

DIARY

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December 17-20, 1943

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December 17, 1943  
10:00 a.m.

LEND-LEASE IN REVERSE, RUSSIA

- Present: Mr. McConnell
- Mr. Bernstein
- Mr. Glasser
- Miss Kistler
- Mrs. Klotz

H.M.JR: What I wanted to have you people work on for me was this--I should have done it a long time ago. When Nelson first came back from Russia, he said the one thing they wanted there was--I think he used the figure that they might need ten billion dollars worth of manufactured goods from this country, and how were they going to finance it, and so forth, and so on. I never did much about it.

I don't know whether I told Harry or not, but the first thing the President said this morning when he came back--he had a word for everybody. He said to me, "Everybody wants money."

So I would like to be a little bit forehanded. But using Russia as an example, I think that is where the thing will come from. I wish you people would go right to work. We know they have manganese. We know they have lumber, unlimited lumber. They have unlimited gold.

MR. GLASSER: Furs.

H.M.JR: And what I think you ought to do is this, to go back to what the normal trade was from '14, say, through to '39 or something like that, I mean, what exports they had, where they went; and if they published figures, what their imports were.

Then, of course, you are going to go right up against the situation. I am thinking very much out loud. There

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has been so much talk about our depletion of oil. Find out how much it is, how much has left the country, Lend-Lease, since September 1939, and you might also show how much went to Japan, I mean, prior to 1939. I am throwing these things out. What is left? How much can we expect within the continental United States? Certainly Russia has a great deal of oil.

What do we have on hand in the way of steel and iron ore? The person you might want to talk to about this-- in fact, I will send for him; this is his field. McConnell is an engineer. He knows these materials, you see. I think it is going to have to be largely a question of barter.

Then let's be realistic about the thing. What will the American Association of Manufacturers allow to come into the country, see? Now, I don't know whether the National Resources Planning Board has any studies on this thing or not, or what has happened to their people. They had some good people over there.

MR. BERNSTEIN: I don't think they have done much studying on the international side, Mr. Secretary.

H.M.JR: I don't know where it is, but certainly it would be popular in this country if we had an inventory of the depletion of our basic raw materials, bauxite.

If you go back through our files when we were buying strategic materials--the Army gave us a list. All that is here is Brazilian diamonds, mica, sisal, all those things, see?

(Mr. McConnell entered the conference.)

H.M.JR: Come in, Mr. McConnell. I don't think you know this group, Mr. Bernstein, Mr. Glasser, and Miss Kistler. This happens to be in your field for once, so instead of trying to tell me how to sell some horses-- I have asked these people--I am a little behind time on these things.

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Now, the President is back to report to me forcibly himself. What I am asking them to do--and you can guide them on this--is, I want a very quick inventory, first, of the raw materials which we are short of.

He said, "Everybody I have seen wants money." That means Russia, of course, because they are the only people he has seen. When Nelson came back he said that they wanted ten billion dollars of manufactured goods. O.K. Where are we short, iron ore, oil? What are the basic things we are short of which we might say that we want?

MR. McCONNELL: The one big one is manganese.

H.M.JR: They have that. But paper, wood pulp, fur--

MR. McCONNELL: They are not strategic--

H.M.JR: No, no, instead of having them pay us in gold, what can they pay us in kind? That is the way my mind is working.

MR. GLASSER: You are really thinking of the long pull, how they might repay for a loan.

H.M.JR: They want to repay, yes.

MISS KISTLER: Both in terms of building up stocks here as well as current use--you are thinking of exploring both?

H.M.JR: Well, what I am thinking of is this--I imagine what the President is going to say is this: He will come back with the same story that Nelson did, "Russia wants to buy ten billion dollars. How are you going to finance it?"

What I am thinking of is, the President says to us, "We want to do that." What plans do we have? I want plans that would be good for the United States and also good for Russia. You can't answer it as simply as that, but they want some merchandise, goods, and I don't want to be

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paid in gold. I think that is the last thing we want to take. Is that right?

MR. McCONNELL: Yes.

H.M.JR: Have you any suggestions where we could go to get some of this material?

MR. McCONNELL: I was just thinking. There is a man who has just been discharged from the Army, Colonel Proctor--Carlton Proctor, who probably knows more intelligently than any of the engineers and groups who know that commercial aspect. I think he might be available. He built that big dam there for them.

H.M.JR: Which one?

MR. McCONNELL: The foundation of the Dnepropetrovsk. He was in charge of troops in the Persian Gulf and built the road that connected with the Russian road. I think of the industrialists he was as well received in Russia as anybody. Now, he might be available for a short time to help us orient that.

H.M.JR: Do you want to see if you can get him?

MR. McCONNELL: I will try that this morning, yes.

H.M.JR: This is Harry White's crowd, but Harry isn't here.

MR. McCONNELL: I see. Then the other man, Mr. Secretary, is Kenneth Leith who is the consultant at WPB on all minerals and metals, from the University of Wisconsin. He has been here for years.

H.M.JR: Is he an engineer?

MR. McCONNELL: Yes, a mining engineer. He will know the mineral aspect of it.

Now, Carlton, if we can get hold of him, will have a pretty good idea of the Russian situation with regard to pulpwood, timber, and perhaps furs.

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H.M.JR: I would do it this way, a little bit bigger, I would say from the standpoint of the United States, what ought we to take in, not just opposite Russia, anybody who wants to trade with us. What do we need? I want to cover the whole world.

Here is the United States. Now, we have depleted ourselves in the following basic things. Now, if we are going to go into some long-term things, my own hunch is, we ought to be paid in kind, because that is about the only thing that they have. If he has seen Chiang Kai-shek and he wants to borrow a billion dollars, all right. Well, we have done business; we know they have oil, tungsten, tin, and things like that. But I think we ought to start--can we build up and recoup the raw materials which we used in the war and sent to the four corners of the world. Isn't that an intelligent way?

MR. McCONNELL: Yes. It is mostly raw materials. There will be some small manufactured items, but mostly raw materials.

H.M.JR: We want raw materials; we want unfinished products which will be good for us and give our people employment.

MR. McCONNELL: Some items we are going to be through with, such as mica--now, that employed two hundred thousand people in India.

H.M.JR: You most likely didn't know that we did the strategic buying in the first instance for years. We had a list from the War Department of strategic materials; mica, Brazilian diamonds, tungsten, rubber, sisal were all very important. I went all through that. I mean, I asked for a hundred million dollars for strategic materials and the President turned me down and gave me ten.

MR. McCONNELL: The American Society of Mining Engineers, of which I was a director, at the time promoted that hundred million dollars very strongly.

H.M.JR: Herbert Feis was very good on that at the State Department. It was his baby.

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I should have thought of this when I saw Nelson. Nelson is very much interested, and he would help. "I had this invitation from Russia to come here to talk about this thing," he would say--but you fellows, the busy boys can always do a little more. Is that right?

MISS KISTLER: Yes.

H.M.JR: I didn't realize how you were stripped until I asked who was left. My heavens!

MR. McCONNELL: Suppose I start out by getting these two individuals in contact here. That will lead to other sources.

H.M.JR: Will you?

I know Nelson is interested, but I don't want to do it just us vis-a-vis Russia, but us vis-a-vis the world.

MR. McCONNELL: I can help you on the minerals, I am sure.

H.M.JR: Not on oil?

MR. McCONNELL: That is called a mineral.

H.M.JR: I know you can help. That is your field, isn't it?

MR. McCONNELL: Yes.

H.M.JR: So we will find enough to keep you working; and before you get through--I haven't worked you yet, but give me time. All right, that is a little assignment for today.

December 17, 1943  
11:00 a.m.

REPORT ON TAX BILL

Present: Mr. Paul  
Mrs. Klotz

MR. PAUL: I was about to commence a report. It has been difficult to report from day to day, lately, because there has been such a shift, constantly.

But the last few things that have happened - the bill now comes to about a hundred and fifty million more than the House. It is about two billion three. The reason for that is that they restored the Victory Tax. That was the fight we had, and they followed it by a big majority and restored that.

Then they also lopped off the earned income credit, which restored a lot of income that they had lost on the cuts in excises, and so on.

We had a long <sup>and</sup> bitter battle yesterday, all yesterday morning, on this provision designed to prevent corporations from buying up defunct corporations and and corporations with big credits - shell corporations - and then using their credits; clear tax avoidance.

We got that across, and I think that is safe, because it is not in the conference now.

Again, yesterday, the Labor Union thing came up - Walsh brought it up. We didn't participate in any of that discussion. Walsh tried to get labor unions excluded from the requirement of reporting, and it was a close vote, but he lost. That had already been voted.

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Then I think the first vote was a majority of one against the labor unions, but it was about the same. Walsh's position was that he couldn't see why they should make labor unions report and not make fraternal organizations. There is a good deal of sense to that.

In a general way, I felt that the Committee was going our way pretty well in the last two or three days. They reversed themselves and voted out the Natural Gas steal. That will be in conference, because it was put in by the House.

They turned down Connally, yesterday, on a little more relief for the oil companies, at our protest. Stam was for it.

They voted down, yesterday, very decisively, the liquor five-year.

H.M.JR: That surprised me.

MR. PAUL: I went to George first on that to explain the period had to be five instead of four. So he picked that up and adopted five. But he only got one vote - Vandenberg. One of the most helpful people, I must say, on all the technical points, including the elimination of the minimum tax, the person who fought harder for our side than anybody else - of the two, the surprising one was Vandenberg. LaFollette has been getting back lately. He has been feeling better and he has been getting into the fight. But Vandenberg, on that tax avoidance thing, he supported us a hundred percent and made the position and swung a lot of votes. He helped very materially to knock out the minimum tax. He made that motion.

H.M.JR: Now do you suppose on that taxing of the five years on whisky, that they could only get two votes?

MR. PAUL: Barkley had conducted a strong campaign there.

H.M.JR: Perfectly amazing.

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MR. PAUL: This is what I liked it, in the mind of LaFollette and me - and I think also in Scott Lucas' mind - unless you had rationing on top of that, they would have bought up all this stuff and the situation wouldn't have been improved. We have a complicated problem - if this renegotiation fight isn't won--

H.M.JR: You see how they are getting one columnist after another.

MR. PAUL: Lindley; and we talked to Lipmann about it and are giving him a report on it.

H.M.JR: They gave me a list.

MR. PAUL: Lipmann came out after our conference the other day on spendings tax.

H.M.JR: Forrestal gave me the names of five columnists and I turned it over to Gaston.

MR. PAUL: He called me yesterday. I didn't get him, but I called back.

H.M.JR: It just shows how they can do a job on the columnists. If somebody else can do a job on the columnists against us - I never saw such a job as they are doing now.

MR. PAUL: They have such a setup - even Krock came out.

I am a little worried about Forrestal on that. He is so strong for that elimination on July 1 - I don't know what he says when nobody else is in the room. I am afraid, subconsciously, he will double-cross us.

(The Secretary sent for Mr. Sullivan)

H.M.JR: I asked Sullivan to look up something which partly affects you - that suit that the Department of Justice has started in the District Court on alcohol. I have asked Sullivan to go into it.

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MR. PAUL: I didn't see about it. What is it, an anti-trust?

H.M.JR: No, it is much more than that.

(The Secretary sent for Mr. O'Connell)

MR. PAUL: I will give you a regular report on the tax bill. We certainly won a lot of points, but the main point we lost, very badly.

H.M.JR: Well, as I say, when you can see what they can do on this thing - Forrestal can get eight or ten columnists to come out and talk about influencing the press - that is the thing John Hanes used to do. He is out now.

MR. PAUL: I heard he had a heart attack.

H.M.JR: About a year ago, yes.

MR. PAUL: He has that color.

H.M.JR: See what a job they could do on the Treasury!

MR. PAUL: What they can do! Do do!

Well, we have been getting some valuable press lately from some people. You don't have time to talk to all the people there are.

I ought to go up to New York now.

December 17, 1943

Herbert Gaston  
The Secretary

I see somebody has already got to Ernest Lindley. This makes about the fourth person that has been reached. It is very interesting to me and I wish you would have Shaeffer keep a book of clippings on these various columnists and editorials just to see what kind of a job can be done when the whole Administration really puts its heart and mind to the job. Thank you. *Done -*

December 17, 1943  
11:15 a.m.

ALCOHOL TAX

Present: Mr. Paul  
Mr. Sullivan  
Mr. O'Connell

H.M.JR: (To O'Connell) Did you ask Sullivan to follow this suit that the Department of Justice has started against the liquor concerns?

MR. O'CONNELL: He spoke to me this morning. I haven't done anything about it other than I knew they have started the Grand Jury investigation.

H.M.JR: I just wondered whether we had any grievance that they did this thing without consulting with us.

MR. O'CONNELL: I think not. It is a perfectly orthodox anti-trust investigation, and it might very well have been instituted before.

H.M.JR: Berkshire doesn't have, or we in the Treasury don't have, certain responsibilities on anti-trust?

MR. O'CONNELL: We have a very limited responsibility.

MR. PAUL: Just to give them the information?

MR. O'CONNELL: No, we have more responsibility than that, because the Alcohol Tax Administration, which succeeded the Federal Administration, has some responsibility in connection with seeing to it there are no interlocking directorates between competing companies.

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We have no way of controlling anything other than the interlocking directorates because they have to submit to us the names of the directors and also the names of the major stockholders of all companies. But we can do nothing about ownership. All we can do is disapprove an interlocking directorate.

To that extent we are in the monopoly field. But there is a very limited power that we have, and we have done, so far as I know, literally nothing about it. It may be there are no interlocking directorates.

H.M.JR: How is this thing progressing?

MR. O'CONNELL: We have a group of people in three or four or five different areas working on different aspects. John has talked to WPB and OPA people. I have a couple of lawyers working on legal aspects.

(Mr. Sullivan entered the conference.)

H.M.JR: Did you get my follow-up note to you on the question of the Department of Justice suit?

MR. SULLIVAN: Yes, sir. I sent a memorandum to you this morning.

H.M.JR: That won't do me any good. I called you yesterday morning.

MR. SULLIVAN: That is right. I thought what you wanted was an over-all report.

H.M.JR: What is the thing?

MR. SULLIVAN: The Department of Justice has been working for almost a year on this situation. They have gotten a great deal of material from the Alcohol Tax Unit. Everything we gave the Van Nuys Committee we had already given the Department of Justice.

The Department of Justice had had their men over going through our files. Berkshire is convinced, and I

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am, too, that this inquiry is properly a matter for the Department of Justice. Some of the things they asked for - and I presume that is what aroused you - were about advertising and packaging and things, that you ordinarily think of as matters within our own jurisdiction, but I am convinced that those are proper matters of inquiry in an anti-trust litigation.

It is what they are going to use it for afterwards, and whether they intend to go outside the sphere, and in my memorandum I suggest that I talk with Justice and just reassure ourselves that they don't intend to go beyond the anti-trust phase of this. I will talk with them.

MR. O'CONNELL: It may be that they would be critical of some of our practices before they are through, and properly so. I mean, the purpose of many of our controls is to maintain fair competition - see to it that competitive practices continue to exist in the industry. That is the theory of our advertising and some of our packaging controls, too, to see to it that the public is not deluded and defrauded and have things foisted on them.

They might criticise us in permitting the companies to shift from quarts to fifths in the sale of rye and bourbon whisky.

H.M.JR: But the thing isn't just a flash thing the Attorney General thought he would get in on?

MR. SULLIVAN: No.

H.M.JR: Does that mean that he is doing that and we can't proceed to work in with OPA?

MR. SULLIVAN: No, no, no. I am glad it is being done. I think that the more of these things that bring this whole situation to the attention of the public the easier it is going to be for us.

MR. PAUL: If people don't get sense, we won't have any liquor.

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H.M.JR: Did you see Chester Bowles?

MR. SULLIVAN: My appointment with him was for eleven o'clock yesterday morning and I had to be over in that surplus property matter over there. I did see Locke in company with Harold Graves this morning. He is Donald Nelson's man on the bottles, and he got all of our figures. He will have a memorandum for us by the first of the week, probably Tuesday.

H.M.JR: When will you see Chester Bowles?

MR. SULLIVAN: I am calling him now for an appointment for tomorrow morning. I have a three o'clock meeting with Vinson, and a broadcast with Mrs. Doolittle this afternoon.

H.M.JR: What are you broadcasting?

MR. SULLIVAN: A very short program on taxes, and the amount of money the war is costing. It is something Fred Smith and Frederick have written up on a regular program, Capitol Matinee, I think.

H.M.JR: O.K.

MR. SULLIVAN: Libby Owens Glass.

H.M.JR: Of course, when we call the industry to come in and sit down and work out a program, they are going to say, first, "We will work with you if you get the Department of Justice off our neck."

MR. O'CONNELL: No doubt about that.

MR. SULLIVAN: I don't think so.

MR. PAUL: Maybe it will work the other way; maybe with the Department of Justice of their neck, they will be anxious to clean house.

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MR. O'CONNELL: It is a factor we have to keep in mind, I think; before you bring the big four in here you want to remember that they are being investigated.

H.M.JR: I won't bring in the big four. I would bring in the Secretary of the liquor institute.

MR. O'CONNELL: That is the big four.

H.M.JR: There are about fifteen or twenty in all.

MR. O'CONNELL: It is like all those institutes, they are run by the big ones.

H.M.JR: You people are pushing on this thing?

MR. SULLIVAN: Yes, sir.

H.M.JR: The Department of Justice isn't slowing you up?

MR. SULLIVAN: Not a bit.

MR. PAUL: Did you get my memo about the John Lewis case this morning?

H.M.JR: Yes.

MR. O'CONNELL: Herbert Gaston and I talked with Ernest Lindley this morning. Maybe we will talk with Drew Pearson this afternoon. He had a very good story.

MR. PAUL: I have talked to Drew Pearson. We have got to get a memo from Lipmann.

MR. O'CONNELL: I will get that for you. When will you see him? Monday?

MR. PAUL: Whenever you get him. He has got to be pulled up.

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MR. O'CONNELL: We are getting into the diminishing returns.

H.MJR: We gave a list to Gaston. Did you see anybody else besides Pearson?

MR. PAUL: Well, I think we ought to tip the New Republic off.

H.MJR: Oh, that doesn't--

MR. O'CONNELL: Well, Herbert is either contacting or has contacted Clapper, who had already talked with both Patterson and Forrestal. He was going to talk to Bledsoe and Ned Robertson. There isn't anything wrong with having these people talking to two or three people, because we all have the party line.

MR. PAUL: You have been getting up the other materials?

MR. O'CONNELL: Yes, and the draft of the Minority Report. It will be in my office in a few minutes.

MR. PAUL: I talked to Walsh yesterday. He is very disturbed. He wants to make a strong report.

H.M.JR: I saw Walsh at the reception this morning.

O.K.

John L. Sullivan  
The Secretary.

December 17, 1943

Yesterday morning at 8:15 I called you at your house and asked you to read the morning's Washington Post article about the investigation the Department of Justice was making in the liquor situation. If you remember, I asked you to give me a report during the morning. I imagine it slipped your mind. I would like to have a report on it today. Thank you. *Frank*

MEMORANDUM

December 17, 1943.

TO: The Secretary  
FROM: Mr. Sullivan

JLS

Yesterday morning I talked with Stewart Berkshire about the investigation the Department of Justice is making into the liquor industry.

Mr. Berkshire advises me that for almost a year the Department of Justice has been gathering information from the Alcohol Tax Unit relating to the monopolistic situation in that industry. Everything that we submitted to the Van Nuys Committee was given to the Department of Justice. Their men have spent weeks searching our record and they reported to Mr. Berkshire that they were confident they had a good anti-trust case.

Mr. Berkshire feels that the Department of Justice is well within its proper sphere and will not extend the scope of the investigation to embrace matters which are within our jurisdiction. I concur in the former but am not so sure about the latter. Information relating to packaging and marketing, current methods of advertising and sales promotion, and the stocks producers now have in warehouses, all may have a proper bearing upon the monopolistic character of the industry. This information, however, might be used for other purposes.

I suggest that I talk with Justice about their intentions in this investigation. Do you approve?

December 17, 1943  
11:25 a.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Frank Knox: Hello, Henry?

HMJr: Yes, sir.

K: I'm just trying to deal with your letter on the Fourth War Loan.

HMJr: Yes.

K: Of course, you know you have my cooperation 100%.

HMJr: Yes, sir.

K: And I'll appoint Commander Wakefield as our liaison....

HMJr: Fine.

K: ....between you and -- he's Eubank's assistant.

HMJr: Oh, fine.

K: And, now you understand, we had up before and decided then, and I think very rightly, that we will go right ahead with our present program of selling bonds in the Navy under the system we set up.

HMJr: That's right.

K: And did you ever hear the results on Pearl Harbor day?

HMJr: I saw it and I thought they were magnificent.

K: \$22 million in one day.

HMJr: Magnificent.

K: And a little better than that.

HMJr: Yeah, magnificent.

I think we'd better keep that system going just as it is and then we'll give you all the cooperation you want and I'm getting out a directive just like I did for the Third War Loan....

HMJr: Yeah.

K: ....to all of our Commandants, instructing them to give you all possible cooperation.

HMJr: Well....

K: I don't know about the equipment. I don't know as that -- that would probably be more an Army proposition than a Navy anyway.

HMJr: Good.

K: Most of our equipment goes to sea.

HMJr: Well, we wrote more or less the same type of letter, but -- oh, there are some local places -- I remember up at the Great Lakes, I think, they helped us, and one different place -- you know.

K: Yeah. Well, they'll give you all the help in the world.

HMJr: I don't want any battleship or anything like that but whatever they've got which isn't going to interfere with the war.

K: Yeah. When are you going to start this loan?

HMJr: 18th of January.

K: Well, we'll give you some good war news about that time, too.

HMJr: You will?

K: Yep.

HMJr: Suits me.

K: (Laughs)

HMJr: The better....

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K: Huh?

HMJr: The better it is the more helpful.

K: Yep. All right, Henry. Well, who will I -- who will I have Wakefield....

HMJr: Ted Gamble.

K: ....report to?

HMJr: Ted Gamble.

K: Who?

HMJr: Theodore Gamble.

K: Theodore Gamble?

HMJr: Yeah.

K: What is he, an Assistant Secretary?

HMJr: Yeah.

K: All right. I'll have him report to him. When do you want him?

HMJr: Today.

K: Sometime today?

HMJr: Today or tomorrow.

K: He'd better get in touch with Gamble before he comes over then.

HMJr: That's right.

K: All right. I'll have him do that.

HMJr: Thank you.

K: Now, is there anything else?

HMJr: Nothing for the moment.

K: The Boss looked very well didn't he?

HMJr: Wonderful.

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K: Yeah, that trip back, I think, did him a lot of good.

HMJr: Wonderful.

K: Well, I'll see you at two o'clock.

HMJr: Thank you.

K: All right, Henry.

December 17, 1948  
4:30 p.m.

LOANS TO CHINA

Present: Mr. Glasser  
Mr. Bernstein  
Mr. Lipsman  
Mrs. Klotz

MR. BERNSTEIN: Mr. Secretary, this is Mr. Lipsman.

H.M.JR: How do you do. This is Mrs. Klotz and Mrs. Dickinson.

Do you speak Chinese?

MR. LIPSMAN: No, sir.

H.M.JR: Somebody around here has to speak Chinese.

Well, the President thought this was important enough to give me one of his few appointments today, and evidently the Generalissimo and Madame Chiang put up a great story to the President about inflation - how they wanted the balance of the money they had on hand. The President said around two hundred million. I said it was something like that.

MR. BERNSTEIN: A little over two hundred million.

H.M.JR: And they would like to have another billion-dollar loan. I said I didn't know he could get that.

The President said, "Well, I had this idea. I think the trouble is that the Chinese have put out too much paper currency and there is too much of it. That is what caused this depression."

So I said, "No, that may have added to it, but," I

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said, "the trouble is, there isn't enough food to go around; therefore there is a lot of paper money and very little food, and the value of the paper money goes down as the price of food goes up."

"Well, anyway," he said, "let's say that the Chinese money is worth two cents" - I couldn't tell him what it was--

MR. BERNSTEIN: Less than a cent. The official rate is five cents.

H.M.JR: What did it used to be worth?

MR. BERNSTEIN: It used to be worth thirty cents.

H.M.JR: He said, "Supposing we could buy up in the black market, American money, or Chinese money" - he had some idea, say, of buying it at eighty - he used that figure - I think he used the figure eighty. But I think what he had in mind, buy it at the present black market rate, and then say to the Chinese, when the war is over, "We will let you redeem it at the price which we paid for it," even though the value of it goes up.

Do you see? Do you follow me? It is kind of sleight-of-hand.

MR. BERNSTEIN: Yes, sir.

H.M.JR: I said I would have to think about this thing, but I am having lunch with him Sunday and I promised him a memorandum after lunch Sunday.

Now, the thing to do when you work with the President like this, is to take his plan and explore it and give the pros and cons. I don't know whether it is good or bad. I said, "Well, it is something like what we did in Teheran where we bought, joint account with the British, local currency for our gold, and used it to pay the troops."

I said, "Do you want to go joint account with the British?"

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He said, "Positively not. Whatever we do we want to do alone."

So I told him we had this letter very recently from K'ung telling us the thing was better. That seemed to surprise him.

Now I said it was our fault or blame or responsibility that the gold left here so slowly. We thought that was the only way to make it last, and that we could let it go faster.

So what I would like you people to do - that is the story. Explore the President's proposal and give me the pros and cons on it. I don't know whether it is good or bad. It is something like buying the thing up and holding it, and then letting them redeem it. If you don't think we will have it, then give me a suggestion as to how the inflation in China can be combatted, see?

Now, you have got to do it within that framework - within the money and the credit they have left here. After all, when you say they have two hundred million--

MR. BERNSTEIN: They have these bills, Mr. Secretary.

H.M.JR: Roughly five hundred million; they only used about twenty million of that.

MR. BERNSTEIN: Some of that is pledged against the securities they have issued.

H.M.JR: How much?

MR. BERNSTEIN: Two hundred is pledged, but it isn't all sold.

H.M.JR: But actually, out of the Chinese exchequer, I think there is only twenty million that is gone, roughly. Am I right?

MR. BERNSTEIN: That is right, Mr. Secretary. You are right. They have only spent twenty million in the

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sense of buying gold.

H.M.JR: Four hundred and eighty million dollars that they can lay their hands on.

MR. BERNSTEIN: In bills or in dollars; that is right.

H.M.JR: It doesn't make any difference. I am right, approximately, am I not?

MR. BERNSTEIN: That is right.

H.M.JR: What can we do with four hundred and eighty million dollars - if that isn't enough, how much more do we need to do a job? There are three proposals - take the President's ideas, pros and cons. All right, let them use up that four hundred and eighty million dollars. Can you do anything by shipping gold? Do you remember my idea to use silver dollars?

MR. BERNSTEIN: Yes.

H.M.JR: Or different things. Now, what you better do is you had better have something. I wasn't going to work tomorrow afternoon, but I will see you sometime late tomorrow afternoon - four or five at the house, see? Let me take a look at it and you can re-boil it over again so I can have it by Sunday noon.

