time to time, was reported to Congress. Control of resources and conversion of the civilian economy to a war economy were assigned to a War Resources Administration and subordinate civilian agencies. Under this plan, the Army has now had more than two years of actual practice. To proceed under a new organization would be to set sail on an uncharted sea.

6. The Proper Function of Civilian Agencies. It has never been the thought of the Armed Forces that they alone could mobilize the country for war. The Industrial Mobilization Plan called for creation of a War Resources Administration and allied civilian agencies. Their function is to provide an increased supply of critical materials, the facilities for the production of semi-finished products required for military end items, the administrative control of the flow of materials and the elimination of these materials for non-essential purposes. They also are charged with the duty of continuing civilian supply necessary to support the war effort. Among the duties of such agencies are priority and price control, allocation of facilities, control of raw materials and other commodities, control of labor supply, power and fuel, transportation, finance, food and foreign trade. In some of these fields the Army and Navy have had no special training and experience. Here civilian leaders are required.

Control of critical materials must be in the hands of a civilian agency for two reasons. First, civilians familiar with the production of steel, copper and like materials have had more experience with problems in such production than Army and Navy officers. Second, the demands for materials are not confined to the Army and the Navy. Civilian activities essential to the war effort must also be met.

There is no thought that the military departments should control American economy. It is essential merely that the Armed Forces procure munitions which they alone are able to procure while civilian agencies direct the economy of the country to assist and make possible such military procurement.

7. Production Accomplishments of the War Department. Proponents of a change are faced by the accomplishments of the War Department in military production. The War Department is not and probably never will be satisfied with the progress of procurement and production of munitions. This is inevitable in a total war of resources against fully mobilized, powerful enemies who understand such a war. The limit upon the amount of weapons desired is the limit established by our resources of materials, facilities and manpower. Hampered by the lack of a munitions industry in the United States and a constantly changing control of the flow of materials by civilian agencies, deliveries of munitions of war have been unprecedented and are now serving well our troops and those of our Allies on world-wide fronts. This production has been so balanced that more than 80% of our production output has been placed in the hands of troops. The performance of our aircraft, tanks and other weapons is praised by all who have used them or seen them in action. They are winning victories. The British have reported, "The tanks, M-4 (American) have made a great impression on everyone and the troops are thrilled with them. The long gun is magnificent both in accuracy and in penetration." Our supply is growing in quantity and quality. Production for the War Department, which was less than a billion dollars in 1940, reached some 3 billion dollars in 1941. In the first 10 months of 1942 this production has approximated 14 billion dollars.

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In addition to this tremendous progress in quantity, the supremacy of our equipment in quality over that of our enemies is being proved in combat. While examples of this can be multiplied indefinitely, an outstanding example of quality and performance is that of our fire control equipment used on tanks and self-propelled guns whereby accuracy of fire has been increased as high as fifty percent.

Great facilities have been constructed for ordnance and aircraft manufacture where we had practically non-existent industries. Over 91% will be completed by the end of 1942. In spite of the continuance of unnecessary commercial industry up to and considerably after Pearl Harbor, 30% of our national output has now been converted to the war effort which, in a period of approximately a year, is equal to the effort being made in England after four years. It is approaching the war effort of Germany which has reached 43% of national output after 10 years of preparation for war. No apology is needed for what the War Department has achieved and is achieving. The same is true of the Navy Department.

8. Impossibility of Changing our Organization Now. The existing organization of the Army as a machine both for combat and supply is such that it is a physical impossibility to separate these two parts without a complete disruption of the Army and its current successful military operations. Contracts have been placed and are being administered by the Army. Contractors and subcontractors have learned to meet military requirements, specifications and procedures. A procurement organization has been established throughout the country and overseas. A change in the middle of the war, even if it were theoretically desirable at some other time, would be disastrous now. The destruction of a going organization in favor of one untried and inexperienced might mean the loss of the war. Even if it were physically possible to make the transfer without delay of a year or more, there is no assurance that the new agency could do the job. The civilian super-agencies have been changed repeatedly, both in organization and personnel. There is no reason to suppose that a transfer of procurement to civilian control would not result in further reorganizations and new transfers,--more than one swap of horses in the middle of the stream.

9. Reasons for Existing Dislocations. There is no doubt that the war has brought certain concentrations of industrial employment and local shortages of labor, while elsewhere there have been, temporarily at least, areas of comparative idleness and distress. Some industrial establishments have been enlarged and filled with armament business, while others, deprived of materials for commercial supply, are relatively idle.

Most of these difficulties are inherent in the situation. The Armed Forces had to take America as they found it. We had no munitions industry. Our facilities for aircraft production were inadequate. Only a portion of our industrial establishments were equipped with the facilities and skills that could be converted to the manufacture of modern weapons. Speed was of the essence. A number of plants had to be erected. Others had to be enlarged and converted. When new facilities are erected or old ones enlarged and existing plants are placed upon three shifts, employees must come from somewhere. Congestion and housing difficulties are unavoidable. On the other hand, those plants unable to manufacture military items found their civilian business diminished, particularly when critical materials were no longer forthcoming.

The Armed Services have endeavored to use all industrial plants useable in the war effort. Thousands of small businesses have been brought into the program. Subcontracting has been insisted upon. Every attempt is made to place contracts and facilities, where possible, in areas of sufficient labor supply.

But it has been impossible to change from commercial to military production without distress, particularly when many industries desired and even still desire to continue in civilian supply.

10. British Experience Does Not Favor a Change. It is sometimes argued that the British Ministry of Supply, a civilian agency, has been more successful in procuring munitions than the Armed Forces in the United States. It is urged that we follow the British example. The British Ministry enters only a part of the military procurement program, roughly equivalent to ordnance items. The situation in England is entirely different from ours.

The British had no Industrial Mobilization Plan with a well-developed military organization of procurement and supply. England's industrial economy differs from ours both in nature and in scope. Industry is less specialized and is split into smaller units. Furthermore, the War Department believes that our system, a system under which the Armed Forces attend to production of military weapons and a civilian agency mobilizes the national resources in support plan and is more responsive to the needs of the troops who must fight with the weapons produced.

11. There is No Danger of Military Control of American Economy. The proponents of the transfer of the procurement of military supplies to a civilian agency profess fear of a military regimentation of America. These fears are wholly unfounded. All War Department plans call for civilian control over the mobilization of the country's resources. We do not desire to enter the field of directing the country's economy.

Furthermore, the War Department itself is not devoid of civilian viewpoint and personnel. The Armed Services are under the civilian leadership of the Secretary, Under Secretary and Assistant Secretaries of War. While we have in the War Department the only professional cadre of experienced executives in the procurement of munitions, without whom such procurement would be a practical impossibility, these men have been in constant contact with civilian life and experience. They have been trained in the Army Industrial College and other schools of business. They have spent their lives in dealing with civilian industry.

These professional officers are but a small part of the present Army engaged in the Services of Supply and the Materiel Command of the Air Forces. The percentage of Regular Army officers differs in different branches. In the supply services it averages 9%. It has been necessary and advisable to augment the regulars by large numbers of civilians of whom Generals Knudsen, Glancy, Harrison and Pyron and Colonels MacKeechie, Browning and Barnoff are examples. Thousands of Reserve Officers and others commissioned from civil life are engaged in Army procurement. The fact that they wear the uniform of the Army does not mean that our procurement and supply officers are " brass hats " or Fascist-minded militarists who seek Army control of the civilian economy and population. They are a cross section of our most patriotic civilian leaders. The Army of the United States is truly a civilian Army. No Army in history has so quickly made use of civilian plans and experience and adopted them to the performance of its military mission as quickly and completely as this one. While the procurement officers constitute primarily a civilian Army, it would have been impossible to create it and to continue it in efficient action without the framework and leadership of Regular Army officers especially trained for the task.

12. Conclusion and Summary.

(a) To shift the scheduling and procurement of munitions from military to civilian control would be a grave mistake at any time because it divides responsibility and authority for the military prosecution of the war and because procurement, logistics and supply are inextricably interwoven into the pattern of modern war.

(b) Such a shift at this time would be disastrous since it would require a complete disruption of the organization of the Army at a time when that Army is engaged in major and successful military operations with the enemy, and would seriously jeopardize the successful prosecution of the war.

(c) Although the War Department is not satisfied with the progress of procurement and production, since the need for military supplies in total war is unlimited, the War Department is proud of its accomplishments to date. The facilities were obtained and the equipment has been produced in the quantities, times and places needed to equip our Army and Allies for successful military operations against the enemy.

(d) There is nothing in our World War experience nor in the current experience of our Allies to lend encouragement to the proposal.

(e) All the plans upon which our current procurement is based and pursuant to which our operations have been so far so successful contemplated military control of military procurement. To disrupt these well-laid plans and successful operations at this time would invite disaster and defeat.

(f) We cannot afford the risk of changing "Enough and on Time" for "Too little and too late."

13. Additional Data. There are documents annexed giving additional details in support of the foregoing statement.

ADDITIONAL DATA

I

THE INTEGRATION OF SCHEDULING AND PROCUREMENT
WITH MILITARY OPERATIONS.

In the Army the functions of scheduling, purchasing and production of munitions are completely integrated, within the organizational framework of the War Department, with other purely military activities, particularly those concerned with strategic planning, logistics, and the supply of troops in training and combat. It is impossible to pull out of this framework the purely purchasing and production activities without a complete reorganization of the structure of the War Department, a complete reorganization of the established systems and procedures enforced to supply the troops, and a disruption of the flow of munitions to the troops which would set back military activities, insofar as the Army is concerned, by at least six months to one year, if it could be done at all in the midst of war. The very nature of the flow of military supplies and equipment from the strategic planning stage to delivery into the hands of the troops in North Africa, for example, is such that it cannot be divided into various parts, some of which are not under the control of the War Department, without serious and immediate danger of disastrous failures and tragic consequences.

The major steps in the flow of munitions are:

1. Strategic and tactical planning.
2. Development of need for all types of supplies and equipment based on that planning.
3. Research to develop new and improved weapons and other material to meet strategic and tactical needs.
4. Design of items of supply and equipment, including the preparation of specifications and drawings.
5. The production and testing of pilot model.
6. The determination of facilities capable of producing the end items of military supplies and equipment in sufficient quantities at the times required.
7. The construction of facilities for production where existing facilities are inadequate.
8. The placing of contracts.
9. Expediting and following up of production.
10. Inspection for quality.
11. Testing and proof firing.
12. Shipping orders to the manufacturers.
13. Transportation both domestic and overseas.
14. Distribution through bases and intermediate depots, subdepots, holding and reconsignment points, and ports of embarkation to troops either in the United States or overseas.
15. Maintenance of supplies and equipment, including procurement and distribution of spare parts and tools, salvage, and rehabilitation.

These activities do not occur in any strict chronological sequence which may be indicated by the order of listing. Strategic and tactical planning continues throughout. Programs are readjusted and readjusted while production is in process. Research and the preparation of drawings and specifications overlap production. Military testing and proof firing and inspection for quality are simultaneous with production, and the results thereof must be reflected

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ed promptly in the manufacturing processes. In many cases equipment must be taken directly from the production line and placed on transports at the port of embarkation. Battle experience must reach the production line with a minimum number of delays.

However, the effect of any proposal to place War Department purchasing and production in the hands of an outside civilian agency will nevertheless be to transfer from War Department control at least all of these activities listed in paragraphs 1, to 1, above. The effect of this would be to split an integrated process into three parts: the beginning and the end to be under the jurisdiction of the War Department, and the middle to be under the jurisdiction of an independent civilian agency. Such a split is, to say the least, impracticable, and it is, in the view of the War Department, impossible of successful accomplishment at this time. First, there is the virtually impossible task of attempting to define in clear-cut, understandable terms, capable of being acted upon, the exact division between the three parts. Where does the Army leave off in stating its needs? With the bare end items? With the accessories which go into these end items? With the tools and spare parts? How are emergency needs not originally planned, filled? Who determines what work shall be placed in government-owned arsenals and shipyards? Where does the civilian procurement agency leave off? Who is responsible for inspection for quality? Who is responsible for production and testing of pilot models? Who is responsible for proof firing? Who gives shipping instructions to the manufacturer? Finally, if the finished product does not arrive in time or fails in action, who is to blame?