Well, somebody spark!

MR. BERNSTEIN: Well, I think we can give you something on that, Mr. Secretary, especially since we have been exploring the possibility of selling gold there. We have gold quotations, we have some notion of the dollar quotation.

H.M.JR: I suggested to Harry - you know that we start selling gold--

MR. BERNSTEIN: Out of that four hundred and eighty million, the only question in my mind, Mr. Secretary, is

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now much of that they have pledged, and I don't think they have pledged more than a hundred million, they would want to use. They may not want to use up everything.

H.M.JR: Just to take a minute - explain to me - what is this racket that our people do - there is a dollar bond out and you can buy it very low.

MR. BERNSTEIN: That is the one.

H.M.JR: What is that? How does it work?

MR. BERNSTEIN: American soldiers in China, or Chinese nationals can pay the Chinese in Chinese yuan at the official rate, five cents; they can secure a U.S. dollar bond or certificate, which becomes payable in dollars after two years or five years. There are different ones. The funds are kept at the Federal Reserve Bank of New York to assure payment of those. Americans have been buying them and sending them back to their families to hold for them.

Now, that is what some of the money is pledged for, Mr. Secretary.

H.M.JR: Well, now, they have to buy yuan to do that, isn't that right?

MR. BERNSTEIN: Right.

H.M.JR: Really, what the President has in mind is our buying yuan, and issuing the bond against that, which would be good, at the present rate rather than at the old rate of par.

MR. BERNSTEIN: Selling it at the black market rate, which the Americans do, really. They sell the currency at the black market rate getting yuan at less than a cent apiece.

H.M.JR: It may be perfectly cock-eyed.

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Instead of buying a bond, let's say you buy a bond that will ultimately be worth a hundred U.S. dollars. You can buy that for what - two thousand?

MR. BERNSTEIN: That is right, two thousand yuan.

H.M.JR: I am good! I have to figure it - at two thousand, when you ultimately get it back, you get it back at a rate of two thousand yuan which are normally worth thirty cents. Is that right?

MR. BERNSTEIN: What they will actually get back is dollars.

H.M.JR: A hundred dollars - translating that thirty into that, would be how many?

MR. BERNSTEIN: Thirty into that would be three, three, three.

H.M.JR: but it is a hundred dollars.

MR. BERNSTEIN: To get back to a hundred dollars is the significant thing to them.

H.M.JR: Costs them how many dollars now?

MR. BERNSTEIN: Actually it would only cost them twenty dollars, because they buy the yuan not at five, but less than a cent.

H.M.JR: Well, supposing we buy two thousand yuan at twenty dollars. What the President suggested is that we give these people an option to buy back these at the present rate. Is that right?

MR. BERNSTEIN: That is what I gather from what you say.

H.M.JR: We won't lose anything, and we would clean up the market, wouldn't we?

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MR. BERNSTEIN: We could clean up some part of it. The Chinese will have to keep feeding the market with yuan because they can't balance their budget or borrow, and they can't tax.

H.M.JR: How much help is it if we pay the U.S. troops in black market yuan if we went in and bought the way we did--

MR. BERNSTEIN: It wouldn't help the Chinese.

H.M.JR: What the President wants to do is help the Chinese.

Put the old bean on it sometime between four and five tomorrow. Come through with some kind of a plan.

MR. BERNSTEIN: Yes, sir.

H.M.JR: How to help the Chinese within what they have got now. I don't want to go up to the Congress and ask for any more.

MR. BERNSTEIN: Yes, sir.

H.M.JR: If you say four hundred and eighty million dollars - on the other hand, say how much; give me a price, how much it will do to fix them up. If, on the other hand, it is going to take food - goods is what I think it will take - put that in.

MR. BERNSTEIN: Yes, sir.

H.M.JR: I don't see how you will control inflation, if you don't have goods.

MR. BERNSTEIN: I don't think you can stop inflation in China.

H.M.JR: I think all he wants is a billion dollars for post war. Right?

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MR. BERNSTEIN: I think that is what he wants.

H.M.JR: But you give me the unvarnished truth, and let me have a look at it tomorrow. Will you go to work on it?

MR. BERNSTEIN: Yes, sir.

H.M.JR: You had better call up Harry on the phone.

Put everybody on there who has any time or brains, or vice versa.

December 17, 1943  
5:00 p.m.

DISPOSITION OF SURPLUS COMMODITIES, PROCUREMENT

Present: Mr. Sullivan  
Mr. O'Connell  
Mr. Mapes  
Mr. Mack  
Mrs. Klotz

H.M.JR: Now look, Mr. Mapes, you and I have to get straightened out. We have only met twice. Let me go over what happened yesterday. I suggested that we bring in the representative--I said I thought the name was Commercial Investment Trust of New York. I said I couldn't remember the one in Baltimore, and I mentioned General Motors Acceptance. I said that I thought in view of their experience in repossessing automobiles they could help us on these secondhand trucks. Right?

MR. MAPES: Right.

H.M.JR: Then I asked you whether you thought it was a good idea. You said, "Yes." Right?

MR. MAPES: That may be, Mr. Secretary; that is quite possible that I did.

H.M.JR: You did. The reason I suggested the thing was because you said you didn't think these automobile companies would want to handle the secondhand stuff.

MR. MAPES: Yes. I am of the opinion from the talk I have had with them so far that while they have not given us a definite answer, their reaction wasn't too warm. It seems quite possible that we may develop something from these finance corporations that will help us.

H.M.JR: But I contend you haven't asked Commercial Investment Trust of New York.

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MR. MAPES: No, we have not.

H.M.JR: That is the particular one I wanted.

MR. MAPES: We have asked them now. We had not asked them up to the time when you and I had talked about it.

H.M.JR: Whom have you asked for tomorrow?

MR. MAPES: For tomorrow we have the Universal Credit Company of Baltimore, the General Motors Acceptance Corporation, the Commercial Credit Corporation, and the Commercial Investment Trust, Incorporated.

H.M.JR: I think you will find that the Universal is owned by the Commercial Credit Corporation. I think the four companies sold it.

MR. MAPES: The Commercial Investment Trust operates for all makes of automobiles.

The Commercial Credit Corporation of Baltimore is a Chrysler subsidiary.

H.M.JR: I may be wrong.

MR. MAPES: Mr. W. B. Wylie is Vice President in charge of operations, and Mr. Werheim is the Executive Vice President of the Commercial Credit Corporation.

H.M.JR: He told you they were owned by Chrysler?

MR. MAPES: Yes.

H.M.JR: The Commercial Credit of Baltimore?

MR. MAPES: Yes, that is right, Commercial Credit Corporation with headquarters at Baltimore, Maryland.

H.M.JR: You (Sullivan) check with George. And the Universal is in Baltimore, too?

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MR. MAPES: That is the Ford Company.

H.M.JR: I think you will find it was sold outright to Commercial Credit. If they want to know, Judge Frank--

MRS. KLOZ: Eli Frank--

H.M.JR: Do you remember that?

MR. O'CONNELL: It was before our time. He used to be Chief Counsel for Customs.

H.M.JR: Well, he is the counsel for these people up in Baltimore if you (Sullivan) want to find out. You know Eli.

MR. O'CONNELL: I know him.

H.M.JR: I think you are wrong.

MR. MAPES: We got this information from the Washington headquarters of each one of them, with the exception of Commercial Investment Trust.

H.M.JR: Have they been invited?

MR. MAPES: Yes, they have.

MR. SULLIVAN: You invited them this afternoon.

H.M.JR: Oh, only this afternoon.

MR. MAPES: Yes. Mr. Link, the Vice President, will be here tomorrow. I told them you were going to see them.

H.M.JR: Well now, Cliff, talk up. What is your opinion on this thing?

MR. MACK: My opinion is this: I think that we should get information from several sources, and I think that these people can give us helpful information. I think we have to go to the operating people primarily. We have already started some conversations with them. We talked yesterday

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afternoon to one of the biggest dealers in the country to get his ideas. There is certain information that perhaps these people can give us, but we have to put it all together and then from that information try to reach a decision to do two things. Those two things are these: to try to get the widest distribution possible for these trucks and passenger cars and to get the best recovery for the Government.

H.M.JR: That goes without saying. But what is the objection to my seeing these people tomorrow?

MR. MACK: I don't know that there is any objection. The point is that I wanted to be sure that we would also talk with the operating people.

H.M.JR: What do you mean?

MR. MACK: That is the same company, the General Motors, Chevrolet Division, and the Ford Company and Chrysler, I guess, and International Harvester.

H.M.JR: But have you any assurance from General Motors that they want to handle used trucks?

MR. MACK: No.

MR. MAPES: No, we have none.

H.M.JR: I can't see what is the matter with my seeing these people. They are in the business for General Motors. George Haas can find out whether I am right or wrong. He ought to know by tomorrow.

MR. SULLIVAN: These people are in the business of repossessing.

H.M.JR: Now, how they repossess and rechannel, I don't know, but they do a huge volume, and at a very low rate.

The thing I had in mind was, I wanted to find out how they do the business, and that they would not only do this,

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but the thing that interests me is, they co--Commercial Investment Trust of New York--they finance everything from a mouse trap up to I don't know what--a factory. Then they go and sell it; they know how to do it. They are damned smart people and make a lot of money on a very small margin.

MR. MACK: I don't think there is any question about that.

I mentioned this to Mr. Sullivan, because I wanted to be sure that Mr. Sullivan knew we are also talking to the General Motors Corporation and to the Chrysler Corporation, and to others, of which these companies are subsidiaries. That is the only point I wanted to clear.

H.M.JR: General Motors, I know, is a subsidiary. Until Haas tells me about the others, I don't know.

MR. MACK: CIT isn't.

H.M.JR: I don't think that Commercial Investment Trust of Baltimore is. I may be wrong. What is wrong with my seeing these people?

MR. O'CONNELL: My initial reaction to what Cliff told us this noon was that it was a mistake to call these finance people in. I didn't know as well as I know now what the precise purpose of the call was. It sounded to me offhand as though we would be calling them in under circumstances that might lead them to believe that we were needing help in connection with financing the program, and we certainly are not going to go into that field with these people. And I was also a little impressed by the fact that we were already dealing with the operating people. There is no inconsistency between the two. I also thought there was a thing that John Sullivan should have known about before Cliff got to tell him this noon.

H.M.JR: I can't help that. I asked Mapes to stay behind because everybody else had something to do except Mapes and me. I didn't say there was any secret. I take it

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that Mack keeps Sullivan posted. I haven't time to run around and tell everybody.

MR. MAPES: In fact, you told me to mention it to Mr. Mack, which I did.

H.M.JR: I did. So if Mack doesn't get to Sullivan until noon today, I can't help it.

MR. SULLIVAN: I am not kicking.

H.M.JR: Well, somebody is kicking, I don't know--

MR. SULLIVAN: My objection was that here were three subsidiaries coming in to negotiate and talk with you while we were negotiating at a lower level with their parent corporation. I am quite sure that they must all have reported to the home office, and I assume that whatever the home office is going to tell us will be held up until after they get a report on these conversations tomorrow.

H.M.JR: Well, if you don't mind, I have listened to everybody and I am going to go ahead the way it was planned.

MR. SULLIVAN: O.K.

H.M.JR: Because I would like to interest these people in this problem, of course. As I said, I think there is a big company in Chicago. I am not sure. You (O'Connell) might put somebody on from your shop to see if there is any--I know there is a suit pending against General Motors Acceptance, because I invited the President to come in and help me on war bonds, and he couldn't. That is within the last three months. He said, "Mr. Morgenthau, I would love to come in and help you on war bonds, but I think you ought to know there is a suit pending against us."

MR. O'CONNELL: Anti-trust suit--I thought that had been settled, but apparently not. It was a suit against the three major finance companies, General Motors, Chrysler, and Ford.

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H.M.JR: This was before the Third War Loan when I invited them to come in, so you had better have a look.

MR. O'CONNELL: I can find out very quickly. It would be an anti-trust suit, and I know there was a consent decree entered last year.

H.M.JR: You had better look before we go too far, but I don't see any harm--I think it is a mistake to say the Secretary of the Treasury wants to see you and then he cancels out.

MR. MAPES: In my discussion with them, Mr. Secretary, and Mr. Sullivan, I think there is plenty of room for two different lines of thinking. In discussing the subject with the manufacturer represented--from an operating angle we discussed the problem with them of turning this equipment directly, new or used, back to the manufacturers, and the manufacturers in turn feed it out through their distributors, and talking with these gentlemen today, who were definitely of a higher rank--

H.M.JR: Who was this, today?

MR. MAPES: The ones we have invited for tomorrow's meeting.

H.M.JR: You have seen them already?

MR. MAPES: No, we have talked with them on the telephone, inviting them for tomorrow. We have talked to people of a definitely higher rank than people we have talked to on the other side of it. We have talked to these people in terms of the interest the Treasury Department has in the controlling of this World War surplus problem. We told them that the Secretary was personally interested in it to the extent that he would like to discuss it with the appropriate officials of their company. So I think that leaves it open there.

MR. SULLIVAN: I don't think it does. I think that closes it. That means the Secretary has to talk with them even though it was unwise.

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MR. MAPES: I mean from the angle of being two different approaches.

MR. O'CONNELL: I don't think there is any question of your having to talk to them; it is perfectly obvious.

H.M.JR: To see me?

MR. O'CONNELL: What are you going to talk to them about? Are you going to tell them that you are interested in knowing what they do as far as disposition of their cars is concerned? That is one thing.

MR. SULLIVAN: No, the Secretary has a much broader field of inquiry, Joe. It is not just cars; it is everything. That puts an entirely different light on the whole situation.

H.M.JR: Supposing somebody turns back a lot of kitchen utensils. I will say to them, "All right, supposing you had eighty carloads, or whatever it is, of kitchen utensils. How would you go about selling them? How much would you charge the Treasury Department?"

MR. MACK: Commercial Investment Trust handles a number of commodities as well as automobiles.

H.M.JR: They handle a thousand things; they are smart people. They have a wonderful organization, CIT. They do business--I think they used to do a billion dollars worth of business a year of financing, somewhere close to a billion dollars. And their margin is less than one percent, as I remember it.

But let George Haas study the thing and ask the Department of Justice. They have the know-how. I am not saying I want them to tell me, "Look, Mr. Morgenthau, there are certain things we can handle, and certain things we can't handle, but we are interested." The finance companies will pool their interests, and say, "We will help you."

Good heavens, I went through this thing when I was buying trucks for China, planes, and all that business.

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And what I told you--I don't know whether it was reported--the thing that Mr. Sullivan didn't get was that I personally wanted to pass on the initial deal of each kind, the first horse deal, the first automobile deal, the first truck deal.

MR. MAPES: I told Mr. Mack that you wanted to pass on all of the programs as we developed them.

H.M.JR: Now, in order to do that I have to learn something about this thing.

MR. SULLIVAN: There is one other thing that these people may be able to give you, not necessarily tomorrow, but at some stage of the game--they may have some men that they could spare. Their business is very slack right now.

H.M.JR: I had that in mind.

MR. SULLIVAN: And they very well might be able to suggest some people.

H.M.JR: It may not be anything, but there is a fifty-fifty chance that out of this group we get some manpower. Let me take a minute or two. Why did I get into this thing? I got into this thing because Mr. McConnell--let's call a spade a spade--doesn't think that you people have the organization to do it, see? He doesn't think you have the men to do it. I might just as well call it. I learned this only a couple of days ago. What I am trying to do here is to get in on this thing, learn enough about this business, because nobody has told me anything about it. I want to find out what you fellows are doing, and then I can talk intelligently, and I will make up my own mind. See? Now, if you haven't got it, let's supplement it. Maybe you are all right, I don't know, but the whole thing is motivated--not that I want to barge in and tell you fellows how to sell a lot of secondhand trucks, but I want to find out how. You don't know either; I don't know. I want to find out whether we are equipped to do this thing. And I will find out, believe me.

There were times here, two and three times a week I would talk from thirty minutes to one hour at a time to

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Alfred P. Sloan, Jr. He had the time to talk to me on the phone about Allison Motors. I knew every time they made a motor. I followed the thing personally with Mr. Sloan, so much so that Mr. Knudsen for the first time went out to the Allison factory. He had never been out there in his life.

I am serving notice that I am going to interest myself until it is on its feet.

MR. SULLIVAN: That is welcome news to us.

H.M.JR: But for heaven's sake, Mapes, don't tell me you think it is a good idea for me to get this thing and tell somebody else you don't think it is a good idea.

MR. MAPES: You can depend on that, Mr. Secretary.

H.M.JR: Well, don't tell me. I am forming my opinion about you.

MR. MAPES: Frankly, I didn't feel yesterday that I wanted to enter into a discussion with you. Anything I would say, I would say to Mr. Mack, and that would come back to you. But if you want me to be frank, that is my second nature.

H.M.JR: I haven't time to wait from yesterday afternoon until five minutes of one today. I asked you a direct question, "Do you think it is a good idea?"

You said, "Yes."

If you don't think it is a good idea when you work with me, say so. He (O'Connell) and he (Sullivan) will tell you. Mack knows how.

MR. MAPES: Mr. Mack knows--

H.M.JR: Don't stand around and yes me. You are useless to me. Unless you can say yes and no you are of no use to me.

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MR. MAPES: I agree a hundred percent.

H.M.JR: All right.

Now you fellows see these people tomorrow. Tell them what I want so they can come in here in half an hour and tell me what they can do.

MR. SULLIVAN: May I make one suggestion? In our conversations with them, I would like to talk about the broad problem--the automobile is incidental--and if you could follow that same line, I think that would save us in our present negotiations.

MR. O'CONNELL: In the early part of our discussion it seemed to me as though what you were going to do is find out from these people what they do and whether their experience and their knowledge is something that could be helpful to us. A little later it sounded as though you were inferentially saying, "how about doing this job for us?"

H.M.JR: It wouldn't be five minutes before they will say, "Mr. Morgenthau, can we have a piece of this business? Can we help you?"

MR. MACK: We heard this all yesterday afternoon. One of the dealers was in yesterday afternoon. He is supposed to be the biggest Chevrolet dealer in the country. He immediately started out with a lot of charts, and so forth, all with the objective of taking over the job as a big agency.

H.M.JR: In one territory? Where?

MR. MACK: Chicago.

H.M.JR: What I am thinking of is this: that these people might say, "We will do it at a quarter of one percent, or an eighth of one percent"--I don't know, but they will do it at such a low figure that it will take your breath away. They are willing to handle this, see?

MR. SULLIVAN: I will bet you they will even pay a premium so they can hang on to their own trade.

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H.M.JR: But they will do it at such a low percentage. They have the overhead; they have the offices; they have everything. But let's see.

MR. MACK: There has been a development on Lend-Lease that you might be interested in, United Kingdom--the Lend-Lease organization has told us that the United Kingdom is going to buy certain types of capital goods themselves, that they won't be bought through Lend-Lease, that is, machine tools, equipment, and so forth.

H.M.JR: And all oil well supplies.

MR. MACK: That is a pretty good part of their total purchase, perhaps twenty-five percent.

H.M.JR: And they are going to go through you?

MR. MACK: They are going to buy them themselves, capital goods, in other words.

H.M.JR: That stems right from this desk.

MR. MACK: That is a lot of money.

H.M.JR: You mean that they will buy less through you?

MR. MACK: They will buy less through us and more with their own funds.

H.M.JR: That is no news. That stems from here. I have been making a fight for eleven months.

MR. O'CONNELL: Dollar balances.

H.M.JR: I am glad to get the confirmation.

Now, do we understand each other. Anybody unhappy?  
All right.

Now, the only thing--but please tomorrow let me know two things, one, the question of the suit, and you get George Haas to tell you what the status of this thing is.

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MR. SULLIVAN: Incidentally, the Engineers Corps is turning over thirty-six hundred pieces of equipment at a value of about five million dollars.

H.M.JR: Good.

MR. MACK: It is scattered all over the country.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

## DATE

TO Secretary Morgenthau  
FROM Mr. O'Connell

December 17, 1943

There is a civil suit pending in Chicago brought by the Anti Trust Division in the Department of Justice against General Motors Corporation and the General Motors Acceptance Corporation. The purpose of the suit is to require a divorce between the two companies.

The Government got a conviction in the criminal case against General Motors Acceptance Corporation which was sustained by the Supreme Court. The other two principal automobile companies agreed to consent decrees upon the basis of the conviction against General Motors.

J.J.O.C. 21

46 ✓  
December 17, 1943  
5:03 a.m.

HMJr:

I was thinking possibly, in this memorandum to the President, we might say that China's request for post-war money isn't the only one we've got. It's the English one, too, that we're fighting to cut down their balances for the same reason. And if we're going to do anything for these countries on a post-war basis, we've got to get a new mandate from Congress. I think it would be a pretty good opportunity if we could bring this thing in to the President in this way, through the back door. You see?

Fred  
Smith:

Yes, sir.

HMJr:

Don't you think so?

S:

Yes, sir.

HMJr:

I mean, this would be a chance for me to get to him, maybe, before the State Department.

S:

Uh huh.

HMJr:

Got it?

S:

Yes, sir.

HMJr:

Okay.

S:

We'll try to put that right in.

HMJr:

All right.

S:

Thank you.

## TREASURY DEPARTMENT

WASHINGTON

December 16, 1943.

Dear Mr. President:

Subject to your approval, I propose to offer for cash subscription, under authority of the Second Liberty Bond Act, as amended, issues of 2-1/2 percent Treasury Bonds of 1965-70, 2-1/4 percent Treasury Bonds of 1956-60 and one-year 7/8 percent Treasury certificates of indebtedness, all to be dated February 1, 1944.

These three issues, Series F, F and G savings bonds, and Treasury savings notes, will constitute the securities available in the Treasury's Fourth War Loan Drive, with an objective of \$14,000,000,000. In general, the terms and conditions of the two new bonds will be similar to the restricted issues sold in previous drives. The certificate will be a conventional market issue. I propose to start the drive and make the new securities available for subscription on January 18. The amount of securities to be issued will not be specifically limited. I am planning to permit commercial banks holding savings deposits to make a limited investment in the two new bonds and in Series F and Series G savings bonds. Aside from this limited bank participation, the securities will be sold to nonbanking investors.

The authorizing act provides that bonds may be issued only with the approval of the President. Accordingly, I trust that the proposed issues will meet with your approval.

Faithfully yours,

(Signed) H. MORGENTHAU, JR.

Secretary of the Treasury

The President,

The White House.

APPROVED:



12-17-43

DEC 17 1943

Dear Frank:

I want you to know that War Finance Committees everywhere in the nation are counting heavily on the generous cooperation of the armed services in their plans for the Fourth War Loan.

Among the five million volunteers who accomplished the sale of over fifty million bonds in the Third War Loan, there is highest praise for the effectiveness of Navy personnel and equipment in presenting to the people an understanding of the costs of war. Now State War Finance Committees are coupling their acceptance of more difficult Fourth War Loan quotas with appeals for even greater Navy participation.

I am convinced that close collaboration with the armed services is more important than any other single element in the framework of the Fourth War Loan and I would appreciate your issuing an appropriate directive, as you did before the Third War Loan.

Also, in line with a request I am today making of Secretary Stimson, I should like to ask that you assign one or more officers to the Treasury Department in liaison capacity. I suggest this in the interest of getting accomplished quickly and efficiently the many things you are able to do for us. I am hopeful that you will find it possible to make this special arrangement.

With kindest regards, I am

Sincerely,

(Signed) Henry

The Honorable Frank Knox  
Secretary of the Navy  
Washington, D. C.  
Typed 12/16/43  
HBM:mf

*Not by 2/2/45.*

# TREASURY DEPARTMENT

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## INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

December 17, 1943

FROM Fred Smith 14

Here is the story on the tanks, which the Army took:

(1) Late last month Mr. Bosse of War Finance was advised that the materiel was on the way. He immediately called Army Intelligence to find out when it would arrive. Army Intelligence told him, but they also told him that War Bonds couldn't have it because the very equipment which "the Secretary has picked was picked first by the Ordnance Division for special study." Since Ordnance has first priority on all materiel, the Army was going to deliver it directly to them.

(2) Army Intelligence said that Bosse would have to "use influence" to get the materiel away from Ordnance. Bosse asked Coyne about it, and Coyne said that he was sure you would prefer to let the Army have the materiel if they wanted it. Bosse then reported to the Army that there would be no opposition, and the matter was dropped. At the time, Gamble was out of town, so he was not aware of these developments.

(3) In my discussion with Bosse I discovered that our outfit is not doing very much with captured equipment anyway, since there is a policy, according to Bosse, that War Finance will not finance the shipping of any materiel. Any materiel they have is simply made available to states if they will pay the cost of shipping, and any materiel which is not so shipped is disclaimed by the Treasury Department and sold at auction by salvage yards.

We are not shipping any materiel directly to factories, according to Bosse, but are being notified when Army incentive ships any materiel to factories. The State Chairman in the area is then notified.

Since this seems to me not to track with what you apparently had in mind while you were abroad, I want to bring it to your attention so that you will at least know

- 2 -

what disposition is being made of the equipment.

(4) Since the Army is under the impression that you hand-picked tanks which had already been picked by Ordnance, you might be accused by someone of over-riding Ordnance. I think you should make it clear to Secretary Stimson that you only asked for materiel which the Army did not need. Otherwise, he may be given the idea that you feel War Bonds to be more important than the Army.

December 17, 1943

Dear Henry:

I have your letter of December 15, concerning the five German tanks which were shipped over here for use in War Bond campaigns. These came, as you know, as a result of my request for any captured materiel which the Army did not need, and which could conveniently be shipped in returning vessels.

If these tanks are desired by the Army for technical analysis, you may be sure that I am glad they have been released to you.

We had no reason for wanting these particular tanks, so any German tanks on which research has been completed, will serve our purpose equally well. I hope you will agree to let us use them during the Fourth War Loan.

Sincerely,

(Signed) Henry

The Honorable,

The Secretary of War.

FS:gr  
12-17-43

TS

*See memo to Roberts  
12/17/43  
L 457*

WAR DEPARTMENT  
WASHINGTON

DEC 15 1943

The Honorable,

The Secretary of the Treasury.

Dear Mr. Secretary:

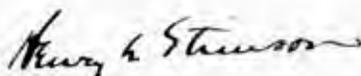
I have been advised that while you were in Italy you selected five German tanks for use in war bond drives.

These particular tanks are especially desired by the Chief of Ordnance for the purpose of technical analysis. There is another tank, a Mark III with flame thrower, which is wanted by the British Army for the same purpose.

I feel that this need for technical study outweighs their value as war bond exhibits and therefore request that they be released to the Army.

The Ordnance Department has several German tanks on which research has been completed and which could be loaned for your purposes.

Sincerely yours,



Secretary of War.

## MEMORANDUM FOR THE SECRETARY.

December 17, 1943.

Mail Report

Bonds and taxes continue to dominate the mail, and while the quantity of comment and complaint is down this week, the general tenor of the letters remains critical and antagonistic.