These and innumerable other questions will arise, many of them on an emergency basis of the most vital importance to military success, in the twilight zone of jurisdiction between the Army and the civilian agency which would lead to fatal indecisions and delays. It is simple enough to state in words that all the Army has to do is to state what it wants, when it wants it, and where it wants it, and then an independent agency can and will deliver the goods in accordance with these requirements. This assumes that planning and programming in war can be done once and then remain fixed; it assumes that the activities listed above are performed in strict chronological sequence with no simultaneous overlapping. As pointed out above, such is far from the case. Strategic and tactical planning, of which the programming of supplies and equipment required by an Army is an inseparable part, is never finished. It is a continuous process with constant changes of qualifications forced by circumstances and new experiences in the actions of the enemy. After production, aircraft must be modified for service in various theaters of operations. The airplane, which must be equipped for winterization flight across the North Atlantic or for fighting in the Alaskan theater, requires a totally different modification for service in North Africa. For this reason no program of requirements for military supplies and equipment can be fixed and handed over to a second agency for production. Production schedules must be frequently and promptly changed directly with the manufacturer to meet the varying needs of task forces and combat operations overseas. Whole programs must be modified and revised with dispatch with changes in the strategic and tactical situation. Qualifications in models and changes in specifications must be made directly with the manufacturer as a result of combat experiences. These things cannot be done with dispatch and decision through the complexities of a dual organization. Such an organization is out of the question for the duration of this war, even if it might ever prove desirable in planning for another.

What would happen under this plan to such finely coordinated and effectively functioning activities as the cooperation of the Ordnance Department, Chemical Warfare Service, and Army Air Forces in the design, construction, and operation of Ordnance and Chemical Warfare munitions manufacturing plants and of Air Forces airplane manufacturing plants? What would happen to Ordnance and Chemical Warfare manufacturing arsenals? How long would it take and what wasted manpower would be involved in effecting, through the super-agency, the changes in program enforced on these services by the almost daily changes in the global military situation?

Even if it were possible to segregate procurement from the technological processes of research, design, and development on the one hand, and from the processes of storage, issue, transportation, maintenance and salvage on the other, such a separation would raise insurmountable obstacles to the accomplishment by the supply services of their traditional mission of timely supply of the troops.

The procurement activities of the several supply services are highly decentralized by

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regional areas. These regional breakdowns are not co-terminous, since they were independently developed on the basis of the type of supplies procured and the areas in which the materials and manufacturers needed for such supplies were concentrated. Although the Services of Supply had direct military control over the several services, it has been found that it would be dangerous to the success of the military supply system to tamper with these divergent regional organizations at this late date. Any attempt to force them into some uniform civilian-controlled regional system of administration would be even more disastrous.

To supplant one of the few phases of the war effort which has proceeded according to plan and which is based upon proven organizational and procedural methods developed over twenty years of planning and over three years of operations and which is highly integrated with the rest of the organization of our armed forces, now engaged in successful military operations on all fronts - with an untried, unproven experiment consisting of the assumption of military responsibilities and authority by another civilian agency, is unsupportable. Even were it desirable if we were starting over again, it would be disastrous now.

II

THE INDUSTRIAL MOBILIZATION PLAN

Since the World War, the War Department has, in its successive Industrial Mobilization Plans, taken the lead in urging the necessity for an emergency agency of the civil government to supervise and control the mobilization of our total resources for war. In fact, the War Department in the persons of the then Secretary of War, Mr. Baker, with Generals March, Goethals, Williams, and Johnson together with outstanding leaders of industry including Bernard M. Baruch, were the fathers of the modern concept of total mobilization of economic resources for war. Yet the War Industries Board, the successful result of the efforts of this group, never purchased or manufactured so much as a carpet tack. All procurement was done by the Services.

It is of this group that our enemy spoke when he said:
"Her brilliant, if pitiless, war industry had entered the service of patriotism and had not failed it. Under the compulsion of military necessity a ruthless autocracy was at work and rightly, even in this land at the portals of which the Statue of Liberty flashes its blinding light across the seas. They understood war."

(Field Marshal von Hindenberg)
In 1920, the Congress, then acutely mindful of the sad lessons of 1917 and the notable success of the War Industries Board in 1918, gave the Assistant Secretary of War and the Army and Navy Munitions Board the job of planning for the mobilization of war resources in the next war. The Army Industrial College was established to train a body of Army and Navy officers as specialists in industrial mobilization and procurement planning. The various supply services, as they became indoctrinated with the lessons of the last war and the plans for the next war, set up procurement planning districts whereby the graduates of the Industrial War College, as representatives of the Supply Services, kept constant contact with industry on a regional basis and acquired practical experience in these field laboratories for the further development and modernization of these plans. Thus all these plans were developed in intimate conjunction with industry and with the advice and guidance of seasoned counselors in this field such as Bernard Baruch and Hugh Johnson.

In 1930, Congress created the War Policies Commission to review and revise the then current plans for industrial mobilization. As a result of the Commission's review of this plan, as well as of the views of all the leading civilian and military authorities, and in the light of its subsequent recommendations, there was submitted to the Special Senate Committee Investigating the Munitions Industry, the Industrial Mobilization Plan of 1933.

This plan contained a complete blueprint for both War Department procurement and the organization of the civil government for mobilization of total resources in time of war. It has formed the basis of all successive Industrial Mobilization Plans, which were kept currently revised in great detail until 1939, taking into full consideration modern developments as they occurred in our own industrial and military framework and drawing heavily upon the current experiences of other countries later to become our major enemies and allies.

Since 1939 the War Department has carried out its part of that plan (i.e., procurement of munitions) according to that plan with an outstanding degree of success in view of the fact that the other part of the plan - organization of the civil government for mobilization of resources - has only recently begun to shape up fully as envisaged by that plan.

The outline of both parts of the Industrial Mobilization Plan is simply and briefly set out in Senate Document No. 134 (79th Congress, 2d Session) in 18 short pages. Detailed annexes covering many hundreds of pages were developed which contained specific plans and suggestions for the initial organization policies and activities of the proposed War Resources Administration and for the various subordinate civilian emergency agencies proposed to carry out the various detailed phases of total mobilization for war. While our mobilization before the declaration of war and other developments led to many changes in detail, the basic fundamentals of the War Department's plan are believed still to be fully applicable insofar as they

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apply to the procurement of munitions and the mobilization of material resources. They are briefly these:-

1. The determination of military requirements is the responsibility of the armed services. This includes the research, design and technological development necessary to develop these requirements in the light of military experience and necessity; the fixing of time schedules of deliveries of end items of munitions to comport with strategic plans; inspection for maintenance of standards and performance in production and delivery; power to change specifications and time schedules even of products actually in production in order to meet strategic military developments. All of this, of course, implies rigid control over the substance and procedure of the actual contracts and control over their performance. Otherwise the fundamental control over military requirements is reduced to a shadow authority in no way compatible with the absolute necessity of military control over military requirements. This is summed up as follows in the Industrial Mobilization Plan of 1939 setting out the part to be played by the Armed Services:

"The methods and organization necessary for the execution of the procurement program, including specific plans for the procurement of the required items, the control or acquisition of essential commodities, the development of suitable contract forms, and the augmentation of personnel necessary for the expansion of peacetime procurement organizations."

Nothing in this plan ever contemplated that the actual process of military procurement would ever be exercised by any agencies other than the military.

2. Army and Navy Procurement must be coordinated by the Armed Services. The determination of the relative urgency and order of production and delivery of various munitions for use by the armed services on air, sea, and ground is a military strategic decision of prime importance which must be made by the military and which must be subject to their constant control so that changes may be made without delay as the exigencies of the military situation dictate. The MAP of 1939 contemplated that this function would be performed by the ANMB under strategic direction of the Joint Army-Navy Board.

3. The actual execution of plans for total mobilization of economic resources must be undertaken by civilian leaders. The basic policies governing control of resources as between conflicting demands of the military and other agencies ought not to be in the hands of the leaders of any one competing agency. At the same time the fundamental philosophy governing these civilian leaders must be that in total war there is one prime mission, the early and complete military defeat of the enemy, and that military considerations and requirements must thus be paramount. This was to be the field of activity of the War Resources Administration and its subordinate civilian agencies under the Industrial Mobilization Plan. Briefly, it comprised: Priority Control, Price Control, Allocation of Facilities, Control of Raw Materials and other commodities, Control of Labor, Power and Fuel, Transportation (including Ocean Shipping), Finance, Propaganda, Foreign Trade, Selective Service, and Food.

4. If the creation of adequate civilian agencies is delayed, the Army and Navy Munitions Board must assume the responsibility for industrial mobilization during the transition period. The original plan contemplated that the personnel and records of the Army and Navy Munitions Board would form the cadre of the civilian organization for the mobilization of war resources under civilian leadership. For over two years, while the procurement activities of the armed services went on according to plan under the supervision and control of the armed services, the complement to these activities, i.e., the mobilization of resources, in considerable measure had to be carried out by the Army and Navy Munitions Board. This it was never designed to do on any large-scale or for any extensive period. It has neither the required civilian leadership nor the statutory authority to perform these tasks. It was essentially a planning and coordinating agency. Nevertheless a great deal of all that was accomplished during this period in the way of mobilization of resources was sponsored by the Army and Navy Munitions Board. During this period, inventorying and allocation of facilities and commodities were undertaken and a priorities system was started with the assistance of the Army and Navy Munitions Board.

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The organization of the War Production Board in January, 1940, the reorganization of the Army and Navy Munitions Board in February 1942 and of the Army Supply and Administrative Services into the Services of Supply in March 1942, followed by the reorganization and strengthening of other phases of the civil organization for war mobilization since then, for example the Office of War Information, the Office of Economic Stabilization and the War Manpower Commission have all been in the direction of the final outline of the War Department's Industrial Mobilization Plan of 1939.

The steps taken by the Services of Supply since March 9, 1942, to eliminate competition between the Supply Services of the Army and to integrate their procurement activities with the mobilization of industrial resources activities of the War Production Board, together with the most recent reorganization of the War Production Board, have gone far toward the ultimate goal of the Industrial Mobilization Plan in the fields of procurement, production, and supply.

The present organizational relationship and division of responsibility between the Services of Supply, the Army and Navy Munitions Board, and the War Production Board are now close to those envisaged by the Industrial Mobilization Plan. This relationship is simple and clear and is based upon the closest collaboration between the trained technical military officers of the Services of Supply and the civilian leaders in the War Production Board at every level, particularly in the industry and commodity committees, the very heart of every industrial mobilization plan from the World War Industry Board to the present organization of the War Production Board.

No matter what form the organization of the civil government may eventually take for the mobilization of resources, there must never be a violation of this fundamental relationship between those responsible to the Army and Navy for the procurement of munitions and those responsible to the civil government for the mobilization of material resources.

A plan which would have violated this relationship had been considered during the last war and had been discarded "after careful consideration, in favor of the method of strengthening a going and successful organization of men who knew their job."

A fundamental guide is that given to Mr. Baruch by President Wilson in his letter of March 4, 1918 -- the Magna Charta of the War Industries Board:

"To let alone what is being successfully done and interfere as little as possible with the present normal processes of purchase and delivery in the several departments."

This has been a basic requirement of every subsequent plan.

All the power to effect the purposes of the War Resources Administration, insofar as the procurement of munitions is concerned, as envisaged by the War Department's Industrial Mobilization Plan of 1939, now resides in the War Production Board by Executive Order No. 9024 of January 24, 1942. In the last few weeks this power has been exercised by the War Production Board in a reorganization of its methods and procedures for control of materials in a manner closely akin to that contemplated by the Industrial Mobilization Plan. The thing to do is to make this work.

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THE ARMY'S SCHEDULING, PROCUREMENT AND PRODUCTION RECORD

The War Department is not satisfied with progress made to date. Until the war is won it will never be satisfied. Until the enemy is defeated the military need for munitions is unlimited. But our facilities, our raw materials and our manpower are far from unlimited. Nevertheless the War Department feels justified in feeling that a good job is being done. It welcomes criticism, but does not believe it is fair to say that it has failed on the production line. The occupation of North Africa by American troops could not have been achieved with failure on the production line.

An army of over 4,000,000 men has been fully armed. Over 900,000 of them have been sent overseas fully equipped for combat duty, with the most modern and highly technical equipment known in history. They are presently conducting successful military operations in many theatres in all parts of the world. They are armed with varied and specialized equipment necessary to combat unprecedented conditions in the Arctic, in the tropics, on mountains, in swamps, deserts and jungles. A continuous flow of supplies is going to them daily. This would not have been possible with failure on the production line.

While we have been supplying and equipping our own forces, we have furnished arms and equipment to our allies on all fighting fronts. The three billion dollar value of the munitions already shipped to our allies is only one measure of their worth. Their quality and effectiveness have been generally praised by Prime Minister Churchill in his report to Parliament on November 11th concerning the British drive against Rommel. According to the Prime Minister our "tanks and high-velocity guns played an important part in General Alexander's battle." The aid furnished by our planes has received equally high praise. Such aid could not have been rendered if we had failed on the production line.

The requirements of the huge Army Supply Program are being met. The extraordinary and ever-increasing demands of global warfare impose heavy burdens. While they entail constant change in planning, with corresponding changes of the procurement program, there has been no break down on the production front. Deliveries are being made and approximately 60% of our war products have been issued to troops in the field.

Germany began its all-out war program over ten years ago. It is now devoting 43% of its national product directly to war. The United Kingdom began its program in 1936. It is now devoting approximately 50% of its national product to war. The United States did not begin its program until the summer of 1940. It is now devoting approximately 20% of its national product to war. This is not a record of failure.

This did not just happen. It was the result of years of painstaking planning. It was the task of the Army to plan for the design, development, procurement and production of munitions. This work had to be done during peacetime when most of the country regarded war in the past tense and as something which could never again come to us. For more than 30 years the War Department has been designing and developing improved weapons of war and teaching its officers and industry how they could be best produced. For more than 30 years the War Department and the Army and Navy Munitions Board have been surveying American industry, large and small, with a view to its most effective use for war production. As a result, more than 11,000 different establishments were selected as best suited to meet specific munitions requirements at the inception of the present program. They were earmarked as facilities available for production of war material. In 1936 the War Department finally succeeded in obtaining a meager appropriation of \$13,000,000 with which it could start placing educational orders with industry to familiarize it with the technical requirements of war production. Facilities, machinery, management and available labor were fully studied with a view to making mass utilization of existing facilities and equipment in the war effort.

It was this planning which has enabled the attainment of procurement objectives beyond those which had been thought possible. When in the summer of 1940 initial appropriations were made,

the War Department knew where and how to have the work done. Within four months after the Ordnance Department had received its initial appropriation of \$2,000,000,000, it had succeeded in placing all of its orders, and 80% of the work was placed in plants which had the know-how and engineering skill and which had been allocated under the Industrial Mobilization Plan.

It was fully realized that time was of the essence and that lost time never could be regained. Accordingly, in placing the initial contracts it was deemed essential that the work be given to the facilities best calculated to produce the most within the shortest possible time. Existing facilities were used for that purpose to the maximum degree possible.

All branches of the War Department proceeded in this manner. They utilized the facilities found available as a result of their years of study. Priceless time was saved. It was this work which has made possible the fulfillment of our present task of arming our troops and those of our allies.

This was the background for President Roosevelt's famous "arsenal of democracy" speech on December 29, 1940, in which he said -

"American industrial genius, unmatched throughout the world in the solution of production problems, has been called upon to bring its resources and its talents into action. Manufacturers of watches and of farm implements, of linotypes, cash registers and automobiles, and of sewing machines and lawnmowers and locomotives are now making fuses, bomb tacking crates, telescope mounts, shells, and pistols and tanks."

The watch manufacturers and other companies to which he referred had been given an educational order and acquired the know-how which enabled them immediately to undertake the manufacture of fuses. The work of converting industry to war time production had started.

The President's faith in the industrial genius of America was justified. There are many cases in which procurement objectives which were thought difficult of attainment have been exceeded. This is true in privately owned plants, government-owned and privately operated plants, and in government-owned and government-operated plants.

A privately owned plant developed the use of cast breech rings in place of forgings, thus saving valuable machine hours and reducing the cost by about 50%. The result was greatly increased production for 155 mm. Howitzers, 87 mm. guns and 3 inch guns.

A government-owned, privately operated plant originally designed to produce 400,000 pounds of TNT a day is now producing 700,000 pounds a day. This increase is due entirely to efficiency in operation and was accomplished without the purchase of further machinery. Similar increase has been attained in smokeless powder plants.

The Springfield Armory, a government operated plant, has increased its rate of production on Garand rifles over 100% from November, 1941, to October, 1942. This was accomplished by developing substitute methods of manufacture, heat treatment and by stamping instead of machining many components as well as by training and employing women workers to overcome the labor shortage.

Superimposed upon the program of rearming our own country has been the program of supplying the countries who have now become our allies. Vast additional requirements were added by the passage of the Lend-Lease Act on March 11, 1941.

It was not possible to have all the work done in existing facilities. Because of the nature of the products there were no existing facilities in which many could be produced. This was particularly true in the case of ordnance and aircraft items, and over 80% of new construction has been for their production. There is no peacetime armament industry in this country which could be converted to the manufacture of munitions and many other ordnance items. The manufacturing arsenals of the Ordnance Department have been experimental laboratories devoted to the design and planning of weapons of war. Only a small part of the huge requirements for a world war could be manufactured in them. It was accordingly necessary to build government-owned plants for this purpose. These new facilities had to be located in a large extent in areas removed from heavily populated centers. The danger inherent in this type of work made this necessary.

Existing facilities for the production of aircraft furnished a foundation from which this

industry could be expanded. But they could produce only a small part of the greatly increased requirements. It was essential to build new facilities and to build them promptly. Such action was imperative in order to enable production to get under way in time.

Over 91% of this new construction will be completed by the end of this year. This has been done in the face of conservative estimates that it would take from 18 to 24 months after Pearl Harbor to gear industrial capacity to the output of military requirements.

Existing facilities could have been utilized and converted to a far greater extent had the country been ready for it. Such utilization and conversion was repeatedly sought by the War Department. It urged the necessity for such use and rapid conversion. However, existing facilities were too busy producing non-essential civilian goods at an unprecedented rate.

The War Department took numerous steps to interest manufacturers, large and small, in taking "defense" orders. There was little interest. Non-defense business was too good. Most companies, both large and small, were unwilling to give up this profitable business and venture into a new and strange field. It was not until the early summer of 1941 that the pinch of priorities began to be felt. It was not until then that the bulk of manufacturers evidenced any interest in obtaining this new type of business. Even then the War Department had to combat the views that we could arm ourselves in our spare time by utilizing idle capacity and labor and leaving the level of civilian activity untouched. The prevalent attitude was still "business as usual." Automobiles continued to be produced in huge volume and production of non-essentials rose to record figures. The country was not willing to discontinue this business and convert to a wartime industry. It was not until Pearl Harbor that the attitude of the country underwent a real change, and it was not until then and more recently that the country has been prepared to authorize a program which would utilize every scrap of equipment and every worker that can be spared for military objectives of the United States and her allies.

A dislocation of our economic structure has necessarily occurred. Many businesses have suffered and certain localities have been hit. Just as war causes hardship and suffering to those in the armed forces, so it causes inconvenience and distress wherever it strikes. The War Department is and has always been fully conscious of this. It has done everything within its power to minimize these consequences. That is, everything consistent with attaining its objective - winning the war in the shortest possible time. It has doubtless made mistakes and errors. No matter what agency had been entrusted with this gigantic job, mistakes and errors would have been committed. Assigning procurement and related duties to another agency will not alleviate the distress incident to war but it will seriously jeopardize the all important task of supplying and equipping our troops and those of our allies in a manner consistent with strategic necessities.

No possible method of handling war production can result in giving orders to every manufacturer. This is borne out by the experience in England and Germany. It is inevitable that much of civilian industry is incapable of being converted to the production of the munitions of war.

The War Department has done and will continue to do everything within its power to spread the work and to utilize existing facilities to the maximum extent possible consistent with the needs of producing in the quickest possible time. It has taken many steps to utilize all facilities, large and small, which are capable of conversion to war production. It has aided businesses, large and small, with government funds to accomplish this conversion and has taken many steps to bring about subcontracting. The attached appendix briefly summarizes some of the instructions which it has issued to accomplish this purpose.

The record shows that these instructions have been followed and borne fruit. The zealous attention given to subcontracting is shown by the ever increasing volume of subcontracts. The Quartermaster Corps, Signal Corps, Chemical Warfare Service, Corps of Engineers, Ordnance Department, Medical Corps and Transportation Corps have increased their subcontracts as follows:

Prime Contractors:	7/1/41	1/1/42	7/1/42	8/1/42
Subcontracts	23,694	35,595	71,539	81,813
	153,671	497,994	664,694	826,162

Similar results have been achieved by Army Air Forces.

Preference is given to small contractors even though purchases from them involve payment

of higher prices, provided the small contractor can produce as expeditiously as the large contractor. Thus, for example, an order for bandages has been placed with a small company at \$2.00, whereas a larger company bid \$1.62 for the same article. Dynamotors have been purchased from a company with 22 employees at a price of \$43.36, although a large company with 1500 employees bid \$27.50. Orders for the purchase of 3,420,000 pairs of trousers were placed with 75 contractors in 28 different States, each of them employing under 500 men, whereas 46 lower bidders in a more concentrated area could have handled the entire order. Numerous other examples could be given.

It is not possible to place all War Department business on such a basis. A small manufacturer just cannot manufacture a tank, an airplane or numerous other items which the War Department must produce. Figures indicate that there are over 180,000 manufacturers in the country. Of this number 139,280 employ 20 employees or less. It is probable that most employ 5 or 10 people. Neither the War Department nor any other agency can use a majority of these companies and it is merely wishful thinking to assume that a shift of procurement responsibility to a civilian agency will correct this basic situation.

Similarly, it is often impossible to place business where a labor surplus exists. Business must be placed in areas where a labor shortage exists when those areas are the only ones equipped to handle that particular type of work. Indeed, it is the existence of the facilities in those areas, with the attendant labor demands, that create the labor shortage. The procurement authorities, of necessity, had to take the industrial life of the country as they found it. Even in peacetime there is an overconcentration in certain localities and a lack of business in others. The War Department, in conjunction with The War Production Board and other interested agencies, sought to locate new facilities at points best calculated to meet this situation, coupled with the limitation of strategic and other considerations which had to be met. Efforts to place business in a surplus labor area have borne fruit. A recent example is New York City. On October 22, 1942, Governor Herbert H. Lehman thanked the Under Secretary of War "for the fine cooperation which the State and City officials have been receiving from the War Department in connection with the placing of contracts in the New York City area."

The dangers of a change in direction at this crucial time have been dwelt on before. They cannot be overemphasized. It is freely admitted that mistakes have been made. No doubt some mistakes will be made in the future. But the War Department submits that others, no matter how capable, who were unacquainted with the weapons of modern war, unfamiliar with their relationship to other branches of the service and unaware of the characteristics of the weapons of the enemy, would inevitably have made more mistakes.

We cannot afford to risk a change which may substitute "Too little and too late," for "Enough and on time."

IV.

OFFICER PERSONNEL
OF THE SUPPLY SERVICES

In the war of total resources it is almost impossible to differentiate between the military and the non-military. Certainly the bombs, torpedoes and bayonets of the enemy have made no such distinction. Yet those who seek to differentiate between control of military procurement by "military" personnel or by "civilians," appear to make this distinction on the basis of the clothes worn by those responsible. It is the view of the War Department that this control must remain with those responsible for the success of military operations, i.e., with the War Department. Yet the War Department is headed by civilians--the Secretary and Under Secretary of War and the Assistant Secretaries of War. The Commander-in-Chief is a civilian. Our is a civilian Government.

The officers in the top positions of responsibility for procurement and supply are for the most part professional soldiers who have spent their lives in the perfection of this highly technical and most essential phase of modern military art. Their background and knowledge could have been built up in no other way under the peacetime organization of our civil and military economy. It was only through War Department appropriations, limited as they were, and by Army officers that the procurement planning and technical development necessary for proper preparation for this war was carried on. Whether this was the best way is not now material. The fact remains that the only skilled, trained body of experienced executives we have for the procurement of munitions has been built up for twenty-four years by regular Army officers. Under the teaching of the Army Industrial College, through the practical experience of the Army Procurement Districts and by the active participation of the supply arms and services with the field forces, these officers have gained experience of inestimable value to Army procurement. They are tacticians as well as technicians. Such a combination can only be developed by the Army. The constant interchange between the supply services and the field forces which the organization of the schools of the combat services and the organization of the Army for maneuvers and training afforded throughout these years, has built up a technically trained corps of officers for the performance of its procurement and supply functions, which must continue to function as a team with other branches of the service. Any attempt to remove this corps would lead to a complete breakdown of the Army Supply System and a consequent defeat of our field forces.

This is even more dangerous at the present time than it would have been early in 1940. We are now engaged in both military and naval operations of the largest scale with both of our major enemies on widely separated fronts. These officers no longer comprise a cadre. They are an integrated part of a vast supply system on which these operations are based. To change this system now that it is in successful operation would be disastrous.

But these leaders and keymen, trained in the peacetime regular army supply services, form only the bluntest leaven of military experience and technical knowledge throughout the Army. No army in history has so quickly made use of civilian brains and experience and adopted them to the performance of the military mission as speedily and completely as this one. Without this skeleton framework of regulars this would have been impossible. In the Services of Supply and the Materiel Command, Army Air Forces, engaged in procurement and related work, there were 6688 officers on duty on September 30, 1942. Only 655 - about 9% - are Regular Army officers. The remainder came from civilian life. Obviously these procurement and supply officers are not "brass hats" or fascist-minded militarists who seek for Army control of the civilian economy and population. They are a cross-section of our most patriotic civilian leaders who have volunteered their services to make the army procurement and supply system work quickly and efficiently to the end that they can speedily return to their far more profitable civilian occupations.