Sent direct to the Secretary for cashing were 87 Bonds, no special locality being featured. There were a number of letters stating that the writers had to cancel and decrease their allotments, and the reasons given were either the tax burden, or the lack of Government economy. Clippings dealing with air-plane scandals and similar items sometimes accompanied these letters.

There were no letters favorable to the Treasury tax program received during the week. Thus, although the protests have fallen off, it remained a 100% to 0 ratio. There were a few belated income tax returns and a number of questions in regard to deductions, etc. The letters in regard to Bill #3472 were also in the same ratio, with about 20 favoring this handling of charitable contributions and none supporting the Treasury stand on the subject.

On the Bond front there were fewer suggestions in regard to the Fourth Drive, and also fewer complaints of trouble in regard to purchases. The ratio of complaints is 7 for employees of the War Department to 3 general ones. In addition, every day brought in 1 or 2 complaints in regard to slowness in replacing lost Bonds, or in sending checks for those forwarded for cashing. Several of these letters gave dates in early October when the Bonds were forwarded for this purpose. On lost or burned Bonds, the period of time was much longer.

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Memorandum for the Secretary.

December 17, 1943.

There were only a few comments on the statement in regard to the value of advertising in selling Bonds; a few of the usual suggestions; and some scattered inquiries.

In the general mail there were a number of questions in regard to matters under the Foreign Funds Control; a few questions about gold and silver; and monetary policies in the occupied countries (when occupied!); and an increased number of anonymous communications, mostly abusive, but some simply enclosing unflattering newspaper clippings.

*G. F. Forbush*

General Comments

H. O'Malley, Happy O'Malley's Pavilion, Hinckley, Minnesota. I am returning your card of appreciation which the Department sent me for donating billboard space for the War Bond Drive. It seems that my money has depreciated in the eyes of the Government, except when I use it for taxes or gifts. \* \* \* Some of us dealers, including myself, were invited by the Treasury Department Procurement Division to bid on the excess material listed in the following bid. As per the enclosed addendum, all bids were refused six days before sale date and the equipment sold to a party in Duluth for approximately half of what we offered for it. We claim that some party might have had access to some information or advantage that was partial and unfair to the rest of us -- especially in the good interest of the Government. This entire lot was sold, I understand, for approximately \$3,000, while my bid was over \$6,000. Is the Department so flush that they don't need the money, or isn't my money as good as his, or could it be that my patriotism is in question for offering you a better price, or isn't my nationality right? Trucks would be sold to cream haulers and farmers or pulp wood haulers, and all must have a war necessity order to buy it from anyone regardless. He, I understand, got them for \$100.00 each. The shovel went for \$1,500 where I offered \$3,000, and he put it in a Duluth shipyard at \$16.50 per hour, and it is costing us the price of nearly a Bond an hour to keep an ex-Department shovel on the job. We buy it back every one hundred hours, while some PATRIOT sits around the hotel being a good american, with a small "A". I say, "Let him donate the billboard". These deals may be one of the reasons that the Midwest is not war-minded. Out here we are far enough from the trees to see the forest. I sometimes believe that the wrong people are mad at the enemy, or that the people we should definitely fight are the minority profiteering group in this country. If we clean them out first, we can whip

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the world in a short time. \* \* \* There is to be more of this material sold as the war goes on, and I want to know how much of a handicap I have to work under. If I can't win betting odds of two to one, please tell me what odds you expect. An early report of your investigation will be appreciated.

Letter from Harry L. Alfred, Peoria Heights, Illinois, addressed to the President and referred to the Treasury Department. A shortage of skilled machinists and mechanics makes it very difficult to get repair work done. Farmers are neglecting the repair of their machinery, and in some districts there is an urgent need for repair and machine shops. The N.Y.A. owns here in Peoria a building that is full of machine tools. These machines were used for training which has been discontinued. The building and contents are to be sold. My idea, Mr. President, is to put this machinery to work helping to keep the farm equipment operating. I am sure that it could serve no better purpose. I am not a farmer. My interest is in my Country. I have been repairing and operating machinery for the past thirty years, and I realize the importance of proper repairing.

\* \* \*

Stephen Cornish, Superintendent, Pike County Schools, Bowling Green, Missouri. I am writing to you about the following matter because it is a case where the St. Louis Office of the United States Treasury is powerless to act. There are seventy rural school boards in Pike County, more than seven thousand in Missouri, nearly all of whom owe the Treasury a small amount for the withholding tax. The laws of Missouri are clear as to how these boards shall pay their obligations. They shall pay by a warrant on the County Treasurer. But the St. Louis Treasury Office will not accept these warrants. They insist that the boards pay with a check or draft or money

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order. This means that some individual board member must accept a warrant and cash it and use the money to pay this obligation. Do you think this is just? Most of these board members hesitate to appear on the County Treasurer's books as recipients of school funds, and their reluctance is easily understood. Mr. Waller Edwards, Assistant Collector at St. Louis, explained it by saying that the Collector must deposit all receipts with the Federal Reserve Bank, and the Bank refused to accept a warrant. I told him that a warrant was the only way, under Missouri law, that a board could pay an obligation. His answer was that the Federal Government does not pay any attention to a state law. And I am afraid this is only too true. \* \* \*

Henry J. Abrahams, Omaha, Nebraska. Enclosed herein please find 2 Treasurer's checks in the amount of \$12.50 each, under date of December 1, 1943, both endorsed to you. In commemoration of the anniversary of Pearl Harbor, I should like to return these Defense Bond interest checks, and respectfully ask that you use the proceeds of same in the furtherance of our war effort. May the day of complete victory for the Allied Nations be ever closer at hand.

Lester A. Crandall, Dallas, Iowa. Enclosed find bank draft for \$100.27 which represents the full parity payment received by me for cooperation in the 1942 farm program. With our Government borrowing from the future at unprecedented rate, and public debt proven to be the greatest enemy of a free people, I don't feel that I can use this kind of money at the present time. May I ask that this money be used directly in our War effort and not to be used to corrupt the electorate?

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Melchor León, El Dragon De Oro, S.A., Mexico, D.F.  
With reference to your letter #7092, I take the  
pleasure to enclose herewith New York draft in the  
amount of \$159.70, equivalent of \$774.55 Mexican  
pesos, to which amounted the 25% of all purchases  
made by American citizens in this store, during the  
month of November, 1943, that is donated to the United  
States Government for "National Defense".

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Favorable Comments on Bonds

Samuel B. Kassman, Jobber of Textiles and Dry Goods, Ithaca, New York. Sitting in our comfortable home last night, my daughter, wife and myself perched on chairs, lights shining brightly, we remembered Pearl Harbor, the 7th. I hereby vouch to purchase an extra \$100.00 every 7th of the coming months until this is over, all of us chipping in, this being outside of our faithful regular Bond purchases. Would appreciate your sending us the notice monthly.

F. D. Doolittle, Acting Postmaster, Sidney, New York. With such spirit as the following copy of letter received by me, how can we lose this war. \* \* \*  
"December 7, 1943. Dear Sir: I am thirteen years old and would like to do my part in the war effort. Could you please let me have a right to go from door-to-door in Sidney and up where I live to sell War Bonds and Stamps? If so, could I have at least four \$25.00 Bonds and around \$5.00 or \$10.00 worth of Defense Stamps? I do not live in Sidney but I can and will take my Saturdays off to sell Bonds and Stamps, instead of going to the movies. I live in East Guilford if you will let me, please write to Roderick Cower, Bainbridge, New York, R.D. #3. It is all right with my mother and father."

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Unfavorable Comments on Bonds

Dean Hammond, Publisher, The Del Norte Prospector, Del Norte, Colorado. The enclosed Associated Press dispatch from the Denver Post, (Bond Advertising Plan Assailed by Morgenthau) has prompted me to ask a question. Can one of the "experts" in your Department answer? Why is my newspaper such a poor advertising medium for War Bond sales, and such an excellent medium for press agents' stuff from the Treasury Department? (Enclosed letter from Collector of Internal Revenue, Denver, Colorado, asking for publicity regarding the Declaration of Estimation due on December 15.)

L. B. Johnson, Proprietor, White River Valley List, Main Publication Office, Randolph, Vermont. I note from enclosed AP dispatch that the Treasury Department has taken an active part in preventing the passage in the House of the Senate Bill providing remuneration by the Government of small newspapers for publication of War Bond advertising. Heretofore we publishers who have not approved the Treasury's plan of sponging Bond advertising have been told when we protested that "there is no appropriation available" for direct payments, and we must show our patriotism by either contributing space ourselves, or going out and begging business concerns to pay for it, or both. I note now that that was just plain dodging -- at least so long as you can get anybody to do this Government service without having to pay for it. You prefer securing \$100,000,000 worth of advertising free to paying \$15,000,000 for what that would bring. As the publisher of a country weekly newspaper for over 50 years, I think this is a narrow, constricted -- and I dare to tell you -- unpatriotic stand for a Government Bureau or Department to take. You are only able to justify it by the willingness of a great many publishers to do far more than any other established line of business is doing in the

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war effort. Personally, I think they are being imposed upon because as a class they are always willing to do more than their part for any cause. That does not justify the assumption that they lack sufficient claim for compensation. What other line of business, tell me, is giving largely of its time and effort and humiliating itself by begging individuals to pay it for rendering service to the nation? It is a monstrous imposition. Does your Department go before Congress and drastically fight bills that appropriate billions of the public money to pay all sorts of bills for services and commodities to promote the war effort? Why do you single out the publishers of small newspapers whose business this war has hit hard by taking away substantially all of its national advertising, increasing costs of materials, and creating such a keen help shortage that it is almost impossible to continue publication -- for this special drive to save the Government money? For one, I resent your attitude. I still have enough liberty of action left to protest, and also to take the stand -- which I hope other small publishers will take -- that I shall not cooperate in any plan that involves my begging patrons to spend their money for a Government service which the Government is amply able to finance itself -- and should.

W. D. Allen, Editor, Brookline Chronicle, Brookline, ~~Mass.~~ Mass. If you were quoted correctly last week in the A.P. dispatch as to your remarks before the Congressional Committee on the Bankhead and Cannon Bills, may I respectfully inquire why your Department continues to send us daily the reams and reams of material, and the many mats relating to War Bonds? Can you imagine what my local merchants, who read your alleged statement that "use of advertising in the weekly press will not benefit the sale of Bonds", will say if I were to approach them to sponsor the Fourth War Bond Drive? \* \* \* With local business almost at a standstill, because of inability to secure merchandise for resale, what will the

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result be were I to try again to sell them a sponsorship idea? The Bankhead Bill as amended was unfair and the beneficiaries would be the first to oppose it. The only Bill that should be passed should divide the advertising among all publishers of newspapers, weekly or daily, and in small or large communities.

Olivia D. Hammett, Real Estate, Lansdowne, Pa. I wish to bring to your attention a method which will tie up thousands of dollars that might possibly have been invested in War Bonds. In my case, I very definitely had been planning on the purchase of a \$750 War Bond after all my accounts were balanced December 15, 1943. I now find I can purchase only \$150 due to receiving notice from my local bank, The National Bank of Lansdowne, Lansdowne, Pa., that a minimum balance of \$500 must be maintained to avoid a flat base payment of \$1.00 per month. \* \* \* Since I am one of many, there is no doubt that this kind of pressure will have an effect on War Bond buying -- since a service charge, in addition to check service charge, makes "banking" a luxury -- whereas it is actually a necessity, and so we are obliged to comply. I am wondering just how "Patriotic" our financial institutions are when they levy such charges -- and have full use of our minimum balances and no interest paid to the customers.

Leah Stolarsky, Detroit, Mich. Up to date, I have been purchasing Bonds (\$5 each week) but with the high cost of living, and the small salary that I receive, I am forced to withdraw and cancel my Bond buying, as with \$26 per week, with a deduction of \$5.50, I cannot see my way clear to continue. Why isn't something done about salaries for we people that are so underpaid?

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P. G. Jarnagin, Associate Publisher, Storm Lake Pilot-Tribune, Storm Lake, Iowa. For nearly three years now you have been spending thousands of dollars for publicity material which has been sent to the weekly newspapers of the United States for the promotion of War Bond sales. Millions of dollars worth of free space has been gladly and generously donated to the cause by these same patriotic publishers. Your mailings have included scores of suggested War Bond advertisements which you strongly urged us to have underwritten by local business and professional men and ourselves, WITHOUT COST to the Government. \* \* \* Our customers are becoming bitterly sarcastic when they see us coming through the door with some of your advertising material under our arms. We have been high-pressured into accepting this material and have, in turn, high-pressured the public into paying for it. Now we are surprised and chagrined to learn that you are of the opinion that such advertising is utterly worthless and does not help stimulate the sale of War Bonds. If that is the case, why in thunder have you been deluging us with thousands of pounds of this stuff? All of it has been received over your signature. With another loan in the offing, how do you expect us to engender any enthusiasm in our columns and among our past efforts? \* \* \* We and our contemporaries are hurt, mortified and angry because of your attitude toward the Bankhead Bill. \* \* \*

Edward H. Tate, Los Angeles, California. I am working for a plant here on 100% war parts. A year or more ago myself with other workers signed up for War Bonds. They did not deliver the Bonds, always giving some excuse. Some of the men dropped the Bonds; others kept agoing. Now the company went into the receiver, and now they say the Bonds might be months or a year before they can be delivered because the plant must keep agoing and pay the lones off first. I do not mine waiting for my two weeks' wages, but the Bonds I bought on good fate and they ought to been paid

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over to me months ago. Thanking you for what advice you might be able to do to get all these boys Bonds.

S. P. Hull, Sales Manager, Worcester Stamped Metal Company, Worcester, Mass. We recently requested the National War Labor Board to grant us approval to pay Christmas Bonuses in the form of United States War Bonds to our Shop Employees in accordance with our custom for the last two years. Permission was granted to pay bonuses in War Bonds, but permission was denied us to pay the withholding tax on these Bonds. This decision forces us to forego our past practice and it seems incongruous with the War Bond program that has, and is receiving so much publicity. In our own small plant we purchased between \$9,000 and \$10,000 worth of War Bonds which we gave our employees at Christmas, 1942. Multiplying this on a national scale the resulting lost sale of War Bonds must run into a substantial amount; a loss that seems to us to be quite needless. This letter is written to call your attention to the contra policies existing between Governmental Departments and agencies. We thought it might be of interest to you.

Dorothea Hosbach, Teaneck, N.J. I think I have lost enough money on my Bond, and also on the interest I could have been receiving if this matter was cleared up. Kindly send me my money back as I would like to make an investment and need my money.

Honorable Frank C. Walker, Postmaster General. There is enclosed a letter received here from Mrs. Esther A. Bishop, 201 E. Oak Street, Ironwood, Mich., inquiring about her equity in four \$1,000 United States Savings Bonds, out of which she was defrauded in January 1941 by Clerk Esther Oksa, formerly of the Ironwood, Mich., Post Office. Miss Oksa pleaded guilty to embezzlement

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of Government funds and forgery in Federal Court at Sault Sainte Marie, Mich., on June 6, 1941. Although the Treasury Department was advised promptly as to this case, and others involved in Miss Oksa's embezzlements, no information has been forthcoming as yet as to what has been done or will be done in the settlement of the claims of these patrons of the Ironwood Post Office. Mrs. Bishop has been informed that her letter was referred to you. It will be appreciated if I can be furnished with a copy of your reply to Mrs. Bishop. I am looking forward also to replies to the letters of the Third Assistant Postmaster General to the Under Secretary of the Treasury under dates of May 13, 1943, and July 24, 1943.

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Favorable Comments on Taxation

Charles H. Grissom, Jr., Collingswood, New Jersey.  
May I offer a suggestion that the Tax Anticipation Notes which were discontinued last year be put back in circulation, as I feel that a note of this kind is just what the public needs to anticipate the withholding tax on investments such as dividends and interest other than salaries from which the withholding tax is deducted.

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Unfavorable Comments on Taxation

H. J. Miller, Miller Elevator Company, Minneapolis, Minn. It is not surprising that you are asking for another ten and a half billion dollars in taxes from the United States citizens, when some \$15,000,000 are spent in the production of one airplane. I have reference to the enclosed clipping taken from the Minneapolis Star Journal, December 9, 1943, telling about the gross inefficiency and extravagance at the Fairchild Aircraft Corporation plant in North Carolina. This seems to be only an isolated case, and without doubt thousands of other cases of growing waste could be uncovered. I was thoroughly angered when I read the article, and I, for one, insist that steps be taken at once to put an end to further tax increases, and this could be easily done by elimination of further bureaucratic waste. To me, inflation is inflation whether tax money is spent, or the money is spent by the public.

William H. Field, Wood-Working Machines, Boston, Mass. Isn't there some simplification that can be made in reporting business income? We, for instance, have a small business here and find it necessary to do exactly five times ~~as~~ much work as we did formerly. Also, we have to have a C.P.A. more times per year which adds to our expense further. It does seem that with the demands being made upon industry in connection with the War effort that simplification of its effort were in order.

Owen Marchbanks, Coker & Company, Feed-Seed, Ennis, Texas. Scented bouquets to the man from your Department quoted over the radio last night (his name escaped) who warned that simplified income tax reports should be instituted or the maze of complex questions, answers, rulings, amendments, etc., would finally bog

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down the entire force of payers and collectors. This man knows something of his subject. Right now there is more bewilderment, more wrinkling of brows on citizens' foreheads, and more disgust that is sowing the seeds of lying as the only practicable escape because of the nearly impossible task of making out returns correctly. This is written in a country store. Around our fire ordinary people talk. There is no concerted group intending to evade taxes to pay for Government and its ramifications onto the battlefield. There is much amazement at the intricate details of the present income tax blank, and the ordinary man in our circle does not make enough money to hire help nor have sufficient income and business to justify hiring an accountant to do it for him. Surely there is some method whereby those in the low income strata could answer simple questions on income and outgo to arrive at a taxable income. \* \* \*

Beatrice M. Klarquist, Los Angeles, Calif. Recently I was compelled to sell my home because of the fact that I could no longer carry the financial burden due to the deductions being made from my salary. My home and furniture originally cost \$13,000 and I sold for less than \$8,500. Upon calling your branch office in this city, I was informed that I could not deduct the \$4,500 loss from my income tax. It seems most unfair that we forgotten folks who are not enjoying the swollen profits of war, and who were victims of trouble long before the war, should now be discriminated against in this manner. Most people are able to sell nowadays so that they at least receive what they invested, and a number of people are even selling at a profit. The few of us who have to sell at a loss are so negligible that in the final analysis, it would mean little to the Government, but means a great deal to us. The loss has been accumulating over the course of years, so why should one be penalized because one is forced to sell during a war. We have never been allowed to deduct depreciation on homes. \* \* \*

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A. W. Benson, Minneapolis, Minn. \* \* \* Last night there appeared in the Minneapolis Star Journal an article stating that it cost the Government (United States citizens) some \$15,000,000 to build one airplane at the Fairchild Aircraft Corporation of North Carolina. Small wonder that you are trying to persuade our Senators and Representatives to increase our tax bill by another ten or eleven billion dollars. This is in line with other Bureaucratic waste and extravagances in spending American dollars, even to the extent of starting a South American WPA. You talk about stopping inflation -- it seems to me Government Bureaus do more inflating than individuals possibly could do. Or wouldn't you call fifteen million for one airplane inflation? We are vitally interested in less taxation, and not more.

Letter addressed to Senator James M. Mead by James H. Wallace, Associate Accountant, Muary-Henry Company, Inc., Buffalo, New York. I am writing to you as an accountant in behalf of my clients, small businessmen, just a cross section of the thousands and thousands of taxpayers throughout the country. The methods and provisions for filing estimates during 1944, after careful study, are understood by me, but, the average businessman doesn't understand them, and in many cases, doesn't even know about them yet. Their cry is that a person would have to take a special course just to figure out what the Government wants of them, and when you consider that the average business today must make or may be subject to 22 different tax returns or reports, this new 1944 estimate requirement is tantamount to asking the poor devils to hang a bucket of steam on a sky hook. The Treasury Department is asking the businessman to file, by March 15, an estimate and pay a tax on a figure that no one could arrive at with anything near accuracy. I haven't got a "plan" but just a plea for use of common sense. Why can't a businessman file on the actual profits, shown by his books, and make these returns due any time within 30 days after the close of that particular quarter -- just

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as most Government reports on business. Then you would have something definite to work on -- make it easier for the Internal Revenue Bureau to check, and you would arrive at a much closer figure than in estimating. \* \* \* Will you please explore the possibilities of incorporating such a plan in the new 1944 regulations, and I assure you you will earn the undying gratitude (and support) of thousands of businessmen -- we, who must keep their books, and the boys in the Internal Revenue Department who must see that Joe Doakes files a report on "Yehudi" figures.

Ernest S. Ross, Covina, California. You are a helluva financier. In September I estimated my income and tax. I was buying a \$100 War Bond each week. Shortly after September, the Navy cancelled a huge contract and our whole office was "let out". Now, I will have to cash War Bonds to pay the tax on income which I DIDN'T GET. You have a lot to learn, kid.

Ray R. Sheehan, Auditor, Association of Journeymen Plumbers and Steam Fitters of the United States and Canada, Des Moines, Iowa. I assist hundreds of men in making out their income tax reports and it would be of great assistance to me as well as the local income tax department if I could get a ruling from your office. The problem is as follows: During the past two years men have left their homes here to go on Government jobs in every part of the country. Are they entitled to their living expenses while away from home? And also their transportation from Des Moines and return? I have been deducting these expenses and in about 80% of the cases they have "stuck". It looks like it depends on the man who reviews the report for the other 20% were required to return the amounts deducted; some of which has been paid under protest. A ruling on this would be greatly appreciated and would eliminate quite a little trouble.

DEC 17 1943

My dear Mr. Secretary:

I thank you for your letter of December 6, 1943 concerning the delay which has occurred in bringing into effect plans developed by the World Jewish Congress for the evacuation of a large number of Jews from France and Romania.

While we may still disagree regarding some of the points involved in this particular case, these matters I must agree are insignificant in terms of your willingness to review the whole matter and your assurances that it is the policy of your Department to deal expeditiously and sympathetically with proposals of this nature.

I would like to end here, but the confused state of the record in this particular case at this point makes further comment necessary. Your letter gave me the impression that you may have been led to believe that the Treasury had handled this matter in such a way that our Legation in Berne has not been in a position to issue a license. Specifically, your letter would indicate that a license has not been issued because:

- (1) Treasury has not formulated a workable financial program for the evacuation of these refugees; and
- (2) Treasury has not cleared the proposal with the British.

Accordingly, I have had the entire matter carefully reviewed by Randolph Paul, who acts for me on all matters relating to Foreign Funds Control.

I am enclosing a copy of Mr. Paul's memorandum for your information. This memorandum has satisfied me that the conclusions reached in your letter of December 6, 1943 are

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not supported by the facts in this case and that my letter of November 24, 1943, can be fully documented.

As you will note, Mr. Paul makes the following significant points in his memorandum:

(1) Treasury has formulated a workable program, under which, if an appropriate license had been issued when it was authorized by the Treasury, real progress might have been made in the financial arrangements involved. The objections of our Legation to the program are not sound, but even assuming they had some merit, the Legation's objections to the basic Treasury program were not furnished to us until two months after it had received the program, which is precisely the kind of delay to which we are referring.

(2) Treasury did not clear the program with the British because Treasury knew of no requirement that such a program be cleared with the British, and State failed to advise us that such clearance was required. On the contrary, State joined with Treasury in instructing our Legation to issue a license without British approval. And our Legation had over five months prior to that during which it could have mentioned the matter to the British, if it thought that this was essential.

Moreover, when State did finally indicate that we should obtain British clearance, State never advised us that State had discussed the matter with the British early last summer and that State had failed to keep the British advised of subsequent developments (despite the request of the British to State that they be kept informed of developments).

After you have again reviewed this matter I feel sure that you will understand why I was greatly concerned and am still greatly concerned about the delay which has occurred.

In view of the urgency of this matter, you will also appreciate the point which I made in my letter of November 24 that the benefits of a program such as this can be just as effectively lost through delay as through the failure to issue a license.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Cordell Hull,  
Secretary of State,  
Washington, D. C.

Enclosure.

DEC 17 1943

Secretary Morgenthau

Mr. Paul

You have requested us to review again the developments relating to the program of the World Jewish Congress for the evacuation of a large number of Jews from Rumania and France, particularly in the light of Secretary Hull's letter of December 8, 1943.

In Secretary Hull's letter of December 8 the State Department disclaims responsibility for the delays which have occurred in connection with bringing into effect the financial arrangements of this program. Instead his letter would indicate that Treasury is responsible for the delays because:

- (1) Treasury has never formulated a workable proposal for financing such a program; and
- (2) Treasury has never obtained British approval of the program.

After carefully reviewing again our file in this matter we feel that the conclusions arrived at by Secretary Hull are predicated upon his incomplete knowledge of the facts.

I. Treasury has formulated a workable proposal for financing the program.

(a) The analysis of the financial arrangements contained in Secretary Hull's letter, including the point which he makes to the effect that the fundamental details have not been sufficiently developed to permit the issuance of a license, is inaccurate.

It is true that in the cable of August 6, 1943 (1080), the Treasury merely stated that it was prepared to issue a license covering the plan, subject to certain stipulated conditions, and that at this point certain details had not been sufficiently worked out to warrant the issuance of a

license. (You will recall that this matter was expedited at this point by the exchange of correspondence between the President and Stephen Wise of the American Jewish Congress. In the letter you prepared for the President and cleared with Secretary Hull it was made clear to Wise that, although the Treasury was prepared to license the transaction, the matter was awaiting a further exchange of cables between the State Department and our mission in Bern regarding some of the details.)

However, as a result of the ensuing exchange of cables between State and Harrison (Harrison's cable of August 15--4989; State's cable of August 26--2977; Harrison's cable of August 23--5149; and State's cable of September 4--2162) the necessary details had clearly been sufficiently ironed out so as to permit the issuance of an appropriate license. This was certainly the opinion of the Treasury and it seemed clear to us at that time that Harrison also felt that such was the case, inasmuch as he specifically inquired in a cable of September 9 (5698) whether a Treasury license had been issued, and suggested that if a license had been issued its number and date be transmitted by the World Jewish Congress to Riegner through the Legation and that specific instructions from the World Jewish Congress to Riegner, outlining operations which might be undertaken under the license also be transmitted. This action on Harrison's part appears utterly inconsistent with the contention in State's letter that the financial arrangements were not sufficiently complete to warrant the issuance of a license.

In this particular case, it was and still is our view that, at the time Treasury authorized Harrison to issue a license (cable of September 23--2373), sufficient safeguards had been imposed to prevent abuse, and sufficient powers authorized to permit real progress in the financial arrangements. From the standpoint of getting results, whatever time has elapsed since then has been time lost, and time which is precious in the light of the urgency of this matter.