While these officers are for the most part under the control or guidance of the technically trained regular officers of the supply services, large numbers of them occupy important positions with heavy responsibilities. Many are Colonels, several are Generals, Generals Knudsen, Glancy, Harrelson, Pyron, Colonels Mackenzie, Sarnoff and Browning came direct from civil life, as did many other keymen in the Army Supply organization. They are in uniform

merely because the supply services are uniformed services. This is necessary because their members serve alternately with troops and in procurement. In peacetime, officers of these services wear uniforms when with troops and civilian clothes when in procurement. But whatever they were wearing, the technical experience they were gaining by this constant interchange of duty was invaluable to the Army. In time of war it is wholly fitting that these soldiers of supply wear the uniform of their country. To put them into another agency and take their uniforms away in the middle of the war would be a blow to their morale and would make them infinitely less capable of performing their duties.

The development of military aircraft for the Army Air Forces has for the past twenty years been a function of the Materiel Command, consisting primarily of Army combat flying officers. There exists no similar civilian agency. The relief of these officers from active duty and their attachment to a civilian agency would not make them civilians. Furthermore the relief of such officers poses an almost impossible administrative task. It is difficult to say just which officers are engaged in that part of the supply program which is concerned with procurement and manufacture of war material. They are all an integral part of the Army, just as other branches of the Army are dependent one upon another, so is this part of the supply program dependent upon the balance of the military program. Regular Army and other officers who were formerly on duty in Washington or in the Districts on the procurement phase of the supply program have been transferred elsewhere. Some of them are in Australia, England, Iran, North Africa, New Guinea and elsewhere on transportation, maintenance and other supply problems. Indeed a large staff was sent to England for procurement purposes. In time of war an officer who was on duty in Washington two months ago today serves with an Ordnance maintenance battalion in the armed forces in Tunisia and two months from now may be ordered back to Detroit to apply his battle experience to the modification of tanks on the production lines there. It is essential that this integration be maintained so that the Army may be permitted to utilize the service of any of its officers where best fitted.

It must be recognized that technical military personnel, with the background of fighting experience, psychologically bring to the problems of procurement and production the spirit of demanding that the best possible airplane weapons and other munitions be produced for competition with the enemy. Such a spirit is reflected throughout the entire system of present production. Munitions are not merely procurement items but instruments of war. Enthusiasm and determination at the most critical stage would be lost if taken over by a civilian procurement agency.

Industry and labor look up to and respect the Army and Navy's skill and knowledge of technical problems. The Army has maintained an attitude of complete impartiality and fairness towards labor. The result is that labor's attitude towards the Army is one of trust and confidence. This has been achieved largely because of labor's realization of the necessity of working with the Army and Navy as such. The Army and Navy have regarded the workmen as soldiers on the production line and they have been called the "men behind the maw behind the guns." The success of the Army and Navy E Awards and the manner in which they are eagerly sought is an indication of management and labor's attitude to Army and Navy procurement. It is difficult to forecast the consequences of the future relations of management and labor to the War production program if the Army and the Navy cease to be the contracting parties. Anyone who seeks to disturb the present successful relationship is assuming a responsibility that may entail disastrous consequences.

The great majority of this country is proud of its Army and Navy. There is hardly a family that does not have a son, brother or father in uniform. Labor and business men, large and small, are in this category. It is difficult to overestimate what has been accomplished in the field of procurement because of the spontaneous patriotic desire to cooperate with the armed services. This could never have been accomplished by a civilian bureau.

SPECIALIZED WARFARE

A. World War I was fought in climate and terrain essentially the same as the training grounds of continental United States. Troops landed without opposition at well-equipped docks with modern conveniences that made Amphibian Operations unnecessary. Armored Force Tactics and Aerial Warfare made their first beginning, but with no thoughts of Airborne Troops or Parachute Troops. Warfare spread into the Arctic and into the Desert only at the fringes and in relatively small numbers. Jungle Warfare was limited to small colonial actions. Mountain Warfare existed on both sides of the Alps, but on a relatively stabilized front with no participation from United States Forces. To a very considerable extent the War was still confined to the great historic fighting Arms, the Infantry, Cavalry, and Artillery.

B. World War II required immediate redesign of old equipment, and development of new items for an age of specialized warfare.

(1) Airborne Troops required lightness in all equipment and supplies, in order to deliver the greatest number of men over the longest possible distance.

(2) Amphibian Warfare lays stress on the need of waterproofing all character of supplies, ammunition, and ordnance. Such troops must have sufficient striking power to be able to take a well-protected beachhead from highly exposed landing boats.

(3) Arctic Warfare stresses warmth of all clothing, with redesign of equipment to stand conditions of extreme cold. More than ever before in the Arctic, mobility is also required. Types of clothing and equipment suitable for Arctic exploration were often impractical for military purposes because of the necessity of procurability and production on a huge scale.

(4) The Armored Force must be able to operate either in the deserts of North Africa, or in very cold conditions. Equipment must be compact and adaptable to independent operations by small groups.

(5) Desert Warfare requires the ability to operate under conditions of extreme heat, with dust and sand. The alternating see-saw progress of the War in the desert thus far has indicated more clearly than in any other region the prime necessity of excellent design in clothing and equipment.

(6) In Jungle Warfare the emphasis is on camouflage and being able to operate silently and independently under exceedingly difficult climatic conditions.

(7) Mountain Warfare places emphasis on lightweight mobility of troops able to operate under any conditions of terrain either in high heat of summer, or in cold of high mountain blizzards in winter. Independent operations require that a mountain patrol be capable of operating at least a week entirely separated from all other sources of supply, relying only upon the contents of the soldier's pack.

(8) Parachute Troops require special clothing and equipment so that they are ready to fight with great effectiveness immediately upon hitting the ground. They must be able to operate for 3 to 5 days without hope of help from outside sources. For that reason, lightweight equipment exactly designed for the precise job intended is essential.

(9) Ranger Troops must rely upon lightweight mobility and exceptional ability to destroy personnel and material in the short time they are in operation.

EXAMPLES OF CHANGES IN PRODUCTION NECESSITATED BY STRATEGIC AND TACTICAL DEVELOPMENT AND OF THE NECESSITY FOR CONTROL OF SUCH CHANGES BY MILITARY TECHNICIANS AND TACTICIANS

In the fields of aircraft, ordnance, and signal equipment examples can be multiplied indefinitely of constant changes in design and schedules necessitated by the fluctuating strategic and tactical situation which requires the immediate control and supervision of military men who combine first-hand tactical experience with technical background, training, and ability in the production of these specialized weapons.

Outstanding examples are the development of the M-4 Medium Tank and the change in air craft bomb fuses. In the first case, the same officer who spent months with the British in Libya returned to this country and, making use of his first-hand battle experience, helped in the design and production of our newer type tanks. With regard to the fuse, a situation developed peculiar to conditions in the Aleutians which necessitated a new angle of bombing attack. At this angle the existing fuse was not satisfactory. A new one had to be effected at once. An officer who had had air force training as well as being an Ordnance fuse specialist, flew to the Aleutians where he actually participated in attacks upon Japanese ships. He flew back to a laboratory and, in the light of his former experience, designed a fuse which he flew back to Alaska, and directed its being put into effect. This new fuse obtains 68% efficiency. This is the type of job that is being done daily by the supply services and which could be done by none except those who actually participated in the front lines and nothing can be substituted for the highly developed and integrated organization of the Army as a whole and its supply services.

Missions of the Supply Services are with every theater of operation and their daily reports to the offices of the supply chiefs rush changes both in the production lines as to design and in schedules as to quantities and immediate deliveries. What today appears to be the Number One necessity may fall off tomorrow to the point where all production is stopped because of the change in tactical situations.

Officers returning from Africa with first-hand information as to anti-tank guns are ever effecting radical changes in present armament. These changes will continue to come daily with effects on schedules and changes right on the production line. These must be supervised and controlled by the same authority that controls strategy and tactical conditions.

In the Signal Corps perhaps more than any other service radical changes have been made in the past and undoubtedly will be required in the future to adapt signal equipment to the basic equipment on which it is mounted. Furthermore, a change in the disposition of troops in every theater, especially in regard to the Allies with whom they must maintain contact, require emergency changes in design and methods of operation which must be made in the production lines by those who understand the uses to which the equipment is to be put. The emergency and highly integrated nature of tactical and technical information in the Signal Corps presents problems which can only be handled by experienced signal Corps officers. The following two cases are examples of this:

During the summer of 1942 a certain item of Signal Corps equipment was developed by one of our allied nations. A sample was brought to this country for test under Army supervision. About September 1, 1942 it became necessary to have some of this equipment manufactured for an American overseas Task Force and to have the complete equipment and men trained in its use available in approximately one month. A manufacturer was contacted by the Signal Corps and arrangements made for him to produce the items. To speed manufacturing, certain component parts were diverted from other contractors. This equipment was ready at the prescribed time. While it was being produced the Signal Corps was simultaneously training the personnel for its operation. This equipment and its personnel are participating in the North African campaign. This required the most complete integration of tactical and technical control over production.

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A request was received from a Task Force in a Theater of Operation indicating an immediate tactical need for equipping Ordnance vehicles with communication equipment different from any at that time available. Many Ordnance vehicles then ready for shipment and equipped with regular electrical systems were converted by Signal Corps Laboratories within a period of ten days to a different electrical system. This was accomplished through obtaining component parts from various manufacturers of other Army equipment and by installing such parts in building the necessary system. The vehicles were delivered on board ship in time for shipment and were subsequently used in the African campaign. This change could not have been effected by a dual arrangement. Unity of control was necessary.

Changes in aircraft have to occur almost daily in order to meet the requirements of battle experience. For example, the first Jap attack on our B-17's developed the necessity for increased armament both in the waist and in the front part in order to fill up blind spots which Japanese tactics of attack developed. Similarly the requirements of aircraft production must be changed daily as the demand of theaters change and the strategic picture changes. These alterations must be made immediately. For example the installations of air cleaners in our aircraft in Africa, especially in the B-36 was made necessary by these operations. These changes cannot wait for the approval of agencies who have had none of the information or experience.

There is an intimate day-to-day relationship between the air fighting that is going on and the air craft that are being produced. It is difficult to understand how any two agencies could possibly improve the present situation.

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APPENDIX

SUMMARIZING CERTAIN OF THE INSTRUCTIONS ISSUED BY THE WAR DEPARTMENT WITH RESPECT TO USE OF EXISTING FACILITIES

- June 12, 1940. Directive from the Assistant Secretary of War to the Supply Arms and Services, directing that special consideration be given to "spreading work to sub-contractors."
- July 2, 1940. Directive from the Assistant Secretary of War to the Supply Arms and Services, directing that consideration be given to necessity of placing orders so as to avoid overloading facilities or creating labor congestion.
- December 20, 1940. Memorandum from the Assistant Secretary of War to the Supply Arms and Services, stating that prime contractors should sub-let more of their work to "small shops".
- February 17, 1941. Memorandum from the Under Secretary of War to the Supply Arms and Services, defining the functions of the Defense Contract Service, set up to facilitate sub-contracting, with respect to the War Department.
- February 19, 1941. Directive from the Secretary of War to the Chief of Ordnance, directing that maximum utilization be made of such equipment as may be on hand and available; that existing capacity should be used to the fullest extent, and that: "The thought of idle equipment, or of facilities not employed to capacity, is intolerable in the present emergency."
- May 20, 1941. Directive from the Under Secretary of War to the Supply Arms and Services, entitled "Sub-Contracting of Prime Defense Orders", emphasizing the "necessity of using every facility available", and directing that a liaison officer or qualified civilian be appointed in each District Procurement Office to make information available to prime contractors "with the general purpose of expediting deliveries through farming out the work to plants with available facilities".
- June 30, 1941. Directive from the Under Secretary of War to the Supply Arms and Services, entitled "Distribution of Defense Orders among a Greater Number of Contractors".
- September 5, 1941. Directive to the Supply Arms and Services, stating that "large requirements will be broken up in order to spread production to the greatest practicable extent and to assure equitable distribution of the load throughout potential producing areas and with as many producers within each area . . . as may be possible and practicable."
- January 14, 1942. Directive to the Supply Arms and Services, entitled "Selection of Contractors for War Production", directing that "great weight must be placed upon the contractor's agreement to sub-contract a high percentage . . ."
- May 20, 1942. "Directive for Wartime Construction" jointly promulgated by the War and Navy Departments and War Production Board, stating that "it is essential that all construction, whether financed by Government or other funds, be reduced to the absolute minimum necessary for the War Effort."
- May 22, 1942. Regulations adopted by the Secretary of War and the Secretary of the Navy for Issuance of Necessity Certificated under Section 134 f of the Internal Revenue Code.

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allowing five-year tax amortization to companies undertaking necessary expansions. These Regulations state "Every attempt should be made to utilize existing productive capacity in the United States for the production of supplies required in the interest of National Defense, through the medium of prime contracts, sub-contracts, conversion, or otherwise, before expansion of facilities for emergency purposes is undertaken."

July 1, 1942. Procurement Regulation No. 10 promulgated by Headquarters, Services of Supply. This Regulation recognizes the necessity of "the fullest possible utilization of existing facilities, whether structures, machinery or equipment."