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It is well recognized by those dealing with licenses in this field that licenses may be issued notwithstanding the fact that all of the details of the transaction to be licensed are not known, so long as sufficient details are known to permit an intelligent appraisal of the major factors involved from the standpoint of workability and possibility of abuse. Licenses do not permit transactions in violation of their terms, and appropriate provisions can always be inserted to safeguard against abuse. Furthermore, licenses can always be amended if it develops that their conditions are unduly restrictive, or not sufficiently restrictive. The Treasury and our Legations have issued many licenses which have had to be amended from time to time.

In connection with the financial details, it should also be noted that the statement in Secretary Hull's letter, that the plan for the establishment of blocked accounts referred to in your letter had been abandoned, is not correct. It is correct that the Treasury did request in the cable sent to Harrison on August 25 (2077) that Kiegner of the World Jewish Congress should be notified that if the plan should be imperiled by the requirement of a blocked account established in the United States, the Treasury would be willing to relax this requirement (by permitting the purchase of French francs from persons in Switzerland; and permitting the blocking of accounts in Switzerland). However, it should be noted that Kiegner had indicated prior to this (see cable of August 23--5149--from Harrison) that it was worthwhile to attempt the financing of Jewish refugee evacuation from France to French North Africa and Russia pursuant to the arrangements and subject to the conditions originally outlined by the Treasury (\$25,000 was suggested by Kiegner as an initial deposit). It is our understanding that the procurement of local currencies against the establishment of blocked accounts in the United States will be one of the methods of financing used in this case. This method imposes no obligation to check the source of the local currencies (since the enemy can derive no benefit out of the blocked dollars here). Accordingly, there is no reason known to us why financing under this method could not have commenced when we authorized the issuance of a license on September 29. (It should be noted that the J. P. C. in connection with similar proposals which they are considering have indicated that the purchase of currency in enemy territory against blocked accounts will be one of the methods of financing employed).

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(b) With respect to the feasibility of the Rumanian proposal, Secretary Hull's letter refers to a report from our Legation at Berns (cable of August 23--5149) that Riegner was not prepared to express an opinion on the feasibility of the plan until he had consulted with the Rumanian Jewish organization.

No reference is made in Secretary Hull's letter to the main point which seemed to have raised doubt in Riegner's mind and which was referred to in the August 23 cable, namely the question of the feasibility of evacuating children from Rumania unless they were first provided with adequate food and clothing. In answer to this point, we stated in the cable of September 4 (2182) that for the purposes of our proposal, expenditures for food and clothing necessary for preparing refugees for journey to free territory might be considered as expenses in connection with evacuation.

Furthermore, it must be borne in mind that the fact that transactions authorized by a license may not be consummated is not a reason for not issuing the license. Treasury has issued hundreds of licenses authorizing transactions which have never been consummated. The prompt issuing of a license in a deserving case, even though the transactions cannot be immediately consummated, frequently prevents considerable delay (which is what the Treasury is trying to avoid in this case).

In any event the license which Treasury authorized Harrison to issue would have covered the evacuation of refugees from both France and Rumania. The fact that some details were still unsettled regarding the Rumanian phase certainly did not interfere with the functioning of the French phase of the program. The prompt issuance of the license in question at worst would have resulted only in the French program having been started before the Rumanian program was fully worked out. No one would consciously claim that technicalities relating to the Rumanian phase of the program should have held up the issuance of the license, if the failure to issue the license might result in condemning to death more refugees in France.

(c) With respect to the objections which have been raised by Harrison, any impression that the Treasury had authorized the issuance of a license in the cable of September 23, knowing that Harrison was opposed to its issuance, is not correct.

It is true that in his cable of June 14 (3657), Harrison had indicated that the Riegner plan offered many possibilities of abuse and might even facilitate transfer of enemy funds. However, these objections were raised prior to the presentation to Harrison, in the cable of August 6, of the definitive program approved by the Treasury. The cable of May 25 (1249), to which Harrison was replying, merely set forth, as expressed therein, State Department's "interpretation of the proposed financial arrangements" and requested further information.

After the presentation of the Treasury program in the cable of August 6, which was drawn in the light of the objections raised by Harrison, no comments were received from Harrison, so far as this Department is aware, to the effect that this program, or its modifications, was unworkable or objectionable until we received his cable of October 6 (3269). This was two months after we had presented the basic program to him, requesting his comments and suggestions as well as the comments and suggestions of Riegner, (see cable of August 6) as well as being after he had inquired in his cable of September 3 whether a Treasury license had been issued and we had authorized him to issue a license in the cable of September 23. During this two months period, although the aforementioned cables had been exchanged with Harrison, in which he referred to a number of points raised by Riegner and in which we felt we had given satisfactory answers, no points were raised by way of criticism or suggestion by Harrison himself.

It is precisely delays of this character at which our letter of November 26, 1943 was addressed since if Harrison's objections had been forthcoming more promptly, much time might have been saved. When we finally received the objections in his cable of October 6, we reviewed the points involved (which had all been carefully considered before we

authorized the issuance of a license) and, after consulting with the State Department (Breckinridge Long), instructed Harrison to issue the license.

(1) In his cable of October 6, Harrison raised the objection that the relief plan might facilitate enemy acquisition of funds and flight of enemy capital, and indicated that the British Commercial Secretary thought the plan might result in leakage of funds to the enemy.

The Treasury has been and still is of the view that sufficient safeguards have been imposed (see above-mentioned cables) so that the enemy will not benefit from the financial transactions. And in Secretary Hull's letter to you of August 7, after stating that the Treasury itself was entirely free to act on the matter and grant the necessary licenses, Secretary Hull stated:

"Any view that this would make funds available to the enemy is not correct; the funds would remain blocked in Switzerland until the end of the war."

That this form of objection at such late date was coming from Harrison and the British is not less than surprising in view of the fact that this consideration has not been regarded as controlling in the past by our Legation or the British Legation in Berne. Thus, in the outstanding case, with which you are no doubt familiar, involving the purchase of substantial amounts of material in enemy territory by Standard Telephone and Radio S.A., Zurich (and also the manufacture by such company of radio transmitters for installation in trucks and use by the German war machine) both our Legation and the British Legation recommended that favorable consideration be given to the issuance of a license in the light of other factors which were deemed by them to be compelling. With respect to the financial aspects of this transaction (aside from the question of the manufacture of radio equipment actually destined for German use) our Legation argued that

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In view of the generous credit supplied by the Swiss to the Germans "transactions of this type cannot be regarded as actually increasing the enemy's purchasing power in Switzerland which is already believed to be at a maximum" (cable from Berne of May 1, 1942--2429). The British also took this position, at least at one time. Thus in a cable from our Embassy in London relating to this case (September 28, 1942--5394), after pointing out that undeniably the amount of Swiss francs available to the enemy would be increased, it is stated that

"However, the British believe that enemy holdings of Swiss francs are already so large that they cannot possibly be used in the near future for the purchase of Swiss goods for export to Germany."

In fact our Legation with the concurrence of the British Legation, allowed Standard to engage in these transactions, with the Legation's knowledge, up until late July of this year, (and would undoubtedly have continued to permit these transactions except for strong cable of July 17--4844--giving the views of State, Treasury and OAS), even though a license had never been issued by the Treasury (see cable from Berne of August 12--3704; cable from London of April 19--2724; and cable from Berne of April 20--2472). The principle thus announced in the Standard case, namely that supplying the Germans with Swiss francs does not benefit the Germans, has been repeated by our Legation in Berne in expressing its desire that particular transactions be approved.

We are not citing the Standard case in this memorandum to prove that Harrison was not justified, in view of the "secret" facts alleged to have been involved, in allowing equipment to be manufactured by Standard for the Germans (our battle on this issue is not relevant here); but merely to show the attitude which Harrison adopted with respect to the question of permitting the Germans to acquire purchasing power in Switzerland.

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(e) The other objections raised by Harrison on October 6, 1943 was the impossibility of the Legation assuring the fulfillment of the conditions of the proposed license, principally those relating to the procurement of French francs as not to aid the enemy.

It is difficult to understand why the Legation feels that it is unable to check the sellers of French francs in Switzerland to ascertain whether or not the francs, being purchased from them, had accrued under such conditions that their purchase would not give the enemy benefit. The Treasury has repeatedly been called upon to make this sort of a determination in connection with applications for the sale and purchase of blocked currencies and the Treasury has frequently not been in a position to obtain as much information as the Legation in Bern should be able to obtain in Switzerland with respect to holders of French francs in Switzerland. There are a great many persons in Switzerland holding French francs which they either acquired prior to the fall of France or which are now accruing to them through investments or dividends in France or through similar transactions.

Furthermore, if the principle which was followed by the Legation in the above-mentioned case involving the furnishing of funds to Germany by Standard is sound, the question of the source of the French francs which are purchased would be immaterial. Whatever their source, their purchase under that principle would not give benefit to the enemy. The Treasury, however, has never agreed with the principle of the Standard case and accordingly in this case made the requirement that the source of the French francs should be checked.

Accordingly it seems clear that Harrison was furnished with a positive financial program approved by the Treasury after consultation with State and after having fully weighed Harrison's belated objections. In any event Harrison's delay in voicing his doubts was itself one of the principal reasons Treasury had difficulty in formulating a program which would meet with his approval.

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II. It is no answer to Treasury's letter of November 24, 1943 to say that Treasury never obtained British approval of the program.

In the first place after focusing on the issue, the State Department concurred in the sending of the cable of October 26, 1943 to Harrison instructing Berne to issue the license without the approval of the British.

In the second place, one of the principal objections raised by Treasury in the letter of November 24, 1943 was not the fact that it was unnecessary to clear the matter with the British (although Treasury knows of no instructions which it has approved which requires any mission in any foreign country to clear with the British after Treasury has exercised its licensing authority in a specific case), but the fact of the tremendous delays that occurred before Harrison (and apparently State) finally decided that the matter required British clearance. Although Harrison in his cable of June 14, 1943 (3657) raised the matter of discussions with the British, it was not until we had authorized him to issue a license about three and one-half months later (cable of September 23) that he definitely decided that the matter should be discussed with the British; and, of more importance, to our knowledge it was not until then that he even mentioned the matter to the British (although he knew about it since April). Furthermore, if Treasury had been authoritatively and promptly advised by State that clearance was required, Treasury would have sought such clearance contemporaneously with three months negotiation with Berne. It was these delays that we criticized.

Finally, even when it became clear in November, 1943 that State did expect Treasury to clear the program with the British, we were not even informed that early last summer State had discussed the matter with the British Embassy in Washington; that the cable to Berne asking for further details of the program was furnished to the British representative; that he had requested State for copies of the incoming cables from Berne; and that he had written a letter to State asking

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for details; and that he had never received a reply to this letter. (These facts were made known to the Treasury during our recent discussions with the British Embassy, growing out of the fact that Harrison had raised the matter with the British in Berne). Certainly as a minimum Treasury should have been notified of such discussions at the time State indicated that Treasury should assume the responsibility of clearing the case with the British and ordinarily we would have expected to have been kept currently informed as to the fact of negotiations of this character. In any event, if State had decided in early summer to clear the matter with the British it would have facilitated our handling of the whole case to have been so informed at that time - rather than months later.

Although it is difficult to understand why the significant facts mentioned above were not included in Secretary Hull's letter, the explanation may well be the fact that two of the men in the State Department, with whom my men dealt on this matter from the beginning, and who my men tell me "were carrying the ball" on this matter in the State Department for some time, are no longer with the State Department. The difficulties involved in having a matter reviewed by men who have not played a leading role in all of its developments since the beginning are apparent.

(Initial) R.E.P. ~~---~~

JED:AFL:rd - 12/14/43.

38711



DEPARTMENT OF STATE  
WASHINGTON

December 6, 1943

Reply refer to

My dear Mr. Secretary:

I refer to your letter of November 24, 1943, expressing concern over the delay which has occurred in bringing into effect plans developed by the World Jewish Congress for the evacuation of a large number of Jews from Rumania and France. In view of certain implications contained in your letter, particularly those referring to Minister Harrison, I have had the entire matter reviewed.

The two proposals referred to in your letter have, as I understand it, never been fully developed in all of their fundamental details. The feasibility of the Rumanian proposal on the basis on which the Treasury has indicated its approval, was submitted early in August to Dr. Riegner, the representative in Switzerland of the World Jewish Congress. On August 22, the Legation at Bern reported that Dr. Riegner was not prepared to express an opinion on the feasibility of the plan until he had consulted with the Rumanian Jewish organization. As far as the Department is aware, no further word has ever been received from Dr. Riegner in this connection.

In the case of the French plan, Dr. Riegner expressed the opinion that the attempt would be worthwhile. However, the plan for the establishment of blocked accounts referred to in your letter was, as the Department understands it, abandoned in favor of the purchase of French currency in Switzerland, which the Treasury was prepared to approve on condition that the American Legation at Bern or some other responsible agency approve each purchase to insure certain conditions as to the origin of the currency. The Legation has made clear that these conditions are impossible of fulfillment. In this connection, Censorship reports, which are

assumed

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

assumed to be available to Treasury, indicate that the Swiss market in French currency is supplied at least in part by the smuggling of notes into Switzerland by the German Government through the use of the German diplomatic pouch.

The three and one half month delay which you say has occurred, appears to have commenced with the Department's telegram of August 6, stating that the Treasury was prepared to issue a license covering Dr. Riegner's plan, subject to certain stipulated conditions. The conditions were (1) that foreign exchange must not be made available in enemy or enemy occupied territory during the war; (2) that the possibility that funds may ultimately reach persons who have furnished neither local currency nor services must be reduced to an absolute minimum.

During the ensuing month, Dr. Riegner submitted his views which, as stated above, were that the French proposal was worth trying, and that further investigation was required with regard to the Rumanian proposal. Several telegrams were exchanged, clarifying certain details of the arrangement. Insofar as the Legation was concerned, it had reported in a series of telegrams, beginning in June, its opinion that the contemplated arrangements were of such a nature as to make impossible any assurance that the enemy would not benefit from the plan. The Legation's reports indicated further that it was implicit in the Rumanian plan that the arrangement would be carried out by means of bribing Rumanian officials, and that the plan involved the danger that it would be converted into an instrumentality for benefiting those who were persecuting the Jews, and that the suppliers of funds would be subjected to new penalties and persecutions. The Legation also reported, as I have already mentioned, its complete inability to implement Treasury's stipulated safeguards with regard to the purchase of French francs.

Following the submission of this information, the Legation, on September 9, requested advice as to whether a license had been issued by the Treasury. The message was referred to Treasury on September 13, and on September 28, a telegram was dispatched communicating Treasury's reply of September 24, in which the Treasury for the first time authorized the Legation to issue the license, subject to all of the previously stated conditions. Previously

Treasury

Treasury had indicated that it would issue the license. On October 6, Minister Harrison replied that in accordance with his standing instructions, (from which he had never been authorized to depart) he had consulted his British colleague, who objected to the proposal because of the opportunities which it would undoubtedly afford for abuse, involving substantial benefit to the enemy. The Minister therefore asked for specific instructions in view of his own previously reported inability to comply with the conditions imposed by the Treasury and of the doubts expressed by the British. To this telegram, no reply was made until October 26. This delay was in part caused by the failure of the Department to transmit the message to the Treasury until October 19. This is to be explained, although not excused, by the fact that the Division which had previously handled the matter had been abolished.

In the reply, Minister Harrison was advised that Treasury had informed the Department that the factors raised by himself and the British had been fully considered in Washington before the dispatch of the telegram of September 28, and he was instructed, pursuant to the Treasury's wishes, to issue the license as specified in the telegram of September 28.

On November 14, Minister Harrison reported that he had been advised by the British Commercial Counselor that the Ministry of Economic Warfare had expressed objections to the proposal, which it was taking up in Washington, and had requested that the license be withheld pending the outcome of these discussions. Minister Harrison sought specific instructions as to whether he was to ignore this request. It is understood that the British Embassy has entered upon discussions with the Treasury regarding the proposal.

From the foregoing, it would seem clear to me that Minister Harrison was placed in a very difficult position. He was authorized to issue a license to cover an arrangement which he had reported to be incomplete in many details. Treasury had imposed conditions which he had reported he could not meet. Treasury never relaxed these conditions on the one hand, nor offered a method by which compliance could be obtained on the other hand.

In conclusion, may I say that this Department has the deepest sympathy for the desperate plight of the

persecuted

persecuted Jews in Europe. I have always been horrified at the unspeakable treatment which these poor people have received, and it has always been the policy of the Department to deal expeditiously and sympathetically with proposals offering hope of their relief.

It would appear, however, from the correspondence cited above that it has not been found possible to put the present proposal into execution in the manner intended. It is for this reason, together with the expressed British objection, that final action has been deferred and not because of any fault on the part of Minister Harrison or the Department.

I suggest, therefore, if as a result of the discussions with the British, it is decided to carry the plan into effect, the Treasury issue any license which it deems appropriate. This Department will be glad to transmit the license and any necessary messages to the Mission in Bern, and to assist in any other way possible. The Department, on the other hand, cannot accept responsibility for putting into operation a plan to which are attached conditions which our Mission, in the light of information available to it, states are impractical.

Sincerely yours,

*Orville H. Hill*

DEC 17 1943

My dear Senator:

In reply to your letter of December 9, 1943, you are advised that the Treasury has delivered 40,897,405.77 fine ounces of silver from the free silver in the Treasury to the following foreign governments under Lend-Lease arrangements:

<u>Country</u>	<u>Amount - Fine oss.</u>
United Kingdom .....	15,073,881.64
United Kingdom for Fiji .....	196,363.63
Australia .....	5,045,455.66
India .....	19,999,904.98
Netherlands .....	581,799.86
	<u>40,897,405.77</u>

In addition to the above amounts, there are now pending the following Lend-Lease agreements:

<u>Country</u>	<u>Amount - Fine oss.</u>
Ethiopia .....	5,430,000
Netherlands .....	17,742,065
Saudi-Arabia .....	5,167,000
Australia .....	3,363,637
	<u>31,702,702</u>

Under the Green Act the Treasury has received allocations by the War Production Board for the sale of 26,445,900 fine ounces of silver. Under these allocations the Treasury has delivered, to the end of November, 17,218,466 fine ounces of silver. The difference between total allocations and deliveries is accounted for by 3,210,000 fine ounces allocated for December delivery and 6,017,434 fine ounces allocated for October and November delivery but not delivered.

The footnote on page 1 of the Daily Statement of December 3, 1943, indicating that 731,761,073.2 ounces of free silver are held by the "Defense Plant Corporation, etc.", refers to silver which has been leased to the Defense Plant Corporation for non-consuming use in defense plants owned or operated by agencies of the United States. This silver is employed as a substitute for copper and is identified as property of the

- 2 -

United States and will be returned in kind to the Treasury when its use for war purposes has ceased. In addition to the silver leased to the Defense Plant Corporation, this footnote also includes silver leased to a Department of the United States, which is being similarly utilized in plants engaged in secret war operations. Because of the secrecy of these operations, details of the agency involved are not shown in the footnote although the amount of silver being used by such agency is included in the amount indicated in the footnote.

If I can furnish further information with respect to these matters, please do not hesitate to request it.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Pat McCarran  
United States Senate  
Washington 25, D. C.

WTR/LB/MTM:mlb 12-15-43



December 17, 1943

My dear General Giles:

Thank you so much for sending me the data on the Azores. My recent visit with you and your staff was most informative, and I wish to thank you for all your trouble.

I am looking forward to December 21st when I may see the B-29.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Major General Barney M. Giles,  
Chief of the Air Staff,  
United States Army,  
War Department,  
Washington, D.C.

SECRET

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WAR DEPARTMENT  
HEADQUARTERS OF THE ARMY AIR FORCES  
WASHINGTON

December 14, 1943

Mr. Henry Morgenthau, Jr.,  
Secretary of the Treasury,  
15th & Pennsylvania Avenue  
Washington, D. C.

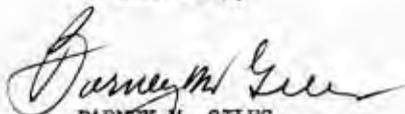
Dear Mr. Morgenthau:

Attached hereto is data you asked about this morning concerning the Azores.

Hope that the information you secured on your visit will be of some value. We will be prepared to give you full data on training at your convenience.

December 21st has been set as the tentative date to bring into Bolling Field the B-29 and other types of combat aircraft. Will let you know later the exact time and date.

Sincerely,



BARNEY M. GILES,  
Major General, U. S. A.,  
Chief of the Air Staff.

Incl: Data re Azores,  
dated 12-14-43.



SECRET

14 December 1943

ADVANTAGES OF AIR ROUTE THROUGH AZORES FOR MOVEMENT  
OF ATC FERRIED AND TRANSPORT AIRCRAFT

1. Distance Savings via Azores (Statute Miles)

In distance the use of an air route through the Azores in place of the present South Atlantic Route will result in the saving of: 3,842 miles to Marrakech (N. Africa), 4,306 to Cairo (N. Africa), 5,419 to Prestwick (U.K.) (with a corresponding saving in time).

As compared to the present North Atlantic Route, the distance saved via the Azores to Marrakech or Cairo will amount to 1,880 miles. The North Atlantic Route direct to Prestwick is 363 miles shorter than the route through the Azores. (Assumed departure points: N. Atlantic - Gander; S. Atlantic - Miami; Azores - Boston)

2. Savings for Ferried Aircraft

Based on an estimated movement of 1800 ferried aircraft per month through the Azores, the savings that would result from the use of that route would amount per month to:

6,750,000 miles  
5,800,000 gallons  
125,000 hours - engine  
50,000 hours - pilot

3. Savings for Transport Aircraft

As respects transport aircraft, continued use of the South Atlantic Route will require 50% more transport aircraft than the Azores Route to deliver the same tonnage to North Africa or India. Since the distance to the U.K. by the N. Atlantic Route is slightly shorter than via the Azores, it is expected that the majority of transport aircraft continue to use the N. Atlantic Route to the U.K. However, the Azores will provide an alternate weather route and will be used extensively, particularly in the event the severity of winter weather results in a large-scale curtailment of the use of the N. Atlantic Route.

4. Savings in ATC Ground Personnel

Although impossible as yet to complete more exact computations, it is estimated that when ATC ferried and transport operations reach the currently planned maximum movements Eastward from the U. S. during the first half of 1944 and thereafter, there will be a saving of between 15,000 and 20,000 ATC ground personnel resulting from the use of the Azores as compared to the continued use of the N. and S. Atlantic Routes. This estimated saving does not include whatever additional savings could be made in personnel of Air Service Command, Signal Corps, Army Service Forces or other elements which do not come directly under the ATC.

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Information received up to 10 A.M. 17th December, 1943.

1. AVALMediterranean 14th. One of H.M. Submarines sank a ship, probably mine-laying in MONACO HARBOUR.2. MILITARYItaly Eighth Army. 15th. In coastal sector, further enemy attacks on our positions were repulsed. In ONSOGNA Area, 2nd New Zealand Division made successful attack and repulsed two major counter attacks with heavy loss to the enemy.

Fifth Army. On right of army front, allied troops have made slight progress despite strong enemy resistance.

3. AIR OPERATIONSWestern Front. 15th. 520 escorted U.S. Heavy Bombers dropped 1,359 tons on BREMEN through cloud. Provisional enemy casualties 12,113. Ours, 10 Fortresses (B.17) and 1 Mustang (P.51) missing. 15th/17th aircraft busy taking BREMEN 477 (30 missing and 21 crashed); Military objectives: AACHEN 47, Sea-mining 35, (1 missing); DUISBURG 4, Leaflets 4; Intruders 4. Attacks on BREMEN made through cloud, preliminary reports indicate attack concentrated at first but more scattered later.Italy 15th. Escorted Fortresses (B.17) dropped 156 tons on railway centre FOLZANO and Liberator (B.24) dropped 112 tons in attack on GROSSETO 40 (49 miles NNE VARESE). 23 Mitchells (B.25) bombed bridges 77 Bostons (A.20) bombed FASSINOVA.Malaya 15th. 51 B-24s (P.24) attacked airfield SOERABAYA (30 miles S of SRUIP).

OFFICE OF THE SECRETARY OF THE TREASURY

1943 DEC 18 PM 3 22

TREASURY DEPARTMENT

December 18, 1943  
11:00 a.m.

DISPOSITION OF SURPLUS COMMODITIES, PROCUREMENT

Present: Mr. Sullivan  
Mr. O'Connell  
Mr. Mack  
Mr. Mapes  
Mr. Wylie, Commercial Credit Company, Baltimore  
Mr. Dailey, General Motors Acceptance, Baltimore  
Mr. Link, Commercial Investment Trust, New York  
Mr. Achelis, Commercial Factors Corporation, New York  
Mr. Wareheim, Commercial Credit Company, Baltimore  
Mrs. Klotz

H.M.JR: Now, gentlemen, I don't know how much-- this (Referring to reporter) is just for my own personal use, so don't let that bother you, see. It isn't a public record. If you object I won't have it.

MR. WYLIE: It doesn't bother me in the least.

H.M.JR: We are sort of in a new business here, of the War Department throwing this stuff at us. And when we get these new things, I like to familiarize myself with it until we decide on the procedure, and I got the idea that possibly the concerns which you represent might be of use to your Government in rapidly disposing of this surplus property, not only the automobiles, but all the other things which they are beginning to throw at us.

I don't know how long we will have this business, but for the time being the War Department, particularly, seems to like to have us have it. I wondered if your setup, where you make a business of advancing money and then when people don't pay you, repossess, couldn't contribute to the Government. I mean, this isn't a question of financing; we can still take care of that; but I wondered if you couldn't help us in the repossessing and reselling. Starting from left to right, or right to left, would you tell me how you do it? I mean, when you finance a deal, how is this thing done in commercial practices, you see?

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Now, at the head of my list is Mr. Link of Commercial Investment Trust--I mean, it is the way it was given to me. Would you mind telling me?

MR. LINK: Well, I will speak principally about automobiles and appliances. In those two fields, the commodities that we have come back to us are disposed of through the regular channels of trade. We use the distributing organizations of the automobile industry and the appliance industry. Fortunately we have never been called upon to redistribute a great amount of commodities.

H.M.JR: Excuse me, is Mr. Achelis with you?

MR. ACHELIS: Right here.

H.M.JR: You are in the same business, is that right?

MR. ACHELIS: Yes, sir.

MR. LINK: Different branches of the same business.

H.M.JR: But all under Commercial Investment. Please go ahead; I didn't mean to interrupt you.

MR. LINK: Fortunately, we have never been called upon to redistribute great stocks.

Now, we have a decentralized organization--pre-war, we had about five hundred local branches, spread out through the United States, so the amount of commodities that would come into our hands in any given area was relatively small, and they were disposed of by being sold to automobile dealers or appliance dealers, and generally through the factory sales organizations for that area. So we as such have no distributing organization within our own organization.

H.M.JR: I see. Well, do you still have the five hundred branches?

MR. LINK: No, we have approximately a hundred now.

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H.M.JR: What I was wondering about is this: Does this sort of thing interest you?

MR. LINK: Oh, yes, very much.

H.M.JR: It does, all right. Well, what I was wondering is this, whether you people when you get through here, whether it is this, or kitchen utensils, or whatever--what are some of the other things, Cliff?