August 20, 1942. Directive to the Supply Services, directing that contracts be distributed so as to "relieve unemployment where there is a labor surplus; concentrate as much business as possible in smaller plants; avoid placing business in areas where there is a labor shortage."

September 5, 1942. Procurement Regulation No. 2, containing statement that contracts shall be placed with concerns needing to acquire the least amounts of additional critical materials, and that contracts for items involving relatively simple production problems shall normally be placed with smaller concerns.

September 15, 1942. Directive to the Supply Services, in which "all procurement agencies" were "directed to expeditiously examine all contracts with a view to the possibilities of further sub-contracting." It is also directed that "all prime contractors be advised of . . . the necessity for cooperating in placing all work practicable under existing and proposed contracts with small plants on a sub-contract basis", and that: "The cancellation of orders for new machine tools and equipment must be made in all cases where the corresponding operations can be handled by sub-contracting even though it is necessary as a result of such sub-contracting to amend the contract to provide for increased costs because of less efficient methods of production."

September 30, 1942. Directive to the Supply Services, entitled "Placement of Contracts in Distressed Areas". In this Directive, it was stated that "development work on new items of munitions will be placed in smaller plants to the greatest practicable extent in order to assist such plants in securing 'know-how' and subsequent production contracts."

October 30, 1942. Directive from Lieutenant General Somervell to the Supply Services, directing them to examine existing prime contracts, in cooperation with representatives of the War Production Board, to determine the possible extent of additional sub-contracting thereunder; to advise prime contractors of the necessity for sub-contracting, and to endeavor to secure sub-sub-contracting by sub-contractors.

DEC 11 1942

My dear Senator:

I have your letter of December 7, 1942 making a number of inquiries with regard to Lend-Lease operations between this country and Great Britain.

Your questions relate in general to operations which fall within the jurisdiction of the Lend-Lease Administration rather than of the Treasury, and I am confident that a letter addressed to that agency will result in your obtaining the information you are seeking. I believe that a similar inquiry addressed to the State Department would also be productive, but the Lend-Lease Administration would, in my view, be the best single source.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Hon. Allen J. Ellender
United States Senate
Washington, D. C.

Photo file in Diary

File to Thompson

JJO'C.Jr/lsw
12-9-42

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United States Senate

COMMITTEE ON NAVAL AFFAIRS

December 7, 1942

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

Dear Mr. Secretary:

Re: Lease-Lend Program.

If consistent with your duties, I would like to have you inform me what arrangement, if any, our Government has with the Government of England with respect to the disposition or distribution of American lease-lend goods sent to England for account of the civilian population. For example, if a cargo of civilian goods should be sent to the Government of England for distribution among the English civilian population, are those goods sold by the Government of England? What becomes of the proceeds? Who regulates the price of the goods sold to the consumer? If sold at a profit, who benefits?

I should like to have the same information with respect to the handling of such matters with other foreign governments.

If the goods are not sold by the British Government, but instead are turned over to the military or other departments of government, I should like to be advised how the goods are distributed after they reach England, and what England does or promises to do to compensate us for the value of such goods. Also, I should like to know the value of civilian goods that have been shipped to date to England and to other governments for distribution among their respective peoples.

I would also like to have information, if consistent with your duties, as to the manner and method of accounting between our government and the various governments receiving aid from us with respect to implements of war and other military items including food and clothing, shipped under our lease-lend program.

Not knowing how the goods are handled under the lease-lend program, it is rather difficult for me to be more specific with my questions. I shall greatly appreciate any light that you may be in a position to throw on the subject.

With kindest regards,

Sincerely,



43-716

DEC 11 1942

My dear Mr. President:

There is attached a report of items purchased by the Treasury Procurement Division which will be available for the Soviet Government under the Lend-Lease program during December.

Because of the lack of shipping, it will be noted that the tonnage on hand at the end of December will have increased by approximately 35,000 tons over the November availability.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The President

The White House

GE:ERG

[Handwritten signatures and initials]

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(Signed) H. Morgenthau, Jr.

The President

The White House

GE:ERG

[Handwritten signatures and initials at bottom left]

TREASURY DEPARTMENT - U. S. S. R.
MATERIALS AVAILABLE FROM STORAGE AND PRODUCTION DURING MONTH OF DECEMBER 1942
 (SHORT TON DESIGNATIONS)

COMMODITY	PRIORITY CARGOES SPECIFIED FOR DEC. 1942	A V A I L A B L E			BALANCE
		STORAGE	IN TRANSIT TO STORAGE	PRODUCTION	
STEEL BARS	2,000	27,342	7,266	19,379	51,987
SHEETS, STRIP, PLATES, SHAPES AND MISC.	1,000	77,774	8,253	22,424	107,451
SHELL STEEL	500	5,670	3,886	7,497	16,552
TOOL AND DIE STEEL	1,400	299	107	2,012	1,018
RAILROAD RAILS AND ACCESSORIES		43,428	3,255	4,205	50,888
RAILROAD WHEEL SETS		11,592	3,108	13,599	28,299
BARBED WIRE	1,000	9,282	2,415	3,299	13,996
CABLE (OTHER THAN COPPER)	1,000		147	940	87
WIRE PRODUCTS		37,380	5,471	16,731	59,582
PIPE AND TUBING	1,000	105,028	6,471	7,146	117,645
TIN PLATE	2,500	7,514	4,095	8,721	15,830
COPPER AND COPPER PRODUCTS	1,500	11,138	7,799	5,157	22,594
ZINC	3,200			3,500	300
ALUMINUM INGOTS AND SHEETS	5,000	84	3,360	2,018	462
NICKEL AND NICKEL PRODUCTS	3,200			3,500	300
FERROCHROMIUM		798	231	544	1,573
FERROSILICON		1,008	483		1,491
MOLYBDENUM	3,200			3,500	300
MAGNESIUM					
COBALT	3,200			3,500	300
CHEMICALS	1,200	966	129	750	645
MERCURY			128		128
INDUSTRIAL AND CONSTRUCTION MACHINERY, ACCESSORIES AND PARTS	6,000	14,998	4,742	1,194	14,934
AUTOMOTIVE EQUIPMENT AND PARTS		84	214	719	1,017

COMMODITY	PRIORITY CARGOES SPECIFIED FOR DEC. SHIPMENT	A V A I L A B L E			BALANCE
		STORAGE	IN TRANSIT TO STORAGE	PRODUCTION	
TIRES AND TUBES	6,600	126	399	6,230	255
OIL FIELD MACHINERY			21	10	31
FIRE FIGHTING EQUIPMENT			2		2
GRAPHITE - METAL ELECTRODES	250			1,647	1,397
LEATHER AND LEATHER PRODUCTS					
FURNITURE AND OFFICE EQUIPMENT					
CLOTHING AND TEXTILES					
RUBBER PRODUCTS		42	154	9	205
PLASTICS					
RADIO EQUIPMENT			1	13	14
PRECISION INSTRUMENTS				1	1
PHOTOGRAPHIC EQUIPMENT					
HAND AND MACHINE TOOLS		210	141	211	562
BALL AND ROLLER BEARINGS	100	84	21	860	865
PAPER AND PAPER PRODUCTS		776	252	602	1,630
MISC. SUPPLIES AND EQUIPMENT (GAS MASKS, DETONATION CORD, ETC.)	250	264	356		370
AIRCRAFT INSTRUMENTS				6	6
MEDICAL SUPPLIES & EQUIPMENT					
GREASES AND PARAFFIN					
HARDWARE		168	205		373
	44,000	356,063	63,109	137,924	513,096

TREASURY DEPARTMENT - U. S. S. R.
MATERIALS AVAILABLE FROM STORAGE AND PRODUCTION DURING MONTH OF DECEMBER 1942
 (SHORT TON DESIGNATIONS)

COMMODITY	PRIORITY CARGOES SPECIFIED FOR DEC. 1942	A V A I L A B L E			BALANCE
		STORAGE	IN TRANSIT TO STORAGE	PRODUCTION	
STEEL BARS	2,000	27,342	7,266	19,379	51,967
SHEETS, STRIP, PLATES, SHAPES AND MISC.	1,000	77,774	8,253	22,424	107,451
SHELL STEEL	500	5,670	3,886	7,497	16,552
TOOL AND DIE STEEL	1,400	299	107	2,012	1,018
RAILROAD RAILS AND ACCESSORIES		43,428	3,256	4,205	50,889
RAILROAD WHEEL SETS		11,592	3,108	13,599	28,299
BARRED WIRE	1,000	9,282	2,415	3,299	13,996
CABLE (OTHER THAN COPPER)	1,000		147	940	87
WIRE PRODUCTS		37,380	5,471	16,731	59,582
PIPE AND TUBING	1,000	105,028	6,471	7,148	117,647
TIN PLATE	2,500	7,514	4,095	6,721	15,830
COPPER AND COPPER PRODUCTS	1,500	11,138	7,799	5,157	22,594
ZINC	3,200			3,500	300
ALUMINUM INGOTS AND SHEETS	5,000	84	3,360	2,018	462
NICKEL AND NICKEL PRODUCTS	3,200			3,500	300
FERROCHROMIUM		798	232	544	1,573
FERROSILICON		1,008	483		1,491
MOLYBDENUM	3,200			3,500	300
MAGNESIUM					
COBALT	3,200			3,500	300
CHEMICALS	1,200	966	129	750	845
MERCURY			126		126
INDUSTRIAL AND CONSTRUCTION MACHINERY, ACCESSORIES AND PARTS	6,000	14,998	4,742	1,194	14,934
AUTOMOTIVE EQUIPMENT AND PARTS		84	214	719	1,017

COMMODITY	PRIORITY CARGOES SPECIFIED FOR DEC. SHIPMENT	A V A I L A B L E			BALANCE
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RUBBER PRODUCTS		42	154	9	205
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PAPER AND PAPER PRODUCTS		776	252	602	1,630
MISC. SUPPLIES AND EQUIPMENT (GAS MASKS, DETONATION CORD, ETC.)	250	284	356		370
AIRCRAFT INSTRUMENTS				6	6
MEDICAL SUPPLIES & EQUIPMENT					
GREASES AND PARAFFIN					
HARDWARE		168	205		373
	44,000	356,053	63,109	137,924	513,086

SEVENTH REPORT TO CONGRESS
ON LEND-LEASE OPERATIONS

For the Period Ended December 11, 1942

DECEMBER 11, 1942.

CONFIDENTIAL: To be held in STRICT CONFIDENCE and no portion, synopsis, or intimation to be published or given out until the READING of the President's Message transmitting this report has begun in the Senate or the House of Representatives. Extreme care must therefore be exercised to avoid premature publication.

STEPHEN EARLY,
Secretary to the President.

SEVENTH REPORT TO CONGRESS
ON LEND-LEASE OPERATIONS

For the Period Ended December 11, 1942

"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."

[From Section 5, subsection b of "An Act to Promote the Defense of the United States" (Public Law No. 11, 77th Congress, 1st Session).]

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PRESIDENT'S LETTER OF TRANSMITTAL

TO THE CONGRESS OF THE UNITED STATES OF AMERICA:

I am transmitting herewith the seventh quarterly report on operations under the Lend-Lease Act.

Since the last report, the war has entered a new phase. United Nations' forces attacking from Egypt and North Africa are contesting with the Axis for control of the African coast line of the Mediterranean. The Soviet Army, having held with stubborn bravery at Stalingrad, has now assumed the offensive. The Japanese have been recklessly expending ships and men in the Solomons, a battleground of our own choosing.

The Axis Powers have, temporarily at least, lost the initiative. We must do all we can to keep them from regaining it.

We must bring the full strength of all the United Nations to bear directly against the enemy. We must bring together our joint productive capacity and our material resources, our finished munitions and our fighting manpower; and we must do this in accordance with a single world strategy. That we are making good progress in this direction I think is shown by recent developments, and by this report on the part played by lend-lease.

We also have another task, which will grow in magnitude as our striking power grows, and as new territories are liberated from the enemy's crushing grip. That task is to supply medicines, food, clothing, and other dire needs of those peoples who have been plundered, despoiled and starved.

The Nazis and Japanese have butchered innocent men and women in a campaign of organized terror. They have stripped the lands they hold of food and other resources. They have used hunger as an instrument of the slavery they seek to impose.

Our policy is the direct opposite. United Nations' forces will bring food for the starving and medicine for the sick. Every aid possible will be given to restore each of the liberated countries to soundness and strength, so that each may make its full contribution to United Nations' victory, and to the peace which follows.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,
December 11, 1942.

Chapter 1

LEND-LEASE PROGRESS

Lend-lease assistance to our allies in the past three months totaled \$2,367,000,000. This is more than a third higher than the figure for the previous quarter, and four times the total for the three months immediately preceding our entrance into the war a year ago.

At the same time, the United States has equipped and supplied rapidly growing numbers of American forces overseas, who will number more than 1,000,000 by the end of this month. And, in combination with the British, we launched the North African offensive, which involved the greatest single overseas expeditionary force in history.