MR. MACK: Clothing items, textiles. You spoke of textiles, Mr. Achelis; we have just about everything under the sun.

H.M.JR: What you want individually for your companies-- I would like to have you say to us, "This either does or doesn't interest us, you see. If it does interest us, we would like to do this thing at such and such a percentage." Do you see--your factories?

MR. ACHELIS: Yes, sir.

H.M.JR: "As factories, we will do this for the Treasury. We will be willing to do such a business for you at such a percentage."

Now, as I say, this may be just an idea. It may not be anything at all, but I take it right now you are looking for business. I should think you would be.

MR. LINK: Oh, yes, sir.

H.M.JR: Now, let me just go to the Baltimore crowd. How do you people feel?

MR. WAREHEIM: There (indicating) is one Baltimore, and here is the other Baltimore. I am Mr. Wareheim.

H.M.JR: How is Mr. Frank who used to be with us? Isn't he your counsel? What is his first name?

MRS. KLOTZ: Eli.

MR. WAREHEIM: The Judge's son--he is in our building. I see him quite a bit.

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H.M.JR: Is he all right?

MR. WAREHEIM: Very fine.

H.M.JR: Give him my regards.

MR. WAREHEIM: I will be glad to. He is associated with our General Counsel.

H.M.JR: He was stolen from me. How do you Baltimore people feel--whoever wants to talk for them?

MR. WAREHEIM: We are in more or less the same position Mr. Link is with respect to distribution. We have a little problem in distributing repossessions. We distribute them back through the seller, that is, the dealer or wholesaler. When we do get back merchandise we market back through the distributor or dealer. We rarely have anything we have to market ourselves, but occasionally we do. Then we proceed to do the best we can in selling it.

H.M.JR: Are you looking for business?

MR. WAREHEIM: Very much so, always.

H.M.JR: Would this kind of business interest you?

MR. WAREHEIM: It has an appeal if it can be worked out in a way we can really serve.

H.M.JR: Am I correct or incorrect that you could afford to do this at a very low percentage?

MR. WAREHEIM: Well, volume, of course, would be the answer, the volume we would have. That would again get back to the method of distribution. If the method of distribution is worked out so that it doesn't require a lot of manpower hours, then you could look for a small percentage.

H.M.JR: But your method would be--say, second-hand trucks--what would you do with them?

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MR. WAREHEIM: We market those through dealers.

H.M.JR: Would you use, if it is a Dodge truck, the Dodge dealer?

MR. WAREHEIM: Invariably, unless a Chevrolet dealer had sold the used Dodge truck; then it would go back to the Chevrolet dealer.

H.M.JR: You wouldn't do it in a case like this?

MR. WAREHEIM: No, we would go to whatever dealer it was. That applies equally to appliances.

H.M.JR: Of course, the question comes in my mind, if you will have to do it, why we shouldn't do it direct with Dodge.

MR. WAREHEIM: Well, we were discussing it before we came over here; we think the best way to market this merchandise is back through the manufacturers and selling organizations, right back through their own distribution system. At least, that is a curbstone opinion made hurriedly without much thought.

H.M.JR: Mr. Mack is working on that. I raised this thing: I wondered whether you people could render a service to us through know-how, as they call it.

MR. WAREHEIM: We will loan you our cooperation for whatever it is worth.

H.M.JR: I felt that you would. What we want is speed. I felt that the important thing is, if we got a lot of trucks--whatever we do, Cliff--I was thinking about it through the night--I would want a contract that they would dispose of it, and it doesn't stay on their showroom floors.

MR. MACK: Get it into use--

H.M.JR: ... in thirty to sixty days, whatever is fair. Make sure it gets back into use and somebody doesn't stock up and carry it on the floor as an exhibit or something.

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MR. WAREHEIM: Of course, you get to a problem--secondary or maybe primary--of distribution where it is needed the most.

H.M.Jr: That, of course, we would have to be guided by, for instance, with automobiles, by the Office of Defense Transportation--they would have to direct us; I mean, where they think they are needed most. They ought to know; I hope they know.

MR. WAREHEIM: I think they know.

H.M.JR: What about General Motors?

MR. DAILEY: I am sort of pinch-hitting for them, Mr. Secretary, and quite a number of the officers. I can make it very brief. It is just the same as Mr. Link has said with us. We merchandise our repossessions individually through the dealer. On wholesale--if there are any repossessions there we usually arrange with the factory to redistribute those. I think most of the other companies do the same. We don't deal in commodities at all, other than appliances, Frigidaires and automobiles. I imagine you would probably want to arrange through the sales organization.

H.M.JR: Direct, do you think?

MR. DAILEY: Probably, with perhaps finance companies handling the financing of it.

H.M.JR: Financing for the dealers so that they can buy it?

MR. DAILEY: We might finance the snag for you, I don't know, sort of redistribute it in a financial way.

H.M.JR: Well, take the dealer. Let's say we had a thousand General Motors cars--I don't know--a thousand units of General Motors, something on four wheels. Would the General Motors Company, do you think, say, "All right, we will give you a check, and we will buy them outright,"

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or would they want you to finance individual dealers so they could buy them?

MR. DAILEY: I think it could be arranged so we could give you a check for them, perhaps, through the financing organization, you see, the way we give them a check for their wholesale deliveries. Then we could handle the retail financing.

H.M.JR: Is that the way you do it?

MR. DAILEY: Yes, we pay them on wholesale. They ship the cars and we pay the factory. We finance them for the dealer.

H.M.JR: So you are the middleman in that way now?

MR. DAILEY: That is right.

H.M.JR: That isn't true for other companies.

MR. WAREHEIM: Yes, and then on to the consumer.

H.M.JR: Then if I decided that I wanted to do it, using the regular practice, you people would have a place in it.

MR. WAREHEIM: Very much so.

H.M.JR: I mean, the common practice--well, of course, you (Dailey) are a little bit different because you are part of General Motors.

MR. DAILEY: I think they all work pretty much the same.

H.M.JR: If it will make you feel thoroughly comfortable, I have cleared this meeting with the Department of Justice, so it is all right.

MR. WAREHEIM: We are not disturbed.

H.M.JR: I mean, I checked up on you fellows to make sure it was all right to have you in together and know

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that they separated you. So having you all in together has their blessing.

MR. WAREHEIM: You will probably find us wholly competitive, anyway.

H.M.JR: You had better be if you are going to do business with me. (Laughter) Just describe to me how, if there were some new automobiles--you don't mind, do you, because they are all pretty much the same, aren't they?

MR. DAILEY: With other companies you mean? There is a variation.

H.M.JR: How do you do it?

MR. DAILEY: In our case the factory would bill the papers--bill of sale--and the cars would be shipped. Then there would be a draft go forward on the dealer and we would pick up the draft when the cars got there. Part of the papers would be demand notes for percentage, about ninety percent of the shipment. We would finance that note for whatever period was necessary.

H.M.JR: For the dealer?

MR. DAILEY: Yes, for the dealer, and we would send a check to the factory immediately when we received the note. We discount the note, in other words, from the dealer, which was part of the original papers, and send the check direct to the factory.

H.M.JR: Then, for instance, if we had a thousand units of General Motors' and I said to Mr. Sloan, "Do you want to buy these at such and such a price that OPA fixed?" and he said yes, I would do business with them and then when it comes to distributing through the dealers the common practice could follow if we agreed. Is that right?

MR. DAILEY: That is right.

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H.M.JR: I could do business right with him and he could look to you to finance the dealers in a territory that ODT indicated.

MR. DAILEY: It could be worked out very easily.

H.M.JR: That would go for the other big companies; each one is divided up. Ford does business with Baltimore?

MR. WAREHEIM: They are all independent. We do business with General Motors as Ford requests. We don't discriminate; we would be glad to get all of it, any dealer, or any make of car.

H.M.JR: I thought that certain companies did business-- is that stock?

MR. WAREHEIM: Frankly, it never existed, except in the case of General Motors.

H.M.JR: I thought Ford formerly used the Universal and the Baltimore crowd bought Universal.

MR. LINK: CIT bought Universal.

H.M.JR: But I couldn't make it quite as simple as that. From my standpoint it would be up to the President, Mr. Achelis, to decide whom he wanted to use, and it would be up to Mr. Sloan whom he would want to use, and so forth, and so on.

MR. LINK: I would like to say a word there. Mr. Achelis in usual practice, would not be financed. He would do his own financing if he bought merchandise from you.

Now, when it came time to redistribute to the dealers, then we would finance and the dealer would decide what company they wanted to use.

H.M.JR: The dealer decides, I see.

MR. DAILEY: Quite a few of the dealers would pay cash, naturally, for these cars, I assume.

MR. LINK: But you have an unusual situation here, speaking of automobiles, because presumably you have

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some used automobiles, and the automobile factory has never had any transactions on used automobiles.

H.M.JR: I see. We have bought used and new. It seems that the ones that the Army took, these six or seven thousand new cars that they took when the war broke out--they have never used any of them; they are still in the paper, so to speak.

MR. MACK: A lot of them are.

MR. DAILEY: They could be distributed the same way, I should think.

MR. WAREHEIM: It seems to me that the manufacturer would distribute his own used cars through his own outlets if he were approached. That would be my personal opinion. I am not speaking for the factories, of course. I don't know--

H.M.JR: Did I overlook somebody from Chicago and the West Coast who ought to be in on this thing?

MR. LINK: You have overlooked some large, so-called independent finance companies.

MR. WYLIE: How about the National?

MR. LINK: Associate Investment.

H.M.JR: Of Chicago?

MR. LINK: South Bend, Indiana.

I think that the Chicago crowd you have in mind is National Bond; and if it is, they sold out to Commercial Credit Company.

MR. WAREHEIM: When Mr. Rothschild died, we took over.

H.M.JR: Is Associated where--in South Bend?

MR. LINK: Indiana.

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H.M.JR: Is there somebody on the West Coast?

MR. WAREHEIM: The Pacific Finance Company. They are fairly well restricted to the Coast, except in Texas.

H.M.JR: Where is their headquarters?

MR. WAREHEIM: Los Angeles.

MR. LINK: I think San Francisco.

H.M.JR: Is there anybody else?

MR. WAREHEIM: They would be the only two companies that operate even regionally. All the other companies operate more territorially, like a State or two.

MR. LINK: I think you would get pretty wide coverage through Associate Investment, because they are the leaders in an association of independent finance companies. That association comes pretty near including all the independent small local finance companies.

H.M.JR: John, do you have something?

MR. SULLIVAN: No. I think I should tell you, Mr. Secretary, that these gentlemen are going to do some thinking on this problem and then each one of them is going to send in a memorandum on the particular commodities dealt with.

Mr. Achelis is not in the automobile field, but covers a wider variety of things than the other gentlemen, particularly in textiles and commodities of that type. We have explained to them that we have talked with the automobile manufacturers and that we are talking with the representatives of each industry and are trying to build up our system so that when the time comes for us to get all these commodities we will know how we want to act. And they have all very nicely agreed to give us a hand and send us memoranda.

H.M.JR: I would expect more than that. I would expect some help from these people, both mentally and physically.

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MR. WAREHEIM: Whatever you wish, we will do the best we can.

H.M.JR: After all, it is to your interest that this thing be done promptly, that we get the goods into channels. I don't know any way to fight inflation better than to get this stuff into the hands of the people. It is a competition for scarcity of goods. If we can get this into the hands of consumers, whatever we can, it is that much help. It ought not take you terribly long to submit something, ought it? I want to do this in a matter of days, because I want to move in on this automobile business.

Did you tell them about all these millions of sheepskins you have, for instance?

MR. MACK: I mentioned some others; I don't think I mentioned that. But I do think you might be interested to hear a little about Commercial Factors' activities in handling textiles.

MR. ACHELIS: We are wholly on subsidiary to CIT. They also own two other organizations, William Iselin and Company, and Meinhard, Greff and Company. Between the three of us we will do about six hundred and fifty million dollars worth of business a year, largely in textiles and allied fields, textiles, shoes, underwear, hosiery, and so forth. We feel that we can be of some help in this way: As you know, textiles are practically all distributed from New York, cotton goods, silk, and rayons on 7th Avenue; converters and woolens and worsteds industry in the New York Life Building, and south to 18th street. What we feel should be done, could be done one of two ways, either an independent corporation should be set up in each one of these industries to which we will be glad to contribute to handle these surplus goods. Textiles are different from automobiles or ice-boxes or other articles.

Herringbone twill, which is used so vastly in the Army, can be made by a hundred different manufacturers, and it is supposed to be the identical thing, made to specifications. Now, if those hundred manufacturers were

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required or asked to take back the herringbone twill and then try to move it quickly on to the market, I am afraid it would result in kind of an auction sale. It should be handled discreetly and through one source, with as many distributors working through that one source as possible. For instance, if you could get a group on Worth Street to handle the cotton end of this thing--then if the Procurement Division could say, "We have so many million yards of this and so many million suits of underwear, so many hundreds of thousands of socks," or something like that to move, then it would be the function of these corporations--it might have to be another one in the knit goods and hosiery business, because they are all specialized. But let the trades themselves handle it. I don't think the mills can handle it individually; but if each mill has an interest in the central distributing corporation, I think that it can be intelligently handled. And if you get a good man at the top of the corporation who will be fair-minded--he has got to be, and it is not hard to find. The textile industry is pretty well handled. Then when these things come up, he would say, "Why, this is the newest sample"--he would give more samples and say, "What can you do?" How much can you take, and how long will it take you to do it?"

They would work either on a commission basis for you and would buy--if it is a corporation with capital, they would buy outright, like you suggested Mr. Sloan buying the cars at a fixed price from the Treasury with a fixed selling price for sale, and the spread would have to be enough in there for their expenses. They would expect to make something out of it also.

Those, roughly, are the two methods. Of course, this is such a huge subject, just to sit down and try to develop it as we are this morning. I would like to go back and talk this over with a few people and then prepare the memorandum which Mr. Sullivan has asked for.

H.M.JR: Would the corporation in cotton goods which you suggested we organize, would you have it organized by the various mills, or would it be a non-profit organization which they all have stock in?

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MR. ACHELIS: I think they would all have to have an interest in it, which would take out jealousies. No matter what trade you are in, there is competition and jealousies. If they all work under the same roof--and since the days of NRA they have gotten used to working together, and the associations mean something nowadays where formerly they didn't mean so much. But they all know each other better and will work together. I think if it is put up to them in spirit, naturally it will help curb inflation, it will help the Government dispose of these goods in an orderly way, and not like the auction sale I was recounting, the Manhattan Opera Street auction sales after the last war, which were terrible things. That led to the Army and Navy store and undercutting all over the country. I think that can be avoided.

H.M.JR: Like Mr. Nelson told me, this man bought underwear from the Army at six cents. It never left the Army Quartermaster store. And Sears Roebuck paid them fifty cents for the stuff.

But this man in New York--I forget his name--controlled all this stuff. Well, that is the kind of thing I want to avoid as long as I have anything to do with it.

MR. ACHELIS: I think it can be avoided, Mr. Secretary.

H.M.JR: Mr. Nelson was telling me of different things that Sears Roebuck went through after the war last time.

MR. ACHELIS: Stuff was knocked down to nothing. Anything could move it.

H.M.JR: Could this be a non-profit organization, for instance, where there would be all these stockholders? Then the Treasury, let's say, would pay this organization a commission, enough to pay all overhead, something like that.

MR. ACHELIS: It might be done that way, or it could be a corporation with--a capitalized corporation, if the Treasury would like it better, to purchase direct from the

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Treasury. That is roughly the two ways of doing it.

H.M.JR: Well, those are the kinds of suggestions I want, and I figure that if I invited you people in you would be thinking about it. After all, it is your Government. You are the taxpayers; I am just the hired man. You have certainly as much interest as I have that this thing be done in a legitimate way and that the Government recoup as much as possible. It is on that basis that I am appealing to you.

You have been very quiet. Have you anything to say?

MR. WYLIE: Only one thing about the distribution of automobiles today that I mentioned in that other talk. There has developed in the past year and a half a very large number of used car dealers, and I think they are going to be a factor in this thing. They will probably want quite a share of your surplus vehicles, but I think with the possible exception of GMAC. The rest of the finance companies in the United States are financing them at the present time on their wholesale stocks. There is no reason in the world why we couldn't continue to do the same thing with these surplus stocks, but they cannot be reached from the factory.

H.M.JR: I think the automobile and the truck thing is going to be easy by comparison to what?

MR. MACK: Four million square feet of shearlings. They decided they are not going to use it any more. It gets waterlogged and sinks the men. They have given it up.

MR. ACHELIS: That is something for the leather people.

H.M.JR: Well, it is the different groups.

MR. SULLIVAN: The wool people, I think.

H.M.JR: It is things like that--

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MR. ACHELIS: I think these groups are the answer to the moving, because they know where it can be used.

H.M.JR: I am not going to ask you to handle twenty-two thousand horses. I think we can do that some other way. I have a suggestion for you.

MR. MACK: All right, sir.

H.M.JR: Well, supposing they come back; and when they come back and have the suggestions I would like to meet with them again, John.

MR. SULLIVAN: Well, I think that probably all these memoranda may not arrive the same day. It might be well if they send them in; and after we get them all we will call and ask them to come down.

H.M.JR: O.K., gentlemen. Thank you very much.

(All representatives of the various companies left the conference.)

H.M.JR: On this horse deal, I have a suggestion for you. I would get in touch with the Department of Agriculture on the horses and mules, and ask them through the farm bureau and county agent system--they have a man in every one of the thirty-two hundred counties--where they need them the most.

MR. MACK: Fine.

H.M.JR: And put it up to the Secretary of Agriculture. Now, we have twenty-two thousand horses and mules, and we want to put them where the Secretary of Agriculture says the horses and mules are needed most. "Will you send out a questionnaire to your county agents and find out where they are needed?"

I was thinking they might be limited by harness, and I was thinking you might tie up the harness with the horses. A fellow might say, "I would like to buy the horses, but I haven't any harness."

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But you take in Florida where they are raising the winter vegetables, and Texas, and Los Angeles--I just went through the experience of an auction in New York State. But all through the Southern territory where they are beginning to raise the spring vegetable stock is where they need the horsepower. I would put it right up to the Secretary of Agriculture and let him advise us.

MR. SULLIVAN: By all means.

H.M.JR: Tell him we have this thing, and ask him if he will assign somebody to work with you and advise where they need the horses the most.

MR. SULLIVAN: And I think at that time, Cliff, you had better establish a permanent liaison with them, because there will be a lot of other things, all your agricultural machinery.

MR. MACK: Oh, yes, we have been working with these county bureaus on agriculture equipment. They are very good.

H.M.JR: I will serve notice. You can write a letter and I will sign it, saying to the Secretary of Agriculture, "This is the situation." If you will get it over to me, I will sign it today about half past twelve, or else Monday morning saying, "This is the situation; will you assign somebody to work with us?"

MR. SULLIVAN: Do you have a moment?

H.M.JR: Yes.

MR. SULLIVAN: Cliff has felt for some time that his work would be made easier if the agency that he operates had a more distinctive name. There are still a lot of people who think that the Treasury Procurement is merely the procurement agency for the Treasury Department, and he has some ideas along that line.

Do you want to tell the Secretary?

MR. MACK: Yes, I would be glad to. When the Procurement Division was first created, the word "division"

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had a different significance than it has today. At that time there was thought of using the word "division" rather than "bureau," but I think we were the only organization that was given the name of Procurement Division. That is according to Tom Davis' research. Now, therefore, we think with the size of the organization--

H.M.JR: Give me the name.

MR. MACK: Federal Bureau of Supply, to get in "bureau" instead of "division," and to get in the significance that we are doing business for the entire Government. We are a central procuring agency.

H.M.JR: If you think it is helpful and you can get by with it, it is all right with me.

MR. MACK: It would help an awful lot.

H.M.JR: O.K. But I think these fellows will be helpful.

MR. SULLIVAN: You went one step further than we did in indicating they might come into the picture themselves. Our talk had been along the line that they were one step removed from the people we had talked with and they might have a more objective view of how we should handle it. I wanted you to know that we hadn't talked to them about getting a piece of this.

H.M.JR: I didn't give them a piece, but I can see that in peacetimes they would have a piece of it as between the manufacturer and the distributor.

MR. SULLIVAN: Well, they certainly will in the disposal of your post-war surpluses. I am inclined to think that the manufacturers now have so much money that they will finance these things themselves.

H.M.JR: That is all right, but if they are going to sell to the dealers, the dealer may or may not want to be financed.

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MR. SULLIVAN: It will vary, of course.

MR. MACK: There are two very important angles to this thing. The first is that if we look to these people through whatever mechanism might be employed, thinking primarily in terms of this Commercial Factors organization, that it shouldn't be on any basis of selling stuff to them; it should be on a percentage basis, which represents administrative cost, and be sure it gets equitable distribution.

The other point is this: We are talking with the factories; we have talked with dealers, and so forth. I don't think that dealing with the factory is the entire solution, because their distribution doesn't reach these thousands, many thousands of independent dealers who are entitled to a look-in. How we will reach them, I don't know, but I think they are entitled to a very large part.

MR. SULLIVAN: Of course, some part--

H.M.JR: Of course, when you use the word "Federal," it will be very easy to transfer you out when you give up the name Treasury.

MR. MACK: We don't want to be transferred out.

H.M.JR: Then you had better stick to the name Treasury.

MR. MACK: The Federal Bureau of Supply.

H.M.JR: As soon as you go to the word "Federal," it makes it very easy for them to transfer you. If that is what you want, O.K.

MR. MACK: We don't.

H.M.JR: Then you had better stick to the name. Leave the name alone. Look, if you have the brains--one of the reasons it is important to move fast with these people--if they think it is here, that will influence John Hancock.

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If I am going business with Commercial Investment Trust, you see, which originally was set up by Goldman Sacks and Nieman Brothers. It has far more influence with John Hancock than any name you will give it. If he thinks the Treasury is doing business with General Motors Corporation and Commercial Investment, those are the people John Hancock recognizes, the people of importance. They made a great success, mind you, when this fellow Achelis--the thing that he was talking about is separate--they alone do six hundred and fifty million dollars' worth of business. That has nothing to do with the rest of Commercial. That is not automobile business, see?

MR. SULLIVAN: That is just the factory.

H.M.JR: I am not saying anything yet. Let them come back. But John Hancock will be more impressed with the fact that these people are working with the Treasury than anything else you can tell them.

MR. SULLIVAN: I think that is likely so.

H.M.JR: I know it is so; I think it is all right. Let's see what they bring back. I agree with him that NRA has done enough in setting up things by industry. If you can have a non-profit organization organized in each industry to handle the thing, it sounds very interesting to me. But you have to get them by the Department of Justice. But the fee they get goes to them, and they don't have any trouble getting money from the banks. The banks will lend them all the money just on the contract they have with the Treasury.

MR. MAPES: We have done a lot of thinking with trade associations, too, you know. Nothing concrete has developed yet.

H.M.JR: You have to move awfully fast, gentlemen.

O.K. Now keep me posted.

December 18, 1943  
12:16 p.m.

Operator: Go ahead.

HMJr: Hello.

J. E. Brown,  
Sec'y to  
Mr. Hull: Good morning, Mr. Secretary.

HMJr: Hello, Mr. Brown. Look, Mr. Brown, I was calling up to talk to Mr. Hull in regard to a cable from Mr. Winant.

B: Uh huh.

HMJr: Numbers 8-7-1-7.

B: 8-7-1-7.

HMJr: The fifteenth.

B: Of the fifteenth.

HMJr: Yeah. Now, I'd like to come over Monday morning with Mr. Paul and Mr. Pehle....

B: Uh huh.

HMJr: ...to discuss this matter with Mr. Hull.

B: Yes.

HMJr: How are you fixed for Monday morning?

B: Will you hold the line just a moment, sir, until I look at the book? (Pause) Mr. Secretary, would 9:30 be convenient?

HMJr: 9:30 would be perfect.

B: That will be fine.

HMJr: And after you see the contents, you will see what it's about.

B: Yes, it's -- that's indicated in the telegram?

HMJr: It's indicated in the telegram.

B: Yes. All right, sir.

HMJr: 9:30.  
B: Yes, indeed.  
HMJr: And Mr. Paul and Mr. Pehle will come with me.  
B: Mr. Paul and Mr. Pehle.  
HMJr: Right.  
B: I have that.  
HMJr: Thank you.  
B: Thank you, sir.

December 18, 1943  
12:55 p.m.

DEFERMENTS

Present: Mr. Thompson  
Mr. Wilson

H.M.JR: All right, let's go.

MR. THOMPSON: Machinists in the Bureau--they have fifty-nine machinists and fifty-five are over thirty-eight years of age, so there are only four who might be in this picture. We have two this morning.

H.M.JR: This is Milton S. Reigelman, thirty-one, two children, pre-Pearl Harbor. O.K.

(The Secretary signs the deferment application of Milton S. Reigelman.)

How many will there be like this?

MR. THOMPSON: Not over four. Fifty-five are over thirty-eight. There is only one like it.

H.M.JR: Thomas A. Murphy, age thirty-seven, one child. He is a machinist?

MR. THOMPSON: Yes, sir.

H.M.JR: O.K. (The Secretary signs deferment application of Thomas A. Murphy.)

MR. THOMPSON: They are on what they call a critical list. Here is a photo-engraver. They have two in the Bureau.

H.M.JR: John Schoeneweis, Jr., age thirty-five, 3-A, two children, pre-Pearl Harbor father.

(The Secretary signs deferment application of John Schoeneweis, Jr.)

- 2 -

H.M.JR: John L. Cochran, thirty-seven, photo-engraver.

MR. THOMPSON: That is the only man in that particular type--

MR. WILSON: There are four of them in the Bureau and three are over thirty-eight. He is the only one we have of that type.

(The Secretary signs the deferment application of John L. Cochran.)

H.M.JR: Wilbert C. Peterson.

MR. THOMPSON: That is one of Cliff Mack's men, Lend-Lease engineer.

MR. WILSON: With a lot of experience.

H.M.JR: Wilbert C. Peterson, Chicago Regional Office, Procurement, thirty-six, married, no children. This says that he supervises twelve steel inspectors, handles many technical problems in connection with steel problems--that is fairly close to the war, isn't it?

MR. THOMPSON: I think so, yes.

(The Secretary signs the deferment application of Wilbert C. Peterson.)

MR. WILSON: He is a pretty good man. We don't recommend any of the inspectors. There are about three hundred of those.

H.M.JR: Leo B. Heuer, 3rd, Internal Revenue Agent, one child; not on the key list. He investigates income tax returns and handles brief claims. I didn't know we were doing these fellows.

- 3 -

MR. THOMPSON: Yes, you have deferred some of that group. They are the top men in the agents group.

H.M.JR: Are they?

MR. THOMPSON: You just can't replace them.

H.M.JR: These are the top men?

MR. THOMPSON: Yes, sir. We have had half a dozen of that type.

MR. WILSON: We have approved some.

(The Secretary signs the deferment application of Leo Barden Heuer.)

MR. THOMPSON: Just for your information, the personnel man in the Chicago Office that they turned us down on, was turned down on his physical, so he is back at the job.

H.M.JR: That is something.

MR. THOMPSON: It turned out that General Hershey did not have a prepared speech, it was extemporaneous. That gives the same information he gave yesterday. (Hands secretary clippings from the Washington Post of December 10, attached.)

MR. WILSON: A copy from the National Manufacturer's Association - we can get a copy later.

(Secretary signs letter addressed to Mr. Toller, dated December 18, 1943.)

MR. THOMPSON: Pehle isn't certain where he is going to put him over there, so it is difficult to be a little more definite than that.

**If Present Goals Stand**

## Million Prewar Fathers Face Draft Within Next 6 Months

MaJ. Gen. Lewis B. Hershey, director of Selective Service, has estimated that about one million pre-Pearl Harbor fathers must be inducted into the armed forces by June 30, 1944, to meet present schedules, it was disclosed yesterday.

Speaking at a closed meeting of the National Association of Manufacturers in New York City, Hershey estimated that approximately two million men must be inducted by the middle of next year to bring the Army and Navy up to their announced combined goal of 11.3 millions.

Youths coming of age, expiring occupational deferments and men reclassified out of 4-F will provide almost one million of the two million required, according to Hershey.

The figures revealed by Hershey in effect confirmed indications of the existence of a substantial lag in the induction of men into the armed forces—perhaps 300,000 to 400,000 by the end of this year—which must be made up during the first six months of next year if the desired goal is to be reached.

Because of this lag, the calls for the armed services will have to remain at present levels through June 30, 1944, Hershey was said to have indicated. If schedules had been maintained, the tapering process for the Army would have started January 1, 1944, with the normal induction rate for the Navy continuing to June 30 of next year.

Three factors account for the lag: (1) Uncertainty over the fathers' draft and a consequent reluctance of draft boards to call fathers, (2) a failure of recruiting

for the WAC's and other auxiliary services to come up to expectations, and (3) a high rate of rejections by the armed forces.

The mathematics of the draft, based on the new information provided by Hershey, is as follows:

November 1 net strength of Army and Navy, 10.1 millions.

Probable strength January 1, 1944, 10.4 millions to 10.5 millions.

Scheduled for January 1, 1944, 10.8 millions.

Probable lag, as of January 1, 300,000 to 400,000.

Net increase required to reach a scheduled 11.3 millions by June 30, 1944, 1.2 millions.

Estimated replacements for eight-month period ending June 30, 1944, 600,000 to 500,000.

Total needed to reach required net strength by June 30, 1944, 1.8 to 2 millions.

The figures, it was pointed out, hinge on the assumption that the actual goals for the Army and Navy are the ones that have been announced. Observers pointed out that a downward revision was possible, however, in view of the fact that the War and Navy Departments have permitted inductions lag without protest.

It also was pointed out that replacements have begun to loom very large in draft considerations. The Army has stated that it is discharging an average of 70,000 men a month—mainly for physical and mental reasons. Although figures for the Navy are not available, if their replacements run in proportion, a total of 100,000 a month would have to be added to draft calls to take care of replacement needs of the two services.

December 10, 1943  
12:56 p.m.

HMJr: Oscar, I wondered if, officially, you could get for me what the British expect to do, say, beginning with the first of January, in the way of buying for cash things which up to now they have been getting through lend-lease. The reason that I bring that up is that Cliff Mack tells me that just recently, the last day or two, that they're switching a great many things from lend-lease to cash.

Oscar Cox: That's right.

HMJr: And I'd like to know, let's say, what they've done, say, from July 1st to December 31st, the kind of things, how much they've gotten in lend-lease and how much this will mean that they're going to buy for cash.

C: Well, I was going to get up -- I've got him to work some other things to show, for example, the drop in dollar amount of the....

HMJr: Yeah.

C: ....requisitions which have been placed....

HMJr: Yeah.

C: ....month by month, and what is to be picked up in cash.

HMJr: Yes.

C: Then you'll get some notion as to....

HMJr: Well....

C: ....how they are....

HMJr: ....can you give me that the next time we get together?

C: Yes, sir.

HMJr: Is that rushing you too much?

C: Well, no. I think we can probably get it. If we can't, we'll get what we can.

HMJr: (Laughs) How are we coming on that other battle?

- 2 -

C: Well, you've got the boys over at State with their feet to the fire.

HMJr: Have you heard anything?

S: Well, they're struggling along. They're trying to work up a memorandum in opposition to you, but meanwhile they are sweating.

HMJr: Well, how about Stettinius?

C: I haven't -- I think he's still got pretty much the same position. I don't think Dean's talked to him on it yet.

HMJr: Okay.

S: Right.

HMJr: But the other thing I'd like very much to have.

C: Yeah.

HMJr: Thank you.

C: We'll do....

HMJr: Bye.

## WAR DEPARTMENT

WASHINGTON, D. C.

18 December 1943.

Dear Mr. Secretary:

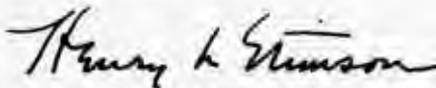
Your appreciation of the assistance rendered by the Army in the Third War Loan is most gratifying, and I want to assure you that you can count upon our maximum cooperation in the coming Fourth War Loan, subject only to those limitations of military necessity which were set forth in General Marshall's directive of December 3.

Your suggestion about liaison officers in each Service Command is a most happy one. One source in each area to which the Treasury Department or the State War Finance Chairman can go to arrange for Army participation in the Drive will insure closer collaboration and more satisfactory overall planning.

I have directed, therefore, that the Commanding General of each Service Command designate a responsible officer for liaison between the Army and the Treasury Department and the State War Finance chairman. I shall appreciate it if you will arrange that all requests for Army cooperation from State War Finance chairmen or from county, city, or community War Finance Committees be made to the Commanding General of the Service Command and not to the local Army commander. The Service Command, through the liaison officer, will then coordinate the participation of personnel or units of the Army Ground Forces, Army Air Forces, and Army Service Forces in War Loan activities.

As soon as I have their names, I shall send you the list of liaison officers. I trust that this arrangement will contribute materially to the success of the Drive.

Sincerely,



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



DEC 17 1943

Dear Henry:

I appreciate the helpful directive issued December 3 on your behalf by General Marshall, and I want you to know that War Finance Committees everywhere in the nation are counting heavily on the generous cooperation it promises for the Fourth War Loan.

Among the five million volunteers who accomplished the sale of upwards of fifty million bonds in the Third War Loan, there is highest praise for the effectiveness of Army shows, bands, equipment, and personnel in presenting to the people an understanding of the costs of war. Now State War Finance Committees are coupling their acceptance of more difficult Fourth War Loan quotas with appeals for even greater War Department participation. Advance inquiries come in daily concerning the appearance of men returned from the fighting fronts and display of captured equipment.

I am convinced that close collaboration with the armed services is more important than any other single element in the framework of the Fourth War Loan. Accordingly, I should like to suggest that you assign an officer from each of the nine Service Commands to the Treasury Department in liaison capacity. I am hopeful that you will find it possible to make this special arrangement.

Sincerely,

(Signed) Henry

The Honorable Henry Stimson  
Secretary of War  
Washington, D. C.

Typed 12/16/43  
HBM:mf

THE SECRETARY OF THE NAVY  
WASHINGTON

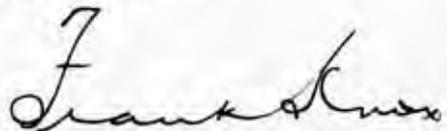
December 18, 1943

My dear Henry:

I have taken steps at once to carry out the request contained in your letter of December 17 relating to the cooperation on the part of the Navy with the Treasury Department in the conduct of the Fourth War Loan.

I have detailed Commander Wallace M. Wakefield as Liaison Officer for the Navy, and I have already issued a directive to all the Commandants to cooperate with your Department in maximum degree.

Yours sincerely,



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

December 18, 1943

MEMORANDUM FOR THE SECRETARY

The attached memorandum "Renegotiation of War Contracts," is a copy of an address given by Carman G. Blough. Although the going may be a little hard in spots, I believe you will find it not very technical. It does not cover the legislation currently under consideration but is a discussion of the general problems of renegotiation.

If you would like further information from him, either orally or in writing, he will be very glad to furnish it.

*Carman G. Blough*

Attachment

RENEGOTIATION OF WAR CONTRACTS 1/Reasons for the need of renegotiation

When the large-scale needs of the government for defense and for the prosecution of the war began to be translated into the issuance of orders for the procurement of defense and war materials, they were in such volume that they completely eclipsed the combined peace-time requirements of both the government and the civilian population for many standard types of products and called for the production of vast quantities of special material never before produced by private concerns. In organizing for this procurement job, the government had to increase its purchasing staff to many times its normal peace-time size. Men experienced in various lines were brought together and charged with the responsibility of purchasing for the government. Many of these men were experienced purchasing agents, but no one had ever had experience in the purchase of many of the types of materials required for the war in large quantities. Many of the manufacturing companies were asked to undertake the manufacture of goods which they had never produced before. It was necessary for many of them to let subcontracts for materials and parts which were unfamiliar to themselves and to the subcontractor alike. Often a contracting company was not well equipped for the job with either machinery or personnel but the job had to be done. Other companies, that have long made particular articles which proved to be necessary and useful to the conduct of the war, were asked to produce them in quantities far in excess of anything they had ever dreamed of. Some companies undertook to do the work with their existing plants; others built new facilities and bought new equipment with their own funds; still others had buildings and equipment furnished to them by the government.

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1/ An address by Carman G. Blough, Chief of the Contract Review Branch, Procurement Policy Division, War Production Board, and War Production Board Representative on all Price Adjustment Boards, at the Wharton School of Finance and Commerce, University of Pennsylvania, November 11, 1943.

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Under these circumstances, everyone concerned knew that the prices fixed for many of the articles were based upon little more than wild guesses as to the costs that would be incurred in the completion of the contract. Others, who had experience in manufacturing the article they were to produce, thought they knew their costs but it turned out that many of them had no idea how greatly their unit costs would be reduced under the great expansion in volume called for by their war contracts. Furthermore, the important thing at the time was to get the goods out so that our men would not have "Too Little, Too Late". It is, then, without criticism of either the contractor or the contracting officer, and merely the inevitable result of the circumstances at the time the contracts were let, that we now find that the profits derived from many war contracts are out of all proportion to those which were to be anticipated at the time the contracts were let, or could be justified in the light of the profits ordinarily flowing from prices fixed by full and open competition.

It must be remembered, in this connection, that these contracts were not placed by competitive bidding. The speed of modern war and the great need of our country for war materials necessitated the elimination of all possible preliminaries to the placing of contracts and the starting of production. The normally simple function of locating satisfactory and adequate sources of supply suddenly became the greatest single procurement problem. Contractors wholly unfamiliar with the production of goods vitally needed by the government had to be induced to undertake risks which they had no means of evaluating. The established method of arriving at fair prices through competitive bidding became suddenly ineffective and dangerously cumbersome for use by the nation already severely wounded by a ruthless enemy. To have required competitive bidding in the face of the demands for speed in the furnishing of war material would have been suicidal to the nation. There was no time for trial runs and time studies; no time for extensive cost computations and analyses, no time to survey sources or costs of the materials. The conditions imposed by the war made fair pricing ahead of production absolutely impossible. The perilous situation created by the attack on Pearl Harbor left no time available for price negotiation even

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if there had been an adequate basis for measuring fair prices. Competition as a force in securing fair prices became wholly ineffective as the urgent war needs far surpassed the current production capacity of the nation. The designs, production operations, even the kinds of materials to be used in the production of a product were often so tentative as to provide little or no basis for computing probably costs. The stated quantities under a given contract and the forecast of total volume for a contractor were often little better than wild guesses as to the quantities ultimately required. Personnel turnover resulting from operation of Selective Service and high wage competition for scarce workers created unpredictable production and cost situations. Established production methods on which costs of many standard products were based became suddenly obsolete and inadequate for the volume of production required under war conditions. Battle experience necessitated sudden major redesigning of many items and complete elimination of others. The result was that these and thousands of other forces set in operation by the war confronted the government with the problem of negotiating fair prices in a noncompetitive market after, rather than before the production of the goods.

Under such circumstances, the ordinary economic laws which tend to keep prices at their proper level and to equalize profits among industries became wholly inoperative.

These exigencies of total war forced a twofold specialization of procurement function as related to both organization and time performance. All procurement agencies with contracting authority were directed primarily at locating competent producers, developing adequate facilities and placing the necessary contracts to get maximum quantities of production underway. In order to harness the total productive facilities of the nation, the paramount question was whether an order had to be placed, and if so, where it should be placed, rather than, what the cost would be in terms of price. Thus prices had to be adapted to bring into production facilities operating at various cost levels including those whose costs for such products were so high that they could not possibly have functioned in a completely competitive situation.

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### What is renegotiation

To assure the establishment of a price to the government which would not result in an unreasonable profit to the contractor under such circumstances, the Renegotiation Law was passed. To administer it, experienced, competent and patriotic businessmen, at considerable financial sacrifice, have been practically drafted by the government. They review the facts with respect to a war contractor's business for the purpose of determining what a fair price for his goods should be in the light of all the circumstances found to exist in connection with the carrying out of his contract and in the light of the costs found to have been required in their performance.

The Renegotiation Law authorizes certain procurement agencies of the government to examine the results of war contractors' operations to determine whether excessive profits have been made or are likely to be made on war contracts and, if so, to ask for a payment to the government from past selling prices of an amount that will remove the excessive profits and, where practicable, a reduction in future prices to the point that excessive profits will not result.

Renegotiation is not new to business men. For years business concerns have entered into contracts with each other which provided for subsequent adjustment of the prices and it has not been uncommon for them to provide for retroactive reductions in prices in case the profits should exceed the anticipated amount. That is precisely what is done in government renegotiation.

Much of the confusion in the public discussions of renegotiation has been due to the fact that it has been referred to, on numerous occasions, as a "super tax". It is not a tax. The law was not designed as a tax law. It has not been set up for administration as a tax law. It is not applicable to those who do not deal directly or indirectly with the government. It is a pricing act, an aid and a supplement to procurement. This statement has, at times, been challenged because many of the companies that are subject to renegotiation have no direct contracts with the government. The Renegotiation Law, to do the job, must apply to companies whose prices enter into the costs of goods ultimately purchased by the government even

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though they may be several steps removed from the government. For example, a starter manufacturer is subject to renegotiation on his sales of starters to the manufacturer of an engine, who in turn attaches the starter to his engine and sells it to a P.T. boat manufacturer, who in turn installs it in a boat which he sells to the government. But the principle involved and the reasons for renegotiation are the same for a subcontractor as for a prime contractor. The pressure for production placed by the government upon the manufacturer of the P.T. boats required him to contract for engines in the same hasty manner, thereby requiring him, in turn, to contract for starters in the same manner. The same lack of knowledge regarding costs and proper prices existed between subcontractors and prime contractor as existed between the prime contractor and the government, and all of the costs of such subcontracts have been cumulated into and become a part of the price paid by the government for its materials of war.

Under renegotiation, the government asks the contractor or the subcontractor to do two things; first, to pay to the government the amount which he has received for the sale of his war goods to the extent that it resulted in excessive profits, and second, where practical, to reduce the selling price of that part of his goods, which will ultimately be paid for by the government, to a figure at which it will not be likely to result in excessive profits.

#### Do fair profits determine fair prices

Objection has been voiced to the determination of the fairness of a price on the basis of the resulting profits. It is readily granted that where competition is effective and there is a free interplay of supply and demand, the buyer usually has little knowledge of the amount of the profit made by his supplier at a given price, but it is also a recognized economic law that, where competition is unimpeded, prices which will produce excessive profits can not long be demanded by a company without inviting sufficient competition to drive the price down to a point where excessive profits will not be made. However, as I mentioned before, in commercial practice contracts often are entered into on a noncompetitive basis between a large customer and one of its regular suppliers under which, after the costs have been determined, the price is to be fixed at an amount that will leave a fair and reasonable profit.

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Does low pricing justify excessive profits

Some contractors have voiced considerable objection to being asked to surrender any of their profits in renegotiation, because their prices are lower than many other producers of the same material for the government. At first blush and applying our customary competitive line of thinking, it does not seem reasonable that Company A, which is able to produce a given article at a cost of \$100 should not be allowed to keep all of the profit it makes if its price is not greater than that which the government is paying to some one else. Suppose, for example, that Company B is making the same product at a cost of \$130 so that it can not sell to the government and be expected to continue to produce unless it receives a price of at least \$135. Company A might then reason that as long as it does not ask more than \$135, it should be permitted to retain the entire \$35 profit without being charged with having made excessive profits. But is that sound reasoning in war time? Company B, with such a cost, would in all probability be driven out of business in a period of free competition. It is only because the government must have B's output that the price of \$135 can possibly be justified. It does not seem right or fair, to me at least, that Company A should be allowed to make profits all out of proportion to its costs merely because the war demands of the government require Company B's output at any price.

Does renegotiation destroy incentives

The charge has been made that renegotiation destroys incentive. Very few of the war contractors whom I know would be willing to admit that when their country is at war and needs their products, the financial reward is that dominant incentive for doing their utmost in the war effort. Assuming for the moment, however, that it is a significant incentive, does renegotiation destroy it? Naturally, no one wishes to surrender anything which he considers to be his. On the other hand, very few contractors want to keep what they think are excessive profits made at the expense of the government at war. Accordingly, anyone who believes that he may have made excessive profits wants some orderly process for repaying to the government what he believes to be excessive.

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The process of renegotiation is one in which representatives of the government, experienced in business, discuss with the contractor and his representatives the various factors involved in the operation of his business. They consider the risks he has taken, his prices in comparison with those of others, the evidences of his demonstrated efficiencies, the trend and nature of his costs, his savings of critical materials, economies in the use of manpower, contributions of ideas, special research and any other factors which they or the contractor think significant. After careful consideration the renegotiation board, unbiased by personal interests in the case and with a wide familiarity with what other contractors have done, will determine the amount which it believes to be excessive profits under the peculiar facts of the individual case. In the course of this appraisal, the representatives of the government give particular attention to those factors which a company's own activities could control. The company that has done its best to control costs, to operate efficiently, develop helpful methods or devices, to assist others to improve war production and in every way has put forth its best to serve the war effort is left with a profit after renegotiation materially greater than is the company which has not done a good job in such respects. This in itself should be a major element of financial incentive to induce a company to put forth its best efforts. It must be recognized that those who make these judgments are human. They may not draw the same distinctions between companies that others might draw. They may undervalue or overvalue some of the factors in comparison with the contractor's own ideas as to their importance. But to whatever extent it is humanly possible for them to do so, they are making such distinctions and rewarding in substantial dollar amounts the superior contributions.

Anyone who, because renegotiation is going to require a refund of part of his sales price, becomes wasteful, careless and otherwise inefficient in production in the belief that an increase of his costs will merely reduce the amount of his refund in renegotiation but will not decrease the profit he can retain, is badly mistaken regarding the attitude of the Price Adjustment Boards. They are determined to penalize

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any company that follows any such practices but they are equally determined to reward a contractor liberally for any benefits he can give to war production by increasing his efficiencies, decreasing his costs, etc. That we believe should add incentive through renegotiation and not destroy it.

### Will taxation do the job

We have often heard in recent months that taxation is adequate to take care of excessive profits. Taxation, if the rates are placed high enough to remove excessive profits in all cases, would truly destroy incentive, for taxes take just as large a proportion of a company's income when it is efficient as they do when it is inefficient. There are no special rewards given by taxation for reducing costs, saving materials and manpower, inventive genius, cooperation with the government, etc. Any rate of tax that is set high enough that it would remove the excessive profits in all cases, would be so high as not to leave a pittance for other companies that may be far more deserving. Tax rates must be applied arbitrarily. No formula that can be developed will distinguish between companies that have put their all into the war effort, have accomplished miracles on small amounts of capital, with no government aid, as compared with the company that has been wasteful and spendthrift, and has continually called upon the government for advances, guarantees of loans, furnishing of facilities, etc. It is only on the basis of human judgments, taking into consideration the pertinent factors, that even a semblance of equity can be done as between two such companies once their prices have been originally fixed at figures which result in excessive profits.

### Profits before taxes

The criticism that the Boards use profits before Federal income or excess profits taxes rather than profits after such taxes, as a basis for determining excessiveness of profits from war business, has often been made. This is the result of a misconception of the function of the Act. The Boards have consistently taken the position that the Renegotiation Act is not a taxing act, but a price adjustment act and that the imposition

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of taxes and the determination of tax rates are functions of Congress, to which it has given expression in other laws. Regardless of the businessman's attitude that income and excess profits taxes are expenses, they are in reality a portion of profits, upon which the Government has a prior claim in accordance with a formula fixed by law. Not only does a taxpayer pay no income or profits taxes when he has no income or profits (as defined by the law) but the relative proportion of profits allocable for such taxes is not the same for all taxpayers. To use profits after income and excess profits taxes as the basis for determining excessive profits would result in favoring one type of contractor in comparison with another, purely because of circumstances which have no necessary relation to procurement nor to factors which in themselves affect efficiency of production. It seems obvious that if two contractors can each produce an article for \$100 we should not pay \$130 for the output of one because he has a low tax base and is therefore in the excess profits tax brackets while we would pay the other one only \$110 for his output because he has a high tax base and pays only normal taxes.

Furthermore, if profits after taxes were the subject of renegotiation, the higher the tax rate the greater would be the cost to the government of war production, and the greater the inflationary effect of procurement on the national economy. The inflationary movement would be particularly affected by the higher prices that would thus be charged by subcontractors.

#### Standard commercial articles

From time to time there has been considerable agitation for the exemption of standard commercial articles from renegotiation. Those who take this position appear to believe that there can be no excessive profits earned from the sale of a product if it is the same as one which was produced during peacetimes and is sold at prices which are no greater than the prices obtained during the pre-war period on a competitive basis, whether kept at that price voluntarily or by O.P.A. ceilings. I should like to give an example to demonstrate that this is not the case.

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The case I have in mind is that of a guage manufacturer who, before the war, sold certain standardized items that were largely made by hand. The industrial demands springing from war activity resulted in the purchase of a large number of his devices by manufacturing companies. Accordingly, this manufacturer was literally flooded with orders totalling many times his pre-war sales. He acquired a little machinery that could be operated economically on the new volume but which he could not have used profitably in making the quantities he had previously produced. The increased volume permitted him to set up lines of production from which he could get the benefits of mass production. As a result, his cost of manufacturing each unit at this time is only a bare fraction of that which it was before the war. The product is identical with the one described in his prewar catalog; it is a standard commercial product, yet he is able to make many many times as much per unit as he had previously made, and in addition, he is making so many more units than he ever made before, that his profits would be tremendous at his old prices. Had he maintained his pre-war price level, how, except by renegotiation, would it have been possible to reduce the costs attributable to the price of these items that ultimately entered into the prices paid by the government for the final product? His sales were not made directly to the government, so government procurement officers could not adjust the prices. His volume was not sufficiently great with any one customer to make it worth while for the customer to put pressure upon him for reduced prices; indeed with competition suspended, there is no good way for a customer to put on pressure. Are we to say that this man is entitled to all he can make at his prewar prices when the sole reason he has such increased profits is the reduction of costs because of the large demands of the Government for war materials?

#### Possibility of accurate forward pricing

While the general state of flux immediately following Pearl Harbor made close pricing ahead of production virtually impossible the opportunities for doing so are now increasing somewhat. Where it is practicable to do so, close pricing at the time the contract is made, is far less burdensome to both the contractor and the government and is economically desired by both. The Price Adjustment Boards actively encourage this development at every opportunity

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and where the conditions are such that it is clear at the time the contract is let that it will not produce excessive profits, they favor the writing of nonrenegotiable contracts.

However, the inability to price closely on a noncompetitive basis at the time the contract is let was not limited to the circumstances immediately following Pearl Harbor and it is not at all likely that the need for renegotiation will disappear during the war.

There will probably be many cases of excessive profits in the future, for battle experience still requires many major changes in designing; accumulated experience makes possible major improvements in production methods and techniques when time permits their installation; sudden changes in strategy result in major cut backs and increases in many items of combat material; and a gradual tapering off of the war over a period of months or years as commonly expected would create volume conditions pretty much in reverse of those at the beginning of the war. Accurate cost estimates and close pricing is far more dependent upon accurate forecasts of the volume of operations than is generally realized and these may err on the high side from now on as much as they did on the low side in the earlier days. This, contractors will attempt to protect themselves from by making more liberal estimates of costs than they think will prove to be the case. Furthermore, it is extremely difficult for government contracting officers to bring pressure to bear upon subcontractors for reductions in their prices, particularly when such subcontractors sell substantial quantities of the same product to civilian demand.

### Conclusion

There is much more I should like to say, but time will not permit. Even those who firmly support renegotiation, recognize that it has many weaknesses; that there are possibilities of serious injustices under it; that Price Adjustment Board members are bound to make errors in judgment at times; nevertheless, they believe there is an important job to be done and that this is the best method proposed to date for doing it. Congress and the public will not stand for the repeal of renegotiation

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until something else is designed to do the job. American business does not want to make excessive war profits, and it would be ill-advised to try to do so if it did. Our Nation is at war: Our aims are lower prices for war products so as to prevent, to some little degree, the upward spiral of inflation and the placing of heavier tax burdens upon the people. War is injustice: How can we hope for complete justice in its midst. If business men would study their costs and, as soon as they know them, would get their prices down to what they would be willing to take under serious competitive conditions with the same volumes of production, renegotiation would cease to be an important factor in the business life of our country over night.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

DEC 18 1943

TO Secretary Morgenthau  
FROM Randolph Paul

Pehle spoke to Collado on Saturday, December 18 and obtained the following information regarding Argentine freezing:

- (1) Collado said that the responses from the five countries were about what he had expected except that the Peruvian one was somewhat more favorable.
- (2) There are now being cleared through State for discussion with Treasury several documents with regard to Argentine freezing, including the following:
  - (a) A proposed aide memoire to the British asking the British whether they would be prepared to take parallel action in freezing Argentina.
  - (b) A cable to Armour giving specific instructions to see what specific guarantees the Argentine Government is willing to give.
- (3) Collado said that Simon, who is the financial man attached to the British Embassy in BA, had recently been in Washington on his way to London and had stopped in at the State Department along with Guy Thorold of the British Embassy. Collado said both Simon and Thorold expressed strong conviction that no action should be taken against Argentina.
- (4) Collado said that he was urging that Secretary Hull discuss the Argentine freezing matter with Lord Halifax.
- (5) Collado said that he felt that the people in the State Department were less inclined to take action against Argentina than they were a month ago despite the fact that he admitted that the present Argentine Government was growing in strength and that there was less opposition than ever to the new regime. He also mentioned that the people in the State Department were disturbed about the recent column by Drew Pearson on Argentina.

December 18, 1943

MEMORANDUM FOR THE PRESIDENT

You have spoken of the request of Generalissimo Chiang-kai-Shek for an additional \$1 billion of financial aid to China to be used to help control inflation and for postwar reconstruction.