We have used the rapidly rising output of American factories both to equip our own forces and to send more to the other peoples who fight our enemies. But there is still not enough. Many more American ships, planes, tanks, and guns will be required before the United Nations can wage the great offensives that will bring victory. Meanwhile, within the limits of available production, we have sought to carry out the strategic principle embodied in the lend-lease idea: This is one war; it can be won only by all the United Nations together, combining their resources in such a way as to meet the enemy with the maximum force at the chosen times and places.

Total Lend-Lease Aid

From the beginning of the lend-lease program on March 11, 1941, to November 30, 1942, the dollar value of goods transferred and services rendered is \$7,496,000,000. This compares with \$5,129,000,000 reported in the Sixth Report to Congress three months ago.

For the 12 months ending November 30, the first year of our participation in the war, lend-lease aid totaled

\$6,526,000,000. The current rate of assistance is approximately \$10,000,000,000 annually. This is about 15 percent of the current rate of spending on the over-all United States war program. Thus, we are now putting about one-seventh of our total effort into lend-lease aid to the other United Nations. Monthly lend-lease aid is shown in Chart 1.

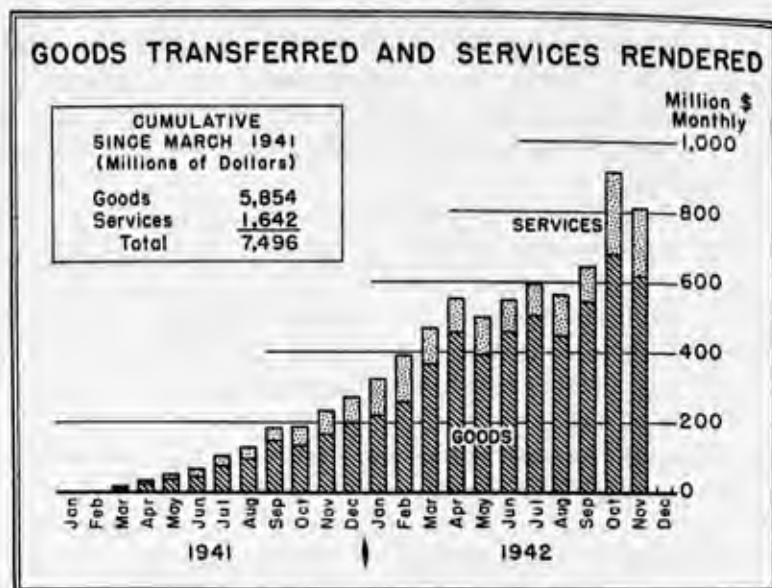


Chart 1

Goods Transferred

Goods transferred total \$5,854,000,000; this constitutes 78 percent of total lend-lease aid. Transfers fall into three categories: (a) military items such as planes, tanks, ships, guns and ammunition; (b) industrial items such as steel, petroleum products, machinery and machine tools; (c) foodstuffs and other agricultural products.

In the past, transfers have generally been made to lend-lease countries before goods were loaded aboard ship. Consequently not all goods recorded as transferred have actually been exported. About 10 percent is still in this country awaiting shipment. Starting December 1st, transfers are being

recorded as the goods are loaded and the figures for goods transferred will hereafter approximate lend-lease exports.

Chart 2 shows the monthly value of lend-lease goods exported, by category. Exports of military items have risen much more rapidly than exports of non-military items. For the month of September 1941 total lend-lease exports were



Chart 2

\$85,000,000. Only 25 percent of that amount was for arms, the balance consisting of foodstuffs and industrial materials. For the month of October 1942 (the last month for which export figures are available) lend-lease exports were \$537,000,000, of which military items comprised 56 percent.

While total monthly lend-lease exports increased over six times, lend-lease exports of military items increased fourteen times. Although the percentages of food and industrial materials to total exports have declined, the actual amounts shipped increased greatly as shown in Chart 2.

The export figures do not include the great quantities of supplies sent to our forces abroad.

Services Rendered

Services rendered total \$1,642,000,000; this constitutes about one-fifth of total lend-lease aid. In terms of making our aid effective, the relative importance of these services is considerably greater than the dollar amount indicates.

Lend-lease supplies are of no use to our allies until they reach the places where they are needed. About 50 percent of expenditures for services is for shipping and supply services—mostly for the rental and charter of ships to carry the goods, and the balance for the development and operation of air ferry routes and supply bases abroad.

We have supply lines extending over many thousands of miles of submarine-infested oceans, and across jungles, deserts and hitherto inaccessible mountain ranges. We have to go around to the far places, where transport facilities are generally primitive. Lend-lease has played a large part in keeping these lines open and in increasing the volume of shipments over them.

At the receiving ends of many of these routes, it has been necessary to develop harbors, build and equip docks, warehouses, assembly plants, and supply depots. Camel trails have been made over into truck highways and railroad facilities have been either created or enlarged. Scores of newly developed airfields are way-stations on the bomber-ferry routes. American participation with the Russians, the British, and other allies in this development program has been carried out in important measure through lend-lease.

Another 15 percent of the funds spent for services has been used to repair in our yards hundreds of allied merchant and naval vessels damaged by enemy action. Similar repair services are being rendered for damaged American warships and merchant vessels abroad, under reciprocal lend-lease.

The balance of 35 percent of services rendered represents expenditures for production facilities—factories and shipyards—built in the United States to manufacture certain types of lend-lease articles.

Where Lend-Lease Supplies Are Going

Chart 3 shows exports of lend-lease goods by area of destination. In October 1942 approximately 40 percent of lend-lease exports went to the United Kingdom, 39 percent to the Middle and Far East and other areas, and 21 percent to U. S. S. R.

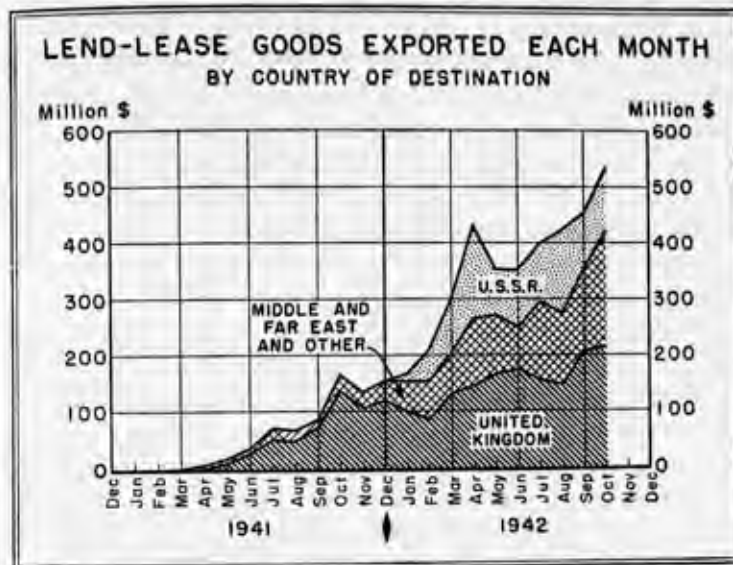


Chart 3

The chart also shows the higher proportion of lend-lease shipments to the Middle and Far East and U. S. S. R. during 1942. Since January 1942, monthly exports to the United Kingdom and to the Middle and Far East have more than doubled. October shipments to U. S. S. R. were nine times those in January, when goods were first exported to Russia under lend-lease (as distinct from direct purchase exports).

Part of the military equipment exported to the United Kingdom has been sent by the British to U. S. S. R., Egypt, India and other areas of the Middle East. In addition, Great Britain has sent a major share of its own production of war supplies to these fronts.

The United States and Great Britain have between them shipped (not delivered) to U. S. S. R. during the past year, over

the northern route alone, more than 3,000 planes, more than 4,000 tanks, more than 30,000 trucks, jeeps and other vehicles and hundreds of thousands of tons of food, industrial raw materials, medical supplies and other products. Not all of these supplies have arrived. Convoys over the North Atlantic route have been subjected to heavy punishment by Nazi air, surface and undersea raiders.

Shipments by the southern route to the Red Sea-Persian Gulf area have had to travel ocean distances of 10,000 to 13,000 miles and there are long additional overland distances to be covered before our supplies reach bases and front lines in the U. S. S. R. In the Red Sea-Persian Gulf area, ports, unloading and assembly facilities, roads and railroads were either inadequate or non-existent. They have been greatly improved with the aid of lend-lease funds.

Supplies aggregating nearly 2,500,000 tons have been shipped over all routes from the United States to U. S. S. R. in the past year under lend-lease and direct purchase. Although transportation to U. S. S. R. continues to present extraordinary difficulties, we are succeeding in delivering the great majority of our shipments.

The part played in the Egyptian campaign by the increased lend-lease exports to that area is described in Chapter 3. In addition, considerable shipments have gone to India and other strategic points in the Middle East, to Australia and New Zealand.

Lend-lease exports to China have always been limited by a transportation bottleneck that was made still tighter when the Japanese took Burma. Until that time, we were able to move a thin but steady stream of supplies over the Burma Road. With lend-lease funds we had considerably increased the capacity of the road, supplied thousands of trucks, and assisted China in building a railroad which would have provided, when completed, a supplementary supply line from Lashio to Kunming.

Since the loss of Burma, air transport across the Himalayas from India has been the only direct means of bringing lend-

lease supplies into China. United States Army and China National Airways cargo planes are plying this dangerous route regularly but the quantities they have been able to carry so far have been small. We shall find ways to send more.

Lend-Lease Exports and Direct Cash Purchases

In addition to lend-lease aid, the United States has supplied the other United Nations with weapons and other materials

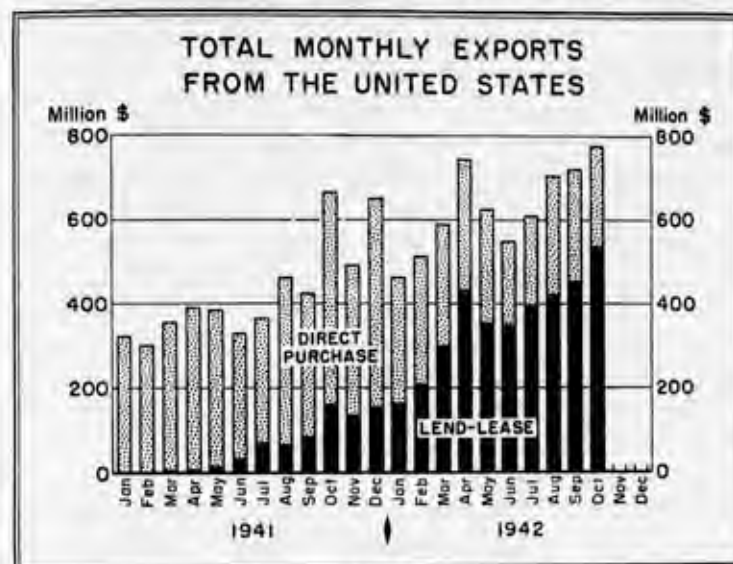


Chart 4

purchased by them for cash, just as they have supplied us, both by direct purchase and reciprocal lend-lease.

From the point of view of effective pooling of United States resources with those of other United Nations, the distinction between lend-lease and cash exports has little significance. For in the winning of the war, what counts is that our supplies—by whatever method they are provided—reach the hands of those who need them in order to fight our enemies. This is equally true of the supplies we receive from our allies.

From March 1941 through October 1942, cash purchase exports to our allies totaled \$6,450,000,000, compared to lend-lease exports of \$4,685,000,000. The proportion of lend-lease

exports to total U. S. exports has risen from 1 percent in March 1941 to 70 percent in October 1942 as shown by Chart 4.

Other Forms of Aid

The entire story of the aid rendered by the United Nations to one another cannot be told in statistical terms alone. It would be impossible to attempt a mathematical appraisal of many of the respective contributions of the allied nations or to evaluate the role each is playing in encompassing the defeat of the Axis. The principle followed is one of mutual assistance in waging a coalition war.

Our own contribution is of course not limited to the proportion of the output of our farms and workshops which is exported to our allies. American troops fight side by side with those of the other United Nations; our navies engage in joint as well as independent operations. Supplies, equipment, and ammunition are fully shared on the battlefield. An American tanker, during combat, will service any allied destroyer requiring fuel. Our aircraft carriers have brought sorely needed planes to posts exclusively manned by our allies. We have assumed the responsibility for defending some of the distant outposts of the world to relieve veteran allied troops for more active theaters. We have been the recipient of similar aid from our allies. The United Nations are not engaged in a series of separate wars; ours is a joint enterprise with one goal.