I

The facts regarding inflation in China and the possibility of its control through the use of dollar resources are as follows:

Inflation in China, as you well know, arises from the grave inadequacy of production for war needs and essential civilian consumption. Supplies have been drastically reduced by enemy occupation and the cutting off of imports except the small amounts that come by air or are smuggled from occupied territory.

The Chinese Government cannot collect sufficient taxes or borrow from the people in adequate amounts. As a consequence, the Government has been issuing 5.5 billion yuan a month, twice the rate of a year ago.

The official exchange rate for yuan is now 5 cents; before China entered the war it was 30 cents. The open market rate for yuan in U. S. paper currency is one cent and in terms of gold one-third of a cent.

You have suggested the possibility of our selling dollar currency for yuan to be resold to China after the war at no profit to us. No doubt something could be done to alleviate inflation through the sale of gold or dollar currency in China. I have received the following message from Dr. Kung dated December 14:

"You will be pleased to hear that the recent gold shipment is one of the outstanding factors contributing to the strengthening of fapi, because people believe that the arrival of gold has in-

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decreased the much needed reserve of our currency, thereby influencing the stability of prices. The action of the United States Government re-affirms to the Chinese people that, despite difficulties arising from the blockade and the cumulative effects of over six years of war against the invasion, China has a powerful friend desirous of strengthening China's economy as conditions permit."

However, while something could be done to retard the rise in prices, the only real hope of controlling inflation is by getting more goods into China. This, you know better than I, depends on future military operations.

## II

China has tried two similar monetary remedies for alleviating inflation without marked success.

1. The Chinese Government issued and sold dollar securities for yuan, setting aside \$200 million of the aid granted by this country for the redemption of the securities. (These securities were sold at exorbitant profit to the buyers. For instance, a person holding \$100 in U. S. currency could have quadrupled his money in less than two years by selling the currency for yuan on the open market and buying the dollar securities issued by the Chinese Government.) I believe that the program made no significant contribution to the control of inflation.

2. The Chinese Government has recently been selling gold at a price in yuan equivalent to \$50 an ounce, about fifteen times the official rate. We have shipped to China more than \$10 million of gold and they have sold about \$2 million of gold for yuan. This program has not been tried sufficiently to warrant any definite conclusion as to its possible effect.

China now has \$400 million of unpledged funds in the United States and is getting about \$20 million a month as a result of our expenditures. China could use these funds in selling gold or dollar assets for yuan, although in my opinion such schemes in the past have had little effect except to give additional profits to insiders, speculators and hoarders and dissipate foreign exchange resources that could be better used by China for reconstruction.

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Under the circumstances, a loan to China for these purposes could not be justified by the results that have been obtained. It is my opinion that a loan is unnecessary at this time and would be undesirable from the point of view of China and the United States. Large expenditures on ineffective measures for controlling inflation in China would be an unwise use of her borrowing capacity which should be reserved for productive uses in other ways. On reconstruction, it is too soon for us to know the best use or the best form of the aid we might give to China.

#### Recommendations

For the past five years I have had a deep admiration for the valiant fight that the Chinese people, under the leadership of Chiang-Kai-Shek, have waged against Japanese aggression. Therefore, I am in complete sympathy with your position that no stone be left unturned to retard the rise in prices. Using the tools we have at hand, I recommend the following:

1. All U. S. expenditures in China, currently \$400 million yuan a month and rising rapidly, be met through the purchase of yuan with gold or dollar currency at whatever price we can get them for in the open market. This is equal to more than 10 percent of the present rate of issue.

2. Accelerate the shipment of gold purchased by China to twice the amount we have previously planned to send. It should be possible to raise gold shipments from \$6 million a month to about \$12 million. At the present price for gold in the open market this would be equal to the present 3.5 billion of yuan currency that is being issued.

The impact of this two-fold program should contribute to retarding inflation, always bearing in mind that the basic reason for inflation in China is the shortage of goods.

# TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

Secretary Morgenthau

DEC 18 1943

Randolph Paul

You will recall that late in August, with your approval, Foreign Funds Control authorized the American Jewish Joint Distribution Committee at its urgent request to send a message to Miss Laura Margolis or Mr. Manuel Siegel, its Shanghai representatives, to determine whether they could utilize an authorization to borrow locally up to \$40,000 a month to carry on relief activities among refugees in Shanghai. This message was cabled to Adler through State Department facilities with the request that he secure the assistance of the Chinese Government in the delivery of the message. Adler reported on November 17 that the message had been sent out but that he had no information as to whether it reached its destination. Accordingly, he arranged to have the message sent forward again.

Miss Laura Margolis recently returned to the United States on the "Gripsholm" and expressed great concern over the possible harm that might result to Manuel Siegel if the above-mentioned message were delivered to him in the Japanese concentration camp where he is now interned. In view of this, and at the request of the J.D.C., Adler was requested to take no further steps to deliver the message.

The J.D.C. has now asked for a license to send a message, directly through commercial channels, to the International Red Cross Delegate in Shanghai, requesting him to notify the J.D.C. Committee in Shanghai that it is empowered to borrow the local currency equivalent of 110,000 Swiss francs per month for a period of twelve months to carry on relief work among the 10,000 refugees located in Shanghai. The repayment in Swiss francs of the local currency borrowed could not be made by the J.D.C. except with a license from the Treasury Department; the procedure which would be followed is similar to that which the Shanghai office of the J.D.C. has been following since the United States entered the war. The International Red Cross Delegate has indicated to Miss Margolis his willingness to supervise the expenditure of any funds which the J.D.C. might obtain.

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Unless you have some objection, Foreign Funds Control  
is prepared to issue an appropriate authorization to the J.D.C.  
and such a message to the International Red Cross Delegate  
in Shanghai. Because of the urgency of the matter and in order  
to avoid undue delays, we do not plan to raise this question  
with the State or the British.



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DEC 18 1943

My dear Senator:

This is in reply to your letter of December 11, 1943, regarding the tentative proposal for an International Stabilization Fund and inquiring whether up to date any such work has been done by the United States.

The United States exchange stabilization fund has entered into stabilization agreements with some friendly countries. Under these agreements, part of the United States exchange stabilization fund may be used to acquire the local currency of the country with whom the agreement is made when such purchases are necessary to stabilize the dollar rate of exchange. The agreements provide that the holdings of such local currency and the interest on the holdings will be repurchased at the same rate at which the currency was acquired. The country with whom the stabilization agreement is made also undertakes not to change the dollar exchange rate without consulting the Treasury.

As I have reported annually to the President and to the Congress, we have made such stabilization agreements, including gold sale or gold purchase agreements, with 10 countries. At the present time all local currencies acquired under such agreements have been repurchased. The following agreements are still in force:

- Brazil - To sell gold for dollars at the price fixed by law.
- Cuba - To sell gold for dollars at the price fixed by law, payment to be made within 120 days of the sale of gold, but not more than \$5 million to be unpaid for at any one time.
- Ecuador - Up to \$5 million of the exchange stabilization fund to be used to acquire Ecuadoran sucres. No operations have been undertaken under this agreement.
- Iceland - Up to \$2 million of the exchange stabilization fund to be used to acquire Icelandic kromr. No operations have been undertaken under this agreement.

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Liberia - Up to \$2 million of British silver coin circulating in Liberia to be replaced with United States coin. Practically all of the British coin in Liberia has now been replaced and the exchange stabilization fund holds \$604,000 of such coin. Arrangements have been made for the sale of such coin for dollars to the British Treasury.

Mexico - Up to \$40 million of the exchange stabilization fund to be used to purchase Mexican pesos. The agreement still awaits ratification, and no operations have been undertaken under this agreement.

The problem of currency stability after the war is an international problem of such broad scope that it can be most satisfactorily dealt with only through international cooperation. We have tried, therefore, in the tentative proposal for an International Stabilization Fund, to extend the technique and principles of our stabilization agreements, and to apply them to all of the United Nations. Under this proposal, all of the United Nations would undertake to avoid competitive currency depreciation and discriminatory exchange practices. To help maintain exchange stability, member countries would contribute resources to the Fund which would be available for sale to member countries, under adequate safeguards, while they work out satisfactory programs for restoring balance in their international accounts. Local currency holdings of the Fund would be guaranteed against exchange depreciation in terms of gold.

The essential feature of the International Stabilization Fund is its multilateral character. All countries would contribute resources to the Fund and these resources would be used to help maintain stable exchange rates. In addition, member countries would undertake to fix the parity of their currencies in terms of gold, not to change those parities except after consultation with or approval by the International Stabilization Fund, and not to enter into new bilateral clearing arrangements or use multiple currency devices except with the approval of the Fund. These are the international monetary policies the United States has followed for more than ten years, and they are the policies we hope to see all of the United Nations adopt through membership in the International Stabilization Fund.

It is the opinion of the Treasury staff that the problem of competitive currency depreciation is fundamentally international

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in character and can be best solved through international cooperation. If an International Stabilization Fund, or a similar agency, is established by the United Nations, we may leave the solution of this and other international monetary problems to such an agency. However, if an international agency is not established, this country may find it necessary to take steps to protect our economy from the effects of competitive currency depreciation. In this connection it may be found desirable to enter into stabilization agreements with some countries through the exchange stabilization fund.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Hugh Butler,  
United States Senate,  
Washington, D. C.

EMR:lr 12/17/43

SENATORS: H.A. CHAMBERLAIN, GEORGE L. BROWN, MISS. GEORGE W. JENNINGS, CALIF. JOHN THOMAS, IOWA. HENRY A. HUTLER, MISS.

# United States Senate

COMMITTEE ON IRRIGATION AND RECLAMATION

ARTHUR BARTAN, CLERK

December 11, 1943

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

Dear Mr. Morgenthau:

I have been quite interested in studying over the confidential material, mailed to each member of the Banking and Currency Committee recently, with reference to a plan to stabilize currency on an international basis, following the close of the war.

In this connection, I wish to ask if any work of this kind has been done up to date? Has the currency of any of our friendly Allies been strengthened with financial assistance of the United States up to date? If so, will you please give me the information as to the country and the amount of the expenditure or guarantee on the part of the United States?

It will undoubtedly be necessary for a number of the nations to reorganize their currency, as it is also possible that we may have to take part in that work as well as in the war itself.

Yours very truly,  
*Hugh Butler*  
Hugh Butler, USS

HB jm

P.S. It may be that the Treasury Department has plans for some such program with reference to particular countries for the near future, whether action is taken by Congress or whether the war is completed or not. If such plans are contemplated I would appreciate the information.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

DEC 18 1943

TO Secretary Morgenthau  
FROM Mr. O'Connell

The attached resolution introduced by Congressman Dewey on December 16, provides for the creation of a Board of Governors whose principal function would be to control the contributions of the United States to the International Stabilization Fund, the Bank for Reconstruction and Development, and the United Nations Relief and Rehabilitation Administration. This Board of Governors will be composed of a Chairman appointed by the President, two members from the State Department, two from the Treasury, two from the Reconstruction Finance Corporation, two from the Board of Governors of the Federal Reserve System, two Congressmen, and two Senators.

The resolution would establish a Central Reconstruction Fund consisting of three separate accounts as follows:

1. A revolving fund account to consist initially of \$500 million transferred from the Stabilization Fund;
2. An administration account consisting of appropriations for administrative expenses; and
3. A United Nations Rehabilitation account, consisting of money appropriated for United States participation in the United Nations Relief and Rehabilitation Administration.

The Board is authorized to participate with other governments in the extension of short, intermediate, and long-term credits out of the revolving fund account. Participation may be up to 50 percent of the total cost of a particular extension of credit. The government receiving the credit must permit supervision by a representative of another government which

participates in the undertaking. The Board may terminate, assign or sell its participation at any time. This revolving fund appears to be a substitute for direct contributions by the United States to the International Stabilization Fund and the Bank for Reconstruction and Development.

With respect to relief and rehabilitation activities, funds may be used only upon the approval of the Board of Governors, except that disbursements of less than \$1 million may be made by the Chairman with the approval of an Executive Committee. Apparently each individual relief operation is to be passed upon by the Board.

The resolution authorizes the appropriation of necessary funds and provides that Congress may make additional transfers from the Stabilization Fund to the revolving fund account.

It seems clear that the intention of the resolution is to substitute for direct participation in the three international organizations, the placing of funds under the jurisdiction of a Board of Governors composed entirely of citizens of the United States, some of whom will be members of Congress. This Board will pass upon each transaction involving funds to be contributed by the United States, whereas the plans for these organizations contemplate that the contribution of each government will be administered by the organization itself. Accordingly, the resolution is inconsistent with the agreement establishing the United Nations Relief and Rehabilitation Administration, and the plans for an International Stabilization Fund and a Bank for Reconstruction and Development.

In contrast to the resolution introduced by Congressman Dewey is the attached bill introduced by Congressman Patman on the same day. Mr. Patman's bill is a simple one approving in principle the participation by the United States in a United Nations Bank for Reconstruction and Development.

*Joseph J. O'Connell*

78TH CONGRESS  
1ST SESSION

## H. J. RES. 207

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### IN THE HOUSE OF REPRESENTATIVES

DECEMBER 16, 1943

Mr. DEWEY introduced the following joint resolution; which was referred to the Committee on Foreign Affairs

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## JOINT RESOLUTION

To provide for a central reconstruction fund to be used in joint account with foreign governments for rehabilitation, stabilization of currencies, and reconstruction, and for other purposes.

1     *Resolved by the Senate and House of Representatives*  
2     *of the United States of America in Congress assembled,*

3                                 NECESSITY FOR LEGISLATION

4     SECTION 1. Because of the need for coordinated and  
5     efficient participation by the United States in activities among  
6     the United Nations and the nations associated with them  
7     in the present war, with respect to rehabilitation, currency  
8     stabilization, and the extension of long-term credits for  
9     reconstruction purposes, the enactment of this joint resolution  
10    is necessary.

## DEFINITIONS

SEC. 2. As used in this joint resolution—

(1) The term "fund" means the central reconstruction fund provided for in this joint resolution.

(2) The term "Board" means the Board of Governors of the fund.

(3) The term "executive committee" means the executive committee of the fund.

## CENTRAL RECONSTRUCTION FUND

SEC. 3. There is hereby established a central reconstruction fund which shall be administered as provided in this joint resolution. There shall be in the fund three accounts as follows:

(1) A revolving fund account, which initially shall consist of \$500,000,000 assigned and transferred to such account from the stabilization fund which is at present under the direction of the President of the United States; and such other amounts as may be hereafter appropriated thereto, or assigned and transferred from the said stabilization fund.

(2) An administration account, which shall consist of amounts hereafter appropriated for administrative expenses incident to carrying out the provisions of this joint resolution.

(3) The United Nations rehabilitation account, which shall consist of all moneys appropriated for participation by

the United States in the rehabilitation work of the United Nations Relief and Rehabilitation Administration.

## PARTICIPATION IN JOINT ACCOUNT UNDERTAKINGS

SEC. 4. (a) The Board of Governors of the fund, established by section 6 of this joint resolution, through its Chairman, may use the amounts in the revolving fund account to participate, in joint account, to the extent of not more than 50 per centum of the total cost in the case of any one risk, with any other government or governments (or with any duly authorized agent or agents thereof) for the purpose of promoting the economic welfare of any nation through (1) extensions of short-term and intermediate credit for financing seasonal operations, and/or support of currencies when under speculative or economic pressure, or (2) extensions of long-term construction or wealth-developing credits.

(b) Such action shall be taken by the Board upon such terms and for such period or periods as may be agreed upon, but only if the general purpose of the extension of credit is for sound economic objectives, and only if the government receiving the credit will authorize the supervision of the use of the credit by a representative of a government participating in the joint undertaking, other than its own representative.

(c) The Board is authorized and empowered to assign, sell, or terminate its participation in any such undertaking, in whole or in part, upon such terms as the Board may deem to be to the best interests of the United States and otherwise equitable.

LIMITATIONS ON USE OF UNITED NATIONS REHABILITATION ACCOUNT

SEC. 5. No moneys shall be loaned, granted, or otherwise disbursed from the United Nations rehabilitation account without the approval of the Board; except that in the case of a project the total cost of which will not be in excess of \$1,000,000, loans, grants, or disbursements may be made therefrom upon the recommendation of the Chairman with the approval of the executive committee of the fund, established by section 7 of this joint resolution. All loans, grants, or disbursements in the case of a project the total cost of which will be in excess of \$1,000,000 shall be approved by the Board, and only approved if the purpose for which they are to be made is consistent with the purposes and objectives of this joint resolution.

BOARD OF GOVERNORS

SEC. 6. (a) There shall be a Board of Governors of the fund, to be composed as follows:

(1) One member, who shall be Chairman of the Board;

to be appointed by the President by and with the advice and consent of the Senate.

(2) Two officers or employees of the State Department, to be appointed by the Secretary of State.

(3) Two officers or employees of the Treasury Department, to be appointed by the Secretary of the Treasury.

(4) Two directors of the Reconstruction Finance Corporation (one from each of the two major political parties) to be appointed by the Chairman of the Board of Directors of the Reconstruction Finance Corporation.

(5) Two Members of the United States Senate (one from each of the two major political parties) to be appointed by the President of the Senate.

(6) Two Members of the House of Representatives (one from each of the two major political parties) to be appointed by the Speaker of the House of Representatives.

(7) Two members of the Board of Governors of the Federal Reserve System (one from each of the two major political parties) who shall be appointed by the Chairman of such Board of Governors.

(b) The initial term of office of one member of each group specified in paragraphs (2) to (7), inclusive, of the foregoing subsection shall be four years, and the initial term of office of the other member in each such group shall

1 be two years; and thereafter each such member shall be ap-  
 2 pointed for a term of four years. The term of office of  
 3 the Chairman of the Board shall be four years.

4 (e) There shall also be a First Vice Chairman and a  
 5 Second Vice Chairman of the Board, to be appointed by  
 6 the President, by and with the advice and consent of the  
 7 Senate, for a term of four years.

8 (d) The Chairman of the Board of Governors shall  
 9 be paid a salary at a rate equal to that of Cabinet officers,  
 10 and the two Vice Chairmen shall each receive a salary  
 11 at a rate equal to that of an Under Secretary of an executive  
 12 department. The other members of the Board shall not  
 13 receive any salary for their services as members of the  
 14 Board of Governors, but shall be reimbursed for travel,  
 15 and subsistence expenses incurred in the performance of  
 16 their duties as members of the Board.

17 (e) The President may remove from office the Chair-  
 18 man of the Board, or either of the Vice Chairmen thereof,  
 19 for any cause deemed sufficient by him.

20 (f) The First Vice Chairman of the Board shall serve  
 21 on the Board as Chairman thereof in the absence of the  
 22 Chairman and the Second Vice Chairman of the Board shall  
 23 serve on the Board as Chairman thereof in the absence of  
 24 both the Chairman and the First Vice Chairman, but neither  
 25 of such Vice Chairmen shall serve as members of the Board

1 under any other circumstances. Such Vice Chairmen shall,  
 2 however, perform such other duties in connection with the  
 3 activities of the fund as may be directed by the Board.

4 (g) The Chairman of the Board shall also act as the  
 5 principal executive officer of the fund. In his absence the  
 6 First Vice Chairman shall act as the principal executive  
 7 officer of the fund, and in the absence of both the Chairman  
 8 and the First Vice Chairman the Second Vice Chairman  
 9 shall act as the principal executive officer of the fund.

10 (h) A vacancy in the office of any member of the  
 11 Board or other officer referred to in this section shall be  
 12 filled in the same manner as the original appointment, and  
 13 the person appointed to fill the vacancy shall be appointed  
 14 for the unexpired term of his predecessor.

15 (i) The Board shall meet on the fourth Tuesday of  
 16 each month in the offices of the fund, at 9:30 antemeridian,  
 17 and may hold special meetings at other times on call of the  
 18 Chairman. A quorum of the Board, for the transaction of  
 19 business, shall consist of eight members. In the transaction  
 20 of business action may be taken by a simple majority of  
 21 the Board, but only if at least two of the members present  
 22 are Members of Congress. Neither the Chairman of the  
 23 Board nor the Vice Chairman thereof shall be entitled to  
 24 vote in the proceedings of the Board except in the case of

1 a tie vote, or be counted for the purpose of determining  
2 whether a quorum of the Board is present.

### 3 EXECUTIVE COMMITTEE

4 SEC. 7. (a) There shall be an executive committee of  
5 the fund, which shall consist of—

6 (1) the Chairman of the Board, who shall be  
7 chairman of the executive committee;

8 (2) one member of each of the groups specified  
9 in paragraphs (2) to (7), inclusive, of section 6 (a),  
10 such members to serve on the executive committee for  
11 terms of six months;

12 (3) the senior executive officer of each of the  
13 main divisions of the organization of the fund.

14 (b) In the absence of the Chairman, the First Vice  
15 Chairman of the Board shall act as chairman of the executive  
16 committee, and in the absence of both the Chairman and the  
17 First Vice Chairman the Second Vice Chairman shall act as  
18 chairman of the executive committee. Such Vice Chairmen  
19 shall not serve on the executive committee under any other  
20 circumstances.

21 (c) The executive committee shall meet on the first  
22 three Tuesdays of each month in the offices of the Fund at  
23 9:30 antemeridian. A quorum of the executive committee  
24 for the transaction of business shall consist of half of its mem-

1 bership, but only if at least one Member of Congress is  
2 present. In the transaction of its business, the executive  
3 committee may act by a simple majority. The chairman of  
4 the executive committee shall have the power to vote on  
5 all matters.

6 (d) The chairman of the executive committee is au-  
7 thorized to appoint subcommittees thereof to study, with  
8 representatives of other governments, projects with respect  
9 to which joint account undertakings are proposed, and for  
10 the preparation of reports with respect to such projects.

### 11 AUTHORITY TO BORROW FOR REVOLVING FUND ACCOUNT

12 SEC. 8. The Board is authorized to borrow from the  
13 Treasury of the United States for emergency purposes for  
14 the revolving fund account, in any fiscal year, amounts not  
15 in excess of 10 per centum of the amounts appropriated to  
16 such account for such year, and amounts so borrowed shall  
17 be repaid to the Treasury from the appropriation made to  
18 such account for the following fiscal year.

### 19 COOPERATION OF OTHER AGENCIES OF GOVERNMENT

20 SEC. 9. All departments and agencies of the Federal  
21 Government shall cooperate with the fund in making avail-  
22 able to the fund, and to the officers and employees thereof,  
23 such statistical, economic, and other information possessed by

1 such departments and agencies as may be useful for purposes  
2 of carrying on the activities of the fund.

3 PERSONNEL

4 SEC. 10. (a) Except as provided in subsection (b),  
5 the executive committee shall appoint all employees necessary  
6 for the carrying on of the activities of the fund. Technical  
7 advisers and other experts may be appointed without regard  
8 to the civil-service laws, and their compensation may be fixed  
9 by the executive committee without regard to the Classifica-  
10 tion Act of 1923, as amended. Except as provided in sub-  
11 section (b), all other employees shall be appointed in accord-  
12 ance with the civil-service laws, and their compensation shall  
13 be fixed in accordance with the Classification Act of 1923,  
14 as amended.

15 (b) The Board may appoint persons whose services  
16 may be required to investigate, or to supervise the perform-  
17 ance of, any undertaking of the fund. Such persons shall  
18 be responsible to the Board, and shall make such reports  
19 as may be required. Such persons shall be appointed from  
20 a list of nominations made to the Board by the chairman  
21 of the executive committee. The Board may appoint such  
22 persons without regard to the civil-service laws, and fix  
23 their compensation without regard to the Classification Act  
24 of 1923, as amended.

1 ACCOUNTING DEPARTMENT AND OTHER DEPARTMENTS AND  
2 DIVISIONS

3 SEC. 11. (a) The Board shall maintain an Accounting  
4 Department of the fund, which shall at all times maintain  
5 complete and accurate books of account with respect to all  
6 the operations of the fund. All decisions and acts of the  
7 Accounting Department, when approved by the Board, shall  
8 be final and conclusive and shall not be subject to review  
9 by any other department, agency, or officer of the Govern-  
10 ment.

11 (b) The Accounting Department shall publish semi-  
12 annual reports of all operations of the fund, and such reports  
13 shall be sent to the President, the President of the Senate,  
14 the Speaker of the House of Representatives, the head of  
15 each executive department and each Member of Congress.

16 (c) The Accounting Department shall have a Historical  
17 Division, which shall keep such records as may be neces-  
18 sary for the making, by the Accounting Department, of the  
19 reports above referred to, including a complete record of all  
20 the undertakings of the fund, both those accepted and those  
21 rejected. The Historical Division shall also prepare a record  
22 of, and make available to the public, information as to such  
23 economic and financial items as may be of assistance to  
24 private capital, industry, and agriculture in the United States.

1 (d) The Board shall establish such other departments  
2 and divisions of the fund as it may deem necessary and shall  
3 assign duties and functions to each department and division  
4 so established.

5 APPROPRIATIONS; BUDGET ESTIMATES

6 SEC. 12. There are hereby authorized to be appro-  
7 priated, out of any money in the Treasury not otherwise  
8 appropriated, to each of the accounts in the fund specified in  
9 section 3, such amounts as may be necessary: *Provided, how-*  
10 *ever,* That Congress may make additional transfers from the  
11 stabilization fund at present under the direction of the Presi-  
12 dent of the United States, to the revolving fund account.  
13 The Board of Governors shall annually prepare for submis-  
14 sion to the Congress a budget estimate of the amounts required  
15 for the purposes for which such accounts are to be used.

78TH CONGRESS  
1ST SESSION

# H. R. 3854

## IN THE HOUSE OF REPRESENTATIVES

DECEMBER 16, 1943

Mr. PATMAN introduced the following bill; which was referred to the Committee on Banking and Currency

## A BILL

To amend the Federal Reserve Act, for the purpose of authorizing participation by the United States in the establishment of a United Nations Bank for Reconstruction and Development.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*  
3 That the Federal Reserve Act, as amended, is amended by  
4 adding after section 25 of such Act, as amended (U. S. C.,  
5 1940 edition, title 12, secs. 611-631), a new section as  
6 follows:

7 "SEC. 25A. The Congress expresses itself as favoring  
8 the establishment by the United Nations, and the nations  
9 associated with them, of an international agency to aid in

78TH CONGRESS  
1st Session

## H. J. RES. 207

### JOINT RESOLUTION

To provide for a central reconstruction fund to be used in joint account with foreign governments for rehabilitation, stabilization of currencies, and reconstruction, and for other purposes.

By Mr. Dwyer

December 16, 1943

Referred to the Committee on Foreign Affairs

1 meeting the problem of supplying capital for use in pro-  
2 moting industrial, agricultural, and commercial rehabilitation  
3 and development of and among such nations during the post-  
4 war period. With this objective in view the President is  
5 authorized to enter into an agreement or agreements with  
6 foreign governments for the establishment of a United  
7 Nations Bank for Reconstruction and Development with an  
8 authorized capital of approximately \$10,000,000,000, to  
9 be organized, and to have powers, substantially in accord-  
10 ance with the tentative proposal submitted to the Committee  
11 on Banking and Currency of the House of Representatives  
12 by the Secretary of the Treasury on November 22, 1943;  
13 and there is hereby authorized to be appropriated such  
14 amounts as may be necessary to enable the United States  
15 to subscribe for such number of shares of such Bank as may  
16 be appropriate, taking into account the national income and  
17 international trade of the United States and other relevant  
18 factors."