NOTE.—Previous reports have carried figures for lend-lease "goods in process." These were expenditures made for completed equipment that had not yet been transferred and for equipment still in process of manufacture. In the Sixth Report to Congress the dollar volume of such goods was estimated at \$1,360,000,000. This figure, however, included only expenditures made from lend-lease funds appropriated directly to the President. It did not include expenditures made by the War and Navy Departments from funds appropriated to them. Military items procured by these departments are not generally separated as between those for our own forces and those for lend-lease purposes until manufacture is completed and final assignments are made by the Combined Munitions Assignments Board. This Board assigns all military items produced in the United States. It is therefore impossible to determine with any degree of accuracy the lend-lease proportion of expenditures made on goods in process by the War and Navy Departments. Since any figure on lend-lease goods in process which does not include these amounts fails to give a complete picture of such expenditures, the category of goods in process will no longer be included in these reports.

Chapter 2

U. S. PRODUCTION AND THE UNITED NATIONS

Combining United Nations Resources

All available resources of the United Nations are dedicated to the common end of winning the war. It is in the joint interest of the United Nations to equip and supply all their armed forces, to maintain the flow of industrial materials to war factories everywhere, and to meet the essential war-time civilian needs of all anti-Axis peoples. In this task they are, within the limits of their resources, supplying both their own needs and the needs of each other.

We are dependent upon each other in many ways. Although the United States has the greatest resources for the production of war materials and civilian supplies, many of our own vital requirements are being obtained by purchase from our allies. Certain raw materials, essential to making planes and tanks, come from many parts of the British Empire, Latin America and other United Nations. For example, ninety-five percent of our nickel comes from Canada and our mica from India and Brazil. We are still getting precious supplies of tungsten from China.

Our troops overseas are receiving many important supplies and services from Great Britain, India, Australia, New Zealand, and Fighting France under reciprocal lend-lease.

Up to six months ago, Great Britain and Russia were producing more arms than we were. Great Britain has supplied the larger part of its own needs and has furnished quantities of certain types of equipment to the fighting forces of Russia and of the governments in exile. Great Britain has also provided most of the merchant ships and transports which carry United Nations supplies and troops overseas.

Plainly Russia is able to send few supplies to its allies, but the greatest land fighting of the war has been carried on for two years principally with Russian equipment. Russian planes and bombs and tanks have destroyed many times the number of enemy troops killed in all the other war theatres combined.

Our principal allies have reached the maximum rate of their war production. American war production—already the greatest in the world—will rise much higher still before reaching its peak. Supplies from the United States have had an important part in the war effort of the United Nations. From now on, our production will play an increasingly decisive role. But only by a vast increase in our output can we obtain the overwhelming superiority over the Axis which is needed for victory.

Distribution of American Production

Most of our production is used to supply our own armed forces and civilian population. The proportion of war weapons that goes to our Army and Navy and the proportion that goes to our allies is determined by the strategic decisions of global warfare. United Nations war production strategy determines how much we should send abroad of our supply of industrial materials. The food we produce—and food is a weapon of war—is allocated to meet the needs of American armed forces and civilians, and, so far as possible, the essential food requirements of our allies.

Military Supplies

About 15 percent of our present total production of military items is being exported to the other United Nations under lend-lease and direct purchase. These items include ordnance, ammunition, aircraft, tanks, motor vehicles, and spare parts, but do not include merchant and naval vessels.

The proportion of some combat weapons going to our allies is considerably higher than the over-all average. Thus, we are sending them about 30 percent of our production of combat planes and 35 percent of our production of tanks. On the

other hand, there are many articles which we make entirely for our own forces.

Although exports of military items have greatly increased during the past year, our rate of munitions production has increased still more rapidly. Consequently, a smaller percentage of our total military output is now being exported. Chart 5 shows how the percentage of exports has declined from 30



Chart 5

percent of total output in March 1941 to approximately 15 percent in the past five months.

A large part of the munitions retained for our own forces has been transported with our troops to bases abroad for use in recent campaigns and in battles now being waged. These shipments are not included in the export figures in Chart 5.

Industrial Materials

The United States is exporting industrial materials to our allies, particularly the United Kingdom, Canada and Russia. The quantities which we send them are necessary to maintain

their production of weapons and ships, but are relatively small in relation to our own total production of these materials.

The following percentages show the relationship of our lend-lease and direct purchase exports of the more important materials to total United States new supply of the indicated industrial materials during the first six months of this year:

EXPORTS IN PERCENT OF U. S. NEW SUPPLY

First 6 Months of 1942

	Percent		Percent
Aluminum.....	2.7	Petroleum Products.....	5.3
Copper.....	12.2	Steel.....	11.0
Cotton.....	5.0	Tin.....	1.2
Nickel.....	3.5	Zinc.....	16.1

These are percentages of United States production plus imports during the period. If our stock piles were taken into account the export percentages would be smaller.

The percentages shown are for exports of these materials in a form ready for use in the production of war equipment. Thus in the case of steel, exports were 11 percent of our total new supply of shapes, plates, bars, sheets, etc. They were considerably less than 11 percent of our new supply of steel in the form of ingots. On the other hand, the export percentages do not include the steel and other materials in finished products such as tanks and guns.

Foodstuffs

United States exports of food, nearly all of which are under lend-lease, have been particularly important to the United Kingdom and to Russia. Yet our exports have been small in relation both to their total food supply and to ours. The United Kingdom, for example, now produces about 60 percent of its own food as the result of an intensive three-year farm program, and the major share of its food imports comes from sources

other than the United States. Nevertheless, the part of Great Britain's food that comes from the United States has meant the difference between enough to sustain the British people's intensive war effort and too little with which to carry on. Likewise, American food supplies are saving thousands from starvation in Russia and the Middle East.

The following percentages show the relationship of exports to the total United States supply of important foodstuffs for the year ended June 30, 1942:

EXPORTS IN PERCENT OF SUPPLY

Year Ended June 30, 1942

	Percent		Percent
Beef and Veal.....	0.5	All Milk Products (expressed in terms of fluid milk equivalent).....	3.9
Lamb and Mutton.....	0.0	Corn and Corn Products.....	0.5
Pork.....	13.0	Wheat and Wheat Products.....	1.0
Canned Fish.....	21.0	Sugar.....	1.0
Eggs.....	8.1		
Cheese.....	23.1		

Of the five meats now under voluntary rationing, we have retained for our own armed forces and civilians more than 99 percent of all but pork, in which case the percentage retained is 87 percent. And pork production has increased enough to cover our exports and still leave a normal supply for our own uses. Civilian shortages of these meats are due primarily to the needs of our soldiers and sailors and to increased civilian consumption.

We have exported under lend-lease 1,263,882,000 pounds of evaporated milk, powdered milk and cheese. However, in terms of fluid milk equivalent, this is approximately 4 percent of our record-breaking milk supply. All the rest is going to United States armed forces and civilians. Our exports provide two out of every five ounces of the cheese which Britons eat

and almost all their powdered milk. Dried skim milk is rationed at the rate of one ounce a week and supplements the often slim British fluid milk ration (now $2\frac{1}{4}$ pints per week per adult).

Of our total egg production, we have retained 92 percent for our own needs. Our exports have been almost entirely in the form of dried eggs in order to save shipping space. The English ration of dried eggs, nearly all of which come from the United States, is the equivalent of one fresh egg per person per week, and supplements the ration of fresh eggs, which varies seasonally from one to a maximum of five eggs a month.

Our exports of sugar, wheat, flour, and cereals, although extremely small in relation to total U. S. supply, have been particularly important to Russia, which has lost most of its sugar-beet and its richest wheat-producing areas to the Nazi invaders. So far we have not been able to find the shipping space to send nearly as much food to U. S. S. R. as the Russian people need.

We have exported a considerable percentage of our total production of canned fish to supplement the restricted meat rations of our allies' armed forces and civilians. Two-thirds of Britain's canned fish supply comes from the United States and most of the balance from Canada.

Record United States food production in 1942 has more than offset our lend-lease food exports. To meet the greater demands next year, Secretary of Agriculture Wickard has set 1943 production goals ranging up to 28 percent higher than 1942 totals for some commodities. United States civilians will have less of some foods, in order that supplies may go where they will contribute most to our victory. Even so, Americans will still have more to eat than the overwhelming majority of people elsewhere.

Chapter 3

THE AFRICAN OFFENSIVES

The present campaigns in Egypt and North Africa illustrate how United Nations resources can be pooled in the execution of an offensive strategy. For both offensives, supplies and shipping services were provided on a great scale in accordance with the principles of lend-lease and reciprocal aid.

Egyptian Campaign

In the Egyptian campaign, British and American equipment was used and troops from the United Kingdom, the Dominions, Greece, Poland, France, and the United States took part, but British troops, planes, and ships did the bulk of the fighting, under British command. It was in the field of transportation and supplies that United States assistance played its major role.

German and Italian forces could be supplied from their home bases by shipping or flying their equipment a few hundred miles across the Mediterranean. Supplies from the United Kingdom or this country, on the other hand, had to travel 12,000 miles by water, around the Cape of Good Hope and up the Red Sea, before reaching the fighting zone. Even if sent by air from the United States, a bomber or a cargo of urgently needed materials must be flown over 9,000 miles via Brazil across the Atlantic and over the jungles and deserts of Africa.

Nevertheless, in spite of all difficulties of weather, terrain, and enemy action, our supply lines functioned so well that at the crucial moment United Nations forces were able to take the field with clear superiority in armored strength, artillery, and air power.

This was possible because of action taken many months before the offensive began, when it was decided that these supply lines must be bolstered and improved in every way possible.

United States and British funds, engineering skill and labor have been used to build, reconstruct or enlarge supply bases,

docks and naval facilities, air fields, and repair and assembling shops in the Red Sea area and in Egypt. Work done under this program has made it possible to unload cargoes and repair damaged ships more quickly. And the facilities for assembling of trucks, tanks, and planes have speeded the flow of weapons to the fighting front.

Air ferry routes have been created across Africa. In places where a few years ago no planes were ever seen, huge bombers and transports now land daily, are fueled, and continue to their destinations.

Together with the British and Fighting French, we have built or improved air fields all the way from the Atlantic coast of Africa to the Anglo-Egyptian Sudan, and the Red Sea. These fields have been used by planes on their way to Egypt, to Iran and Russia, and to India.

The United States funds spent in these enterprises, and for the necessary shipping, have come from lend-lease appropriations and funds appropriated to the War Department for its own use.

Over these improved supply lines, the United States exported to Egypt during the period from February to November over 1,000 planes, many hundreds of tanks, of which more than 500 were mediums, 20,000 trucks and hundreds of pieces of artillery. Our British allies have emphasized the importance of these weapons in the success of the campaign. In addition to the American planes furnished the British, hundreds of planes were sent to Egypt for the use of our own air forces. One out of every five United Nations planes operating during the desert offensives was flown by American crews or pilots.

American technicians have also been instructing the British, South Africans and Australians in the maintenance and repair of American equipment, and an increasing number of American mechanics have been assisting in this work.

North African Campaign

The invasion of North Africa, even more than the campaign in Egypt, has been a combined operation in the fullest sense of the word. Neither the United States nor Great Britain

could alone have carried out at this time a task requiring the greatest single overseas expeditionary force in history.

Hundreds of British and American cargo, transport and naval vessels were pooled for the enterprise. The ground forces include many British as well as American troops. The United States Army Air Force and the Royal Air Force are both taking part in this offensive, and each nation's air force has been using, to some extent, planes manufactured by the other, provided either under lend-lease or reciprocal lend-lease. Most of the equipment of our troops was American-made, but large quantities of miscellaneous supplies were lend-leased to us by Great Britain.

In all phases of the campaign—in the careful work of preparation as well as in the more spectacular moments of battle—the United States and Great Britain have shared their resources and operated under unified command.

Chapter 4 LIBERATED AREAS

Less than a week after our landings in North Africa, the Lend-Lease Administrator was instructed, in cooperation with General Eisenhower and the State Department, to extend aid to those areas in French Africa occupied by United Nations forces.

The policy of the United States, already announced, is to provide food, medicines, and other necessities to alleviate the hunger and suffering of the people in any territory occupied by our forces, so far as it is humanly within our power to do so. Weapons will be furnished to the armed forces of these territories to hasten the defeat of the Axis.

Methods of carrying out this policy will differ between areas, and different methods may be necessary within the same area. Where commercial channels of supply have been cut off, lend-lease can be the instrument for renewing them. Where relief distribution is necessary, lend-lease can supply the materials of relief.

Steps have already been taken with respect to North Africa in execution of this policy. About \$5,000,000 worth of civilian goods have been purchased for shipment to that area. Many times that amount will be procured during the coming months, to be sent as shipping space becomes available. So long as military operations continue in this area, the amount of available shipping space cannot accurately be predicted. Cargoes necessary to maintain our armies in the field will have top priority on shipping, but civilian supply will come next on the list.

Items purchased, or to be purchased, under this program include: Medical and hospital supplies ranging from anaesthetics to operating knives, sulfa drugs and antitoxins; sugar,

powdered and evaporated milk, and cheese, to meet the most urgent food needs; cotton textiles, ready-made new and used clothing, and shoes; copper sulphate to increase the production of vegetables and fruits for the consumption of our troops as well as the inhabitants; coal for transportation and kerosene for lighting. The United Kingdom will participate in this program with the United States.

The United Nations will help the victims of war in liberated territories, not only out of common humanity, but for the most urgent political and military reasons. Expansion of the agricultural production of the reoccupied regions and the improvement of their transportation facilities will be of great value to our military forces. Increased food production on the spot will enable us, after meeting the requirements of the civilian population, to supply our forces with some foodstuffs, thus saving valuable shipping space. Similarly any aid that we can furnish North Africa in maintaining and increasing its exportable production of certain strategic materials, such as phosphate rock, manganese, and high-grade iron ore will be of great value to the United Nations war effort.

The program of reoccupation will require the joint efforts of many agencies of this government, and the fullest cooperation with the other United Nations. Relief and rehabilitation of the reoccupied areas will be the common responsibility of all the United Nations, and must be a combined operation in the same sense as the military operations themselves. Success in restoring the countries we free will be a powerful factor in shortening the war, giving the liberated peoples their chance to share in the victory.

The United Nations have shown that they are capable of military teamwork of a high degree. In the field of relief and rehabilitation, they have an opportunity to develop a constructive program that will have a most direct bearing on the problems of the peace.

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

LEND-LEASE APPROPRIATIONS AND TRANSFER AUTHORIZATIONS

Lend-lease aid is provided from: (a) funds appropriated directly to the President for lend-lease purposes; (b) appropriations to the War Department, Navy Department, and Maritime Commission which contain authorization for maximum amounts that may be used for lend-lease purposes.

Detailed information on the maximum amount of lend-lease aid which can be provided by existing legislation is given in the following table.

Appropriations to the President

First Lend-Lease Appropriation	\$7,000,000,000
Second Lend-Lease Appropriation	5,985,000,000
Third Lend-Lease Appropriation	5,425,000,000

\$18,410,000,000

Transfers Authorized from Other Appropriations

War Department—Third Supplemental, 1942	\$2,000,000,000
War Department—Fourth Supplemental, 1942	4,000,000,000
War Department—Fifth Supplemental, 1942	11,250,000,000
War Department—Sixth Supplemental, 1942	2,220,000,000
War Department—Military Appropriation Act, 1943	12,700,000,000
Navy Department—Second Supplemental, 1943	*3,000,000,000
Maritime Commission—First Supplemental, 1942	†1,296,650,000
Maritime Commission—Fifth Suppl. (Approp. Funds), '42	†1,500,000,000
Maritime Commission—Fifth Suppl. (Contr. Auth.), 1942	†2,350,000,000
Departments other than War—Third Supplemental, 1942	800,000,000

\$41,116,650,000

MAXIMUM AMOUNT OF AID THAT CAN BE PROVIDED..... \$59,526,650,000

*Does not include the value of ships which may be leased by the Navy for the duration of the emergency.

†Value of ships which may be leased.

Appendix III

STATUS OF NATIONS

Twenty-nine nations have signed the United Nations Declaration, pledging their full resources to the fight against the Axis powers, and agreeing not to make a separate peace with the enemies. Of the 42 nations which have been declared eligible for lend-lease aid by the President, 30 have signed lend-lease agreements. Formal agreements providing for reciprocal lend-lease aid have been entered into by four of these nations with the United States. Full information concerning the status of the various nations is shown by the following chart.

The Declaration by United Nations, together with the original signatories, is printed in Appendix IV. The Master Agreement signed with the United Kingdom is contained in Appendix V. Lend-lease agreements with the following countries are identical with the British agreement: China, U. S. S. R., Belgium, Poland, Netherlands, Greece, Czechoslovakia, Norway and Yugoslavia. In addition, Australia and New Zealand have accepted the same principles. Canada agreed to the principles set forth in Article VII of the Master Agreements in an exchange of notes with the United States, dated November 30, 1942.

STATUS OF NATIONS (LEND-LEASE COUNTRIES AND UNITED NATIONS)									
UNITED NATIONS DECLARATION SIGNED					LEND-LEASE AGREEMENT SIGNED				
ELIGIBLE FOR LEND-LEASE AID					RECIPROCAL LEND-LEASE AGREEMENT IN EFFECT				
ARGENTINA									
AUSTRALIA									
BELGIUM									
BOLIVIA									
BRAZIL									
CANADA									
CHILE									
CHINA									
COLOMBIA									
COSTA RICA									
CUBA									
CZECHOSLOVAKIA									
DOMINICAN REPUBLIC									
ECUADOR									
EGYPT									
EL SALVADOR									
ETHIOPIA									
FIGHTING FRANCE									
GREECE									
GUATEMALA									
HAITI									
HONDURAS									
ICELAND									
INDIA									
IRAN									
IRAQ									
LUXEMBOURG									
MEXICO									
NETHERLANDS									
NEW ZEALAND									
NICARAGUA									
NORWAY									
PANAMA									
PARAGUAY									
PERU									
PHILIPPINES									
POLAND									
SOUTH AFRICA									
TURKEY									
UNITED KINGDOM									
UNITED STATES									
U.S.S.R.									
URUGUAY									
VENEZUELA									
YUGOSLAVIA									

Appendix IV

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 Cimon 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 Cte. R. v. d. Straten

Canada

by Leighton Mc Carthy

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-
stierne

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

NOTE: Mexico, The Commonwealth of the Philippines and Ethiopia have
since adhered to the Declaration by United Nations.

Appendix V

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 objec-

tives 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:

[SEAL]

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:

[SEAL]

HALIFAX
His Majesty's Ambassador Extraordinary
and Plenipotentiary at Washington.

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

December 11, 1942

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended December 2, 1942, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

(init.) S.M.B.

inc:12/11/42

C
O
P
YFEDERAL RESERVE BANK
OF NEW YORK

December 10, 1942

CONFIDENTIALDear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended December 2, 1942, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

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

Enclosure

copy:imc:12/11/42

Week Ended December 2, 1942 San Antonio
Confidential

Average Weekly Expenditures Since Outbreak of War
France (through June 19, 1940) \$19.6 million

Week ended December 2, 1942 \$ 162.7
Cumulation from July 6, 1940

million
million

England (since June 19, 1940) 33.3 million
 *For monthly breakdown see tabulations prior to April 23, 1941.
 **For monthly breakdown see tabulations prior to October 8, 1941.
 ***For monthly breakdown see tabulations prior to October 14, 1942.
 (See attached sheet for other footnotes)

- (a) Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.
- (d) Reflects changes in all dollar holdings payable on demand or maturing in one year.
- (e) Includes payments for account of French Air Commission and French Purchasing Commission.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) Includes \$11.6 million deposited by British Ministry of Supply, of which \$8.6 million represents U. S. Government check covering the purchase from the British of ship building facilities in the U. S.
5.0 million transferred from Commonwealth Bank of Australia account here.
2.3 million to be held for credit of U. S. armed forces abroad.

**Strictly
Confidential**

www.mhfi.com

See monthly breakdown see tabulations prior to April 23, 1941.

after monthly breakdown see tabulations prior to April 29, 1941.
 after monthly breakdown see tabulations prior to October 8, 1941.

see for monthly breakdown see tabulations prior to October 8, 1941.
see for this breakdown see tabulations prior to October 14, 1942.

See for monthly breakdown see tabulations prior to October 14, 1942.

(a) Reflects changes in all dollar holdings payable on demand, including Treasury bills.

(b) Does not reflect transactions in U. S. Treasury bills.
War Supplies, Ltd.

(c) Includes \$10.6 million deposited by War Supplies, Ltd. Australia for account of Treasurer of United States to be applied against U. S. currency and Treasury checks negotiated.

(d) Includes \$2.0 million credited to Australia for account of Treasurer of United States

Regraded Unclassified

DEC 11 1942

My dear Mr. Secretary:

Discussions have been taking place during the last few weeks between officials of this Department and Mr. Howard H. McClure, Assistant Director, Census Bureau, in your Department, regarding the changing to a reimbursable basis the work done by that Division in furnishing us statistical tabulation of United States exports to, and imports from, approximately 44 areas whose funds are at present frozen under Executive Order.

Under the present arrangement we are compensating you for this project with three statistical clerks (grades CAF-3, \$1620) who work in your Department but remain on our pay roll. Mr. McClure estimates that the additional cost involved in the operation of sorting, tabulating and photostating the reports comes to \$950 a month and he has requested our consideration for a reimbursable arrangement of this work in the future.

We feel that we cannot at this time enter into an arrangement that will require us to spend \$950 a month for the tabulation of these data. Under the circumstances, we request you to terminate, as of December 31, 1942, the preparation of these data for our particular use.

It is our hope that from time to time we shall be able to have those members of the Division of Monetary Research of this Department who have been granted access to the Bureau of the Census confidential trade files copy such data as we require from the records in the Census Bureau.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of Commerce.

HQ:EMB:TW:rl 12/7/42

Photo file in Diary

Orig. file direct to
White's office

By Mess. Givens 12/11/42

DEPARTMENT OF COMMERCE
BUREAU OF THE CENSUS
WASHINGTON

September 1, 1942

Dear Mr. White:

Reference is made to your letter of July 29 requesting that the report you have been receiving on the foreign trade of the United States with selected countries during each 10-day period be revised so as to drop trade with Burma and to add trade with British India.

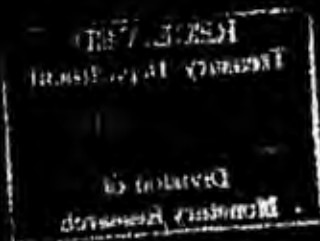
In this connection we have recently completed an investigation of the cost of preparing the 10-day reports for the selected countries. We find that the present cost is approximately \$750 and that the added cost resulting from dropping Burma and adding British India is approximately \$200. The cost of adding the one country to the tabulation is high because of the large number of punch cards involved.

We are compensated for this job at present by an allocation of three clerks to us by you, equivalent to approximately \$450 per month. Since your present allocation does not cover the direct cost involved in sorting, tabulating and photostating the report, I should appreciate your giving consideration to a reimbursement arrangement for this work in the future.

Sincerely yours,


J. C. Capt
Director

Mr. H. D. White
Director of Monetary Research
Treasury Department
Washington, D. C.



TREASURY DEPARTMENT

370

INTER OFFICE COMMUNICATION

DATE November 27, 1942

TO Secretary Morgenthau
FROM Mr. H. D. White

For the past eight months the Department of Commerce has been furnishing us statistical tabulation of United States exports to and imports from blocked countries. In compensation for additional costs we allocated three statistical clerks (grades CAF-3, \$1620) who remain on our payroll.

Commerce has made a new estimate of the cost and now requests that they be reimbursed on a cash basis of \$950 per month.

These reports are useful to us in our current work since these figures are the best up-to-date trade data available.

We also distribute this data, after processing, to the following:

- (1) Studies go to the President, the State Department, Office of Strategic Services (Colonel Donovan) and to you;
- (2) A memorandum on Russian military exports goes to the combined Chiefs of Staff and to you. Although the combined Chiefs of Staff have the same material available from Commerce, they find our summary tables useful and helpful.
- (3) Tables on exports to a selected group of countries go to Military Intelligence Division and Naval Intelligence Division.

*1 Special job in exports
incl. on table and figures for
State - previous data
incl. on table for Navy*

NOT TO BE RE-TRANSMITTEDCOPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPT-L No. 429

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

1. NAVAL

MALTA. A convoy of 2 ships from Eastern Mediterranean arrived safely yesterday. One of H.M. Destroyers had reached ORAN safely. One of H.M. Submarines sank a 1850 ton ship north of CORSICA on the 2nd. Another of H.M. Submarines reports hits on 4 ships near BIZERTA of which 1 sank.

2. MILITARY

TUNISIA. 8th. Steady rain restricted operations to active patrolling. Reconnaissance reports confirm no enemy west of a line MASSICAUT to PONT DU FAHS. Prisoners report German morale low and ammunition shortage. Attempts are being made to mobilize Italians of military age in TUNIS. Weather also restricted air activity on both sides. Reported main street BIZERTA being used as runway by Axis aircraft.

3. AIR OPERATIONS

WESTERN FRONT. TURIN. 9th/10th. About 143 tons of H.A. including 49 4,000 lb. bombs and 245 tons of incendiaries were dropped in good weather, but torn partly hidden by ground haze and smoke. Accurate identification therefore difficult and illumination by flares somewhat hampered. Nevertheless, towards end of attack 3 specially large fires reported near railway station and Fiat works and at least 12 major fires counted with concentration in centre of town. Defences strengthened, but still ineffective. 10th/11th. 17 enemy aircraft were operating, mainly off the YORKSHIRE Coast, one destroyed by Beaufighter.

TUNISIA. 9th/10th. 5 Malta Wellingtons attacked TUNIS docks 10th. 4 Beaufighters bombed SOUSSE, hitting a warehouse and cargo on the quay side and starting a large fire. 4 Beaufighters destroyed one and probably destroyed two enemy transport aircraft 100 miles south of MALTA. 2 of our aircraft are missing.