NOT TO BE RETRANSMITTEDCOPY NO. 17BRITISH MOST SECRET  
U.S. SECRETOPTTEL NO. 412

Information received up to 10 a.m. 18th December, 1943.

1. NAVAL

One of H.M. Submarines patrolling off South Coast of France has sunk two 500 ton ammunition ships. Early yesterday morning enemy ships shelled Bastia Harbour without causing damage. On 16th off Oran two U.S. Destroyers sank a U-Boat which had previously torpedoed a U.S. ship (since reached Port) in a West-bound convoy. Seven officers including the Captain and 27 ratings taken prisoner.

2. MILITARY

Italy. In the Adriatic Coastal Sector Eighth Army have further improved their positions; more enemy counter-attacks beaten off and some enemy tanks destroyed. On Fifth Army Front allied troops have made some progress in the face of stubborn resistance.

New Britain. Now confirmed that U.S. Forces who landed Arawe on 15th are firmly established and are advancing inland with infantry and tanks. Ground casualties reported light and no ships or aircraft lost.

3. AIR OPERATIONS

Western Front. 16th/17th. Berlin 788 tons H.E. and 796 tons incendiaries dropped including 338 4,000 lb. bombs revised casualties:- 25 aircraft missing and 29 crashed in U.K. resulting in 131 fatal casualties. Four enemy aircraft destroyed.

Military Constructions Abbeville. 154 tons H.E. dropped including nine 12,000 lb. bombs. Weather clear bombing appeared well concentrated, two very large flashes seen followed by vivid bluish explosions. 17th. Thirteen Typhoon Bombers and seven R.F. Hurricanes attacked Military constructions in North East France.

Austria. 15th escorted fortresses dropped 141 tons at Innsbruck Railway Centre.

4. ITALY

16th. Escorted heavy bombers dropped 315 tons on railway and other objectives at Padua and Dogna. Light bombers destroyed or damaged two ships in Civitavecchia Harbour. 350 light and fighter bomber sorties were flown over the battle area.

Yugoslavia. 16th medium and fighter bombers dropped 140 tons on Sebenik and Zara Harbours; five ships were hit of which one sank and another blew up.

TREASURY DEPARTMENT

1943 DEC 20 AM 9 44

Regraded Unclassified

NOT TO BE RE-TRANSMITTEDCOPY NO. 12BRITISH MOST SECRET  
U.S. SECRETOPTEL No. 413

Information received up to 10 A.M., 19th  
December, 1943.

1. NAVAL

One of U.M. Submarines yesterday sank a 5,000  
ton tanker in convoy in the GULF OF GENOA.

2. MILITARY

ITALY. To noon 18th. 8th Army. In coastal  
and central sectors, heavy fighting has continued.

5th Army. CERASUOLO captured and MONTE  
PAMIANO cleared. Enemy have broken contact east of SAN  
PIETRO. Very active patrolling on whole U.S. and French  
sectors.

3. AIR OPERATIONS

WESTERN FRONT. 18th. 12 escorted Beaufighters  
attacked and severely damaged the S.S. PIETRO GIBBOLO, a  
6,000 ton blockade runner off LORIENT.

4. HOME SECURITY

18th/19th. 1 aircraft dropped 5 bombs near  
SEVEN OAKS, temporarily blocking main Southern Railway  
line and damaging overhead electric cables. No casualties  
reported.

TREASURY DEPARTMENT

DEC 20 PM 2 35

SECRETARY OF THE TREASURY

Regraded Unclassified

12/19/48

D. W. Bell  
Secretary Morgenthau

Will you try to find out what steps, if any,  
Stimson takes to straighten out the matter of selling  
War Bonds to soldiers overseas.

*Mr. Bell talked  
to King*

December 20, 1943  
9:21 a.m.

Operator: Secretary Morgenthau.

HMJr: Hello.

Lt.Col.B.  
Heckemeyer: Good morning, Mr. Secretary. This is Colonel Heckemeyer.

HMJr: Good morning. Colonel, in regard to the Argentine....

H: Yes, sir.

HMJr: I don't know whether the General is familiar with the fact that every Tuesday morning Mr. Stimson and Mr. Knox meet with Mr. Hull.

H: Yes, sir.

HMJr: And I'm drawing that to his attention and that might be a good way, through Mr. Stimson, to bring something to Mr. Hull's attention on the Argentine.

H: I see, sir. Well, I'll tell the General this.

HMJr: Will you?

H: I don't think he knew it before.

HMJr: What's that?

H: I say, I'm sure he didn't know it before.

HMJr: Well, that would -- through Stimson to Hull would be every Tuesday morning, they meet.

H: Every Tuesday morning?

HMJr: Yep.

H: All right, Mr. Secretary.

HMJr: Hull, Knox.....

H: Hello?

HMJr: They meet -- the three of them meet every Tuesday morning.

- 2 -

H: All right, sir. Well, I'll get that information to the General....

HMJr: Yes.

H: ....and he'll probably work through Mr. Stimson now.

HMJr: Yeah. And if he's going to do it, let's do it tomorrow morning.

H: All right, sir.

HMJr: Not mañana, mañana but just mañana.

H: All right, sir.

HMJr: All right.

H: Thank you very much, sir.

HMJr: Bye.

H: Bye, bye.

December 20, 1943  
10:43 a.m.

HMJr: Oscar?

Oscar  
Cox: Yes, Mr. Secretary.

HMJr: If you want to hear some good news, you couldn't  
wander over here now, could you?

C: Yes, sir. I'll be right over.

HMJr: I've got some wonderful news.

C: Good. I'll be right over.

HMJr: Thank you.

C: Right.

December 20, 1943  
11:40 a.m.

TAX BILL

Present: Mr. Gaston  
Mr. Paul  
Mr. Smith  
Mr. Blough

H.M.JR: Good morning.

MR. GASTON: Did you hurt your eye?

H.M.JR: The doctor said the only thing bad about my eye was everybody would ask me about it. It is just a burst blood vessel on the surface; it is nothing.

MR. GASTON: Nothing struck it?

H.M.JR: No.

MR. PAUL: He didn't get in that kind of fight.

H.M.JR: He said they can't account for it; it might be a deficiency of vitamin C.

MR. GASTON: Not an infection.

H.M.JR: No; it just happens. I wish I could give a dramatic story.

MR. PAUL: Why don't you tell them how Hull gave you one in the eye?

H.M.JR: I wouldn't take time now.

What I wanted to ask you is--I dictated a memorandum and didn't see this of Smith's until now--whether I should or shouldn't have a press conference; and if I should, what the hell should I talk about? Should I talk about taxes?

- 2 -

I wrote you a memo, but I didn't send it to you (Smith); I sent it to him (Blough). Tell them what I wrote you.

MR. BLOUGH: What you wrote me this morning is, "I am going to send for you to give a simple statement showing how much revenue the present bill in the Senate produces as compared with the present law. My own impression is that if you include social security the bill will produce less. I would like to know how much we are losing each month by not having the excise passed beginning with the 1st of January. Give me a statement, the kind I could use to give to the newspapers if I decide I want to do that. Please have it ready between eleven and twelve."

H.M.JR: I am open for suggestions and advice. Mr. Smith sent me a message that he thinks I should have a press conference at four o'clock today.

MR. SMITH: They have some questions they want to ask you. I don't know what they are. Shaeffer is afraid we will lose our audience if we don't have a press conference.

MR. GASTON: How long since we have had one?

MR. SMITH: About three weeks.

MR. GASTON: I think we should have one. If you put it off too long, you get in a position--

MR. PAUL: The Committee meets tomorrow morning on the Senate draft of the bill.

H.M.JR: What committee?

MR. PAUL: The Finance Committee. The bill is being drafted. Sessions were closed last Thursday. I am wondering if there would be any reaction if the Committee all met there tomorrow morning to knock us out on some of our points if they get mad at what the Secretary says.

H.M.JR: This will be a regular four o'clock press conference. Hell, I am not always going to be guided by their getting mad.

- 3 -

MR. GASTON: Could we be any worse off?

MR. PAUL: We could be in a lot of ways.

H.M.JR: I don't see how.

MR. PAUL: I don't think this would happen; I am just trying to flush the point. I think they have all definitely committed themselves and this will be just a formal session tomorrow.

H.M.JR: I will tell you what I have in mind, gentlemen. I thought the article in today's Times, that article of Bledsoe's, was excellent.

MR. GASTON: Sam Bledsoe.

H.M.JR: I think it is up to me, the Secretary of the Treasury, to get out the facts and figures so the people back home know what this tax bill means, and they could study it. Then when these fellows get back home they could tell them whether they like it or not. I think it is up to me to get it out.

MR. PAUL: I think there is a lot in that.

H.M.JR: Have a carefully prepared table saying these are the facts. I am not saying, "Do I like it?" Of course, I don't like it, but these are the facts, and I think the people of the United States are entitled to know what this means, and here they are. I have tasted red meat this morning. I am going to be different.

MR. GASTON: And you have blood in your eye. (Laughter)

MR. BLOUGH: They are going to ask you whether you think the House Joint 171, providing for free entry of certain feed for ninety days, plus an extension for sixty days of the present rates of the social security tax--

H.M.JR: Feed?

MR. PAUL: They just hooked it on to that bill.

H.M.JR: Look at my Boston speech, where I said feed should come in from Canada.

- 4 -

MR. BLOUGH: It happens to be Argentina in this case, I think, but I don't think it is that part they will be worried about. They will ask you whether since you don't like this freezing of social security rates whether you will recommend a veto of the bill which does it temporarily for sixty days.

MR. PAUL: You have to understand the background of that. Since the bill couldn't be passed by January 1, the automatic increase in the rates will apply from January 1.

H.M.JR: I know, they froze them.

MR. PAUL: Freezing in the Senate bill will be passed later, and it will be an awkward situation.

H.M.JR: You mean they are not going to be frozen?

MR. PAUL: No.

MR. BLOUGH: So they took another bill which was coming up from the House on feed and hooked a temporary freeze of sixty days on this feed resolution.

H.M.JR: Well, I can answer that. I don't want to get into the feed question, but the President can reduce the duty on wheat by fifty percent any time he wants to.

MR. BLOUGH: Well, it will probably be the other part-- the social security.

H.M.JR: I think the social security thing is more important; and my answer, if they ask me is, "Yes, I will tell them to veto it."

MR. GASTON: That will complicate a little the question of whether you want to tell them--if you are going to express your opinion as to whether the President should veto one thing, then you have pretty near got to express your opinion as to whether the President ought to veto the other thing, which is the main tax bill. I thought you might want to preserve your opinion by saying that it is a confidential matter between you and the President, and the bill hasn't passed yet.

MR. PAUL: You can't answer about a veto.

H.M.JR: That is an "iffey" question.

MR. GASTON: Anyway, it involves your confidential relations with the President.

MR. BLOUGH: This H. J. Res. has passed, though. This will be up for report.

Incidentally, there is a meeting in the State Department at two-thirty.

MR. PAUL: It hasn't passed the House yet.

H.M.JR: You (Gaston) have won your case.

MR. PAUL: It hasn't passed the House with this new revision. It has to be revoted by the House.

H.M.JR: You boys get together, anyway.

All right, but the point is what I recommend to the President; I haven't yet recommended anything to him because he hasn't asked me.

MR. GASTON: Yes, and it is for him to take his action.

MR. BLOUGH: I wouldn't put it that way, that he "hasn't asked me," but that is a confidential matter.

H.M.JR: And whether he should veto the tax bill--I won't answer that because the tax bill hasn't passed.

MR. GASTON: You can't tell what you are going to recommend to the President.

MR. PAUL: It won't pass until the middle of January.

H.M.JR: I see you gave that thing to Eledsoe that maybe high officials think there will be a veto, which is all right.

MR. GASTON: He wanted to run a story like that when he came in. I told him that we wouldn't either knock it down or support it, that we would just simply say that we can't talk about what advice we will give to the President.

(Mr. Blough handed attached document to the Secretary.)

H.M.JR: (Reading) "The revenue bill in the form tentatively agreed to by the Senate Finance Committee, excluding the prevention of scheduled increases in the

- 6 -

social security payroll tax rates and excluding the changes in contract renegotiation, would raise about \$2.1 billion.

"The freezing of social security rates would reduce collections from that source by \$1.4 billion.

"Changes in renegotiation will have an undetermined but undoubtedly substantial effect on refunds of already recovered excessive profits and some effect on future price reductions and future recoveries of excessive profits. Elimination from renegotiation of subcontractors as well as other provisions will be effective retroactively and for the future. We do not believe that reopening other contracts need have a substantial effect because we believe the original renegotiated--" I think that is too much, don't you?

MR. BLOUGH: The whole point about renegotiation is that nobody knows.

MR. PAUL: This is a matter that the War Department ought to answer. We don't know what effects those amendments will have. There was a statement made over in the Byrnes conference that one of them would cost a half billion dollars.

MR. GASTON: We know that his changes will result in very substantial losses to the Government.

H.M.JR: You have been handling the press for me on this thing. Do you mind between now--I could see you again at three-thirty, Herbert?

MR. GASTON: Yes.

H.M.JR: Are you busy then?

MR. GASTON: No.

H.M.JR: You and Fred Smith could come in at that time with something on this thing.

MR. GASTON: Yes.

- 7 -

H.M.JR: But get these fellows to give you what they (Paul and Blough) have. Then come in and tell me from a newspaper angle.

MR. BLOUGH: We have lots of details.

H.M.JR: But let's say we will have one and have you fellows get together, and we can talk about other things.

MR. PAUL: All right.

H.M.JR: How is that?

MR. GASTON: All right.

H.M.JR: The thing that I want to do is to get a very simple thing that the people back home can read, what this tax thing means, see, and what it is; it is too much on renegotiation, too little on social security, and don't forget to say--don't put me in the position Vandenberg is in and say, "I have always said Morgenthau considers social security revenue."

MR. GASTON: The point on that is that we have loaded on to the general funds, so future cost and everything that we have stopped now is ultimately going to cost the general fund money. This is practically taking so much from the general fund.

The revenue bill in the form tentatively agreed to by the Senate Finance Committee, excluding the prevention of scheduled increases in the social security payroll tax rates and excluding the changes in contract renegotiation, would raise about \$2.1 billion.

The freezing of social security rates would reduce collections from that source by \$1.4 billion.

Changes in renegotiation will have an undetermined but undoubtedly substantial effect on refunds of already recovered excessive profits and some effect on future price reductions and future recoveries of excessive profits. Elimination from renegotiation of subcontractors as well as other provisions will be effective retroactively and for the future. We do not believe that reopening other contracts need have a substantial effect because we believe the original renegotiated prices were sound, although it will enormously confuse and complicate administration. However, forward pricing, which was one of the principal benefits, is made voluntary.

Each month's delay in putting the excise taxes into effect reduces expected revenue by approximately \$50,000,000.

Roy Blough  
The Secretary

December 20, 1943

Between eleven and twelve this morning I'm going to send for you to give me a very simple statement showing how much revenue the present bill in the Senate reduces as compared with the present law. My own impression is that if you include Social Security, the bill will produce less. Also, I'd like to know how much we are losing each month by not having the excise passed, beginning with the first of January. Give me a statement, the kind that I could use to give to the newspapers if I decide I want to do that. Please have it ready between eleven and twelve. *Finished*

TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

*AA* 168

DATE

TO Secretary Morgenthau  
FROM Fred Smith

December 20, 1943

Shaeffer believes you should have a press conference even if you haven't anything particularly to say. He says the newspaper people will have some questions to ask you, and that if you go too long without a press conference we will lose our audience.

He also says that Drew Pearson mentioned last night over the air that you and Vinson and Byrnes had put your heads together to take the profits out of war. You might be asked about this.

*RS*

## Pearson Radio Sunday Night 12-19-43

White House -- It didn't get into the papers, but a very important conference was held at the White House last week to take the profits out of war. It was attended by Justice Byrnes, Judge Vinson, Secretary of the Treasury Morgenthau, Secretary of Commerce Jones and the Under Secretaries of War and Navy, all of whom signed a virtual declaration of war against the Senate Finance Committee's plan to prevent the Army and Navy from scaling down the terrific war profits of some companies on cost-plus contracts.

Senator George, Senator Taft with help from Senator Guffey, have emasculated the Army and Navy's right to renegotiate and scale down war profits. However, the Senate bill will be fought to the finish with even Jesse Jones declaring that there must be no profits by business from war.

December 20, 1943

2:10 p.m.

CHINESE LOANS

Present: Mr. White  
Mr. Bernstein  
Mr. Luxford

H.M.JR: "There is now no need for further loan from a political standpoint." (The Secretary reads from cable of December 9, 1943, from Mr. Gauss to the Secretary of State, copy attached.)

(Mr. Luxford entered the conference.)

H.M.JR: Luxford, the stuff has come. Right after this I want to see you boys. They gave us the three fifty-four, and then went right and gave us the other one.

MR. LUXFORD: Somebody decided to make a clean disclosure?

H.M.JR: I haven't had time to look at it, but for God's sake, hang onto it.

MR. LUXFORD: Well, they had a reversal of policy.

H.M.JR: Just as soon as I am through with this, if I have time I will do it.

(Mr. Luxford left the conference.)

H.M.JR: I guess they divided up the paraphrasing.

MR. WHITE: It frequently comes that way. That is a quick paraphrased job. He called me up specially to

- 2 -

say they might want to make some changes, but the changes will not be of substance.

H.M.JR: Who called you up?

MR. WHITE: State Department - a lad who does the paraphrasing. Apparently they paraphrased it for us. Read it.

H.M.JR: I am going to read it (referring to Gauss cable).

There is nothing in there. I want to tell you (White) that your men were fine during your absence. I got excellent cooperation.

MR. WHITE: That is fine.

H.M.JR: I hope you like the statement I gave the President. By the way, where is my copy?

MR. WHITE: How did you happen to hear of this telegram?

MR. BERNSTEIN: Here are the official copies, Mr. Secretary. (Copy of Memorandum for the President, dated December 16, 1943, attached.)

H.M.JR: Oh, Harry, so much has happened; don't cross-examine me. I think the President mentioned it and I think Mr. Hull mentioned it this morning, on that letter. But so many things have happened. Oh, I think when I offered Hull a copy of this, he mentioned the Gauss cable. But as I say, the boys have been fine.

What the hell - excuse me - does Chang want now?

MR. WHITE: It is an unimportant visit. He has a letter which probably doesn't say much. He just probably wants to say that he has seen you. I don't think--

- 3 -

H.M.JR: There is nothing in here. I talked with Mr. Hull's secretary. This is December 9 - why didn't they give it to me? They said, "It is nothing intentional, Mr. Morgenthau."

I said, "I appreciate that; it is just plain downright sloppiness."

MR. WHITE: We would never have gotten that telegram.

H.M.JR: You don't know what has happened since this morning. We have had the greatest victory in the State Department since I have been here.

MR. WHITE: Yes, the boys told me about it.

H.M.JR: Isn't that something?

MR. WHITE: Yes. Did you read this morning's "P.M." on Long? He probably had read it.

H.M.JR: Well, I will go on to this next one. There is a whole flock of cables. You are in on this other thing?

MR. WHITE: Yes, they reported.

H.M.JR: Thank you again.

December 18, 1943

MEMORANDUM FOR THE PRESIDENT

You have spoken of the request of Generalissimo Chiang-Kai-Shek for an additional \$1 billion of financial aid to China to be used to help control inflation and for postwar reconstruction.

I

The facts regarding inflation in China and the possibility of its control through the use of dollar resources are as follows:

Inflation in China, as you well know, arises from the grave inadequacy of production for war needs and essential civilian consumption. Supplies have been drastically reduced by enemy occupation and the cutting off of imports except the small amounts that come by air or are smuggled from occupied territory.

The Chinese Government cannot collect sufficient taxes or borrow from the people in adequate amounts. As a consequence, the Government has been issuing 3.5 billion yuan a month, twice the rate of a year ago.

The official exchange rate for yuan is now 5 cents; before China entered the war it was 30 cents. The open market rate for yuan in U. S. paper currency is one cent and in terms of gold one-third of a cent.

You have suggested the possibility of our selling dollar currency for yuan to be resold to China after the war at no profit to us. No doubt something could be done to alleviate inflation through the sale of gold or dollar currency in China. I have received the following message from Dr. Kwag dated December 14:

"You will be pleased to hear that the recent gold shipment is one of the outstanding factors contributing to the strengthening of fapi, because people believe that the arrival of gold has in-

- 2 -

crossed the much needed reserve of our currency, thereby influencing the stability of prices. The action of the United States Government re-affirms to the Chinese people that, despite difficulties arising from the blockade and the cumulative effects of over six years of war against the invasion, China has a powerful friend desirous of strengthening China's economy as conditions permit."

However, while something could be done to retard the rise in prices, the only real hope of controlling inflation is by getting more goods into China. This, you know better than I, depends on future military operations.

## II

China has tried two similar monetary remedies for alleviating inflation without marked success.

1. The Chinese Government issued and sold dollar securities for yuan, setting aside \$200 million of the aid granted by this country for the redemption of the securities. (These securities were sold at exorbitant profit to the buyers. For instance, a person holding \$100 in U. S. currency could have quadrupled his money in less than two years by selling the currency for yuan on the open market and buying the dollar securities issued by the Chinese Government.) I believe that the program made no significant contribution to the control of inflation.

2. The Chinese Government has recently been selling gold at a price in yuan equivalent to \$550 an ounce, about fifteen times the official rate. We have shipped to China more than \$10 million of gold and they have sold about \$2 million of gold for yuan. This program has not been tried sufficiently to warrant any definite conclusion as to its possible effect.

China now has \$460 million of unpledged funds in the United States and is getting about \$20 million a month as a result of our expenditures. China could use these funds in selling gold or dollar assets for yuan, although in my opinion such schemes in the past have had little effect except to give additional profits to insiders, speculators and hoarders and dissipate foreign exchange resources that could be better used by China for reconstruction.

- 3 -

Under the circumstances, a loan to China for these purposes could not be justified by the results that have been obtained. It is my opinion that a loan is unnecessary at this time and would be undesirable from the point of view of China and the United States. Large expenditures on ineffective measures for controlling inflation in China would be an unwise use of her borrowing capacity which should be reserved for productive uses in other ways. On reconstruction, it is too soon for us to know the best use or the best form of the aid we might give to China.

#### Recommendations

For the past five years I have had a deep admiration for the valiant fight that the Chinese people, under the leadership of Chiang-Kai-Shek, have waged against Japanese aggression. Therefore, I am in complete sympathy with your position that no stone be left unturned to retard the rise in prices. Using the tools we have at hand, I recommend the following:

1. All U. S. expenditures in China, currently 400 million yuan a month and rising rapidly, be met through the purchase of yuan with gold or dollar currency at whatever prices we can get them for in the open market. This is equal to more than 10 percent of the present rate of issue.

2. Accelerate the shipment of gold purchased by China to twice the amount we have previously planned to send. It should be possible to raise gold shipments from \$6 million a month to about \$12 million. At the present price for gold in the open market this would be equal to the present 3.5 billion of yuan currency that is being issued.

The impact of this two-fold program should contribute to retarding inflation, always bearing in mind that the basic reason for inflation in China is the shortage of goods.

DMB:RG:WMT/lr, jr  
12/19/43

COPY

STRICTLY CONFIDENTIAL

P A R A P H R A S E

A strictly confidential telegram of December 9, 1943, from the American Embassy at Chungking reads substantially as follows:

Recently numerous intimations have been received by the Embassy that the Chinese Government will approach the Government of the United States for another substantial loan of a political character.

The Embassy does not see any sound basis for giving its support at this time to any such a proposed loan either on economic or political grounds.

There is no lack in China of government and private United States dollar resources. Government balances in the United States, including the dollars 200 million allocated for the purchase of American gold, are thought to be over 300 million dollars and to be increasing each month very substantially. It is estimated that private holdings are between 400 million and 500 million dollars. As a means of combatting internal inflation it is not practicable for China to mobilize her United States dollar inflation and the way in which the 500 million dollar American credit was used does not lead to confidence that there would be a more effective handling of a further loan. Moreover, the British sterling credit made available at the same time as the American loan China has not yet commenced to use.

China has sufficient resources to finance the purchase of such commercial commodities as could be allowed to be introduced even if the Burma Road is reopened. The Burma Road would have to be restricted as long as the war continues principally to military equipment and supplies, most of which would be Lend-Lease.

There is now no need for any further loan from a political standpoint. There is no reason to apprehend that China might seek a separate peace in the light of the military action taken by the United Nations promising complete victory eventually and the restoration of all lost territory to China. It is a fact that in the whole of China's structure, economic, administrative, and military, there is a gradual increasing deterioration but that situation would not be improved, or deterioration retarded by a further American loan at this time. The pledge to continue the war until Japan has surrendered unconditionally, recognition in

- 2 -

the Moscow declaration and at the Cairo conference of China as one of the four great powers, and the Cairo declaration which seems to be reassuring, especially in reference to Manchuria, in regard to which China has been apprehensive of possible Soviet ambitions, have, for the most part, made sure China's territorial and political aspirations.

Two. The situation in China having been under careful and constant observation leads us to have the convictions which follow: (i) complacency in regard to the war is growing and extends through advisers and influential officers close to the Generalissimo. Their disposition is that in resisting the Japs for more than six years China has done her full share and that the full burden of the conflict should now be undertaken by the United States. (ii) A strong disposition exists in the Chinese Government to exploit to its fullest American good will and open handedness which exist and with apparently little or no thought being given by America to refusing China's requests. (iii) Tendency in the formulation of plans and discussions in connection with a powerful and new China shows a definite trend towards a closed economy by which China would be the sole beneficiary and veers distinctly away from those liberal principles set forth in the Hull-quo (sic) exchange of notes of May 1941, the Secretary of State's address of July 16, 1937, the Mutual Aid Agreement of June 2, 1942, and other expressions of our post-war objectives for a mutually beneficially world economy.

China must be given credit by any fair minded observer for continuing to keep occupied in China a very large Japanese force which would be used elsewhere if not fully occupied in China. On the Siberian-Manchurian border Soviet Russia has done likewise.

No substantial major military effort by China against Japan could be expected by anyone familiar with the logistics of the military situation in the China theater and with the condition of China's armies. Nevertheless, there is much that could and should be done by China but that China is not doing, within the scope of its ability and resources, to help herself and thus promote the war effort by wholehearted assistance to the American Air Force and to other American operations in this theater and by making equitable and reasonable arrangements for the American financing of the war in this area.

- 3 -

At General Stilwell's instance, the Embassy within recent months has been exerting in political quarters a constant quiet effort to impress upon China the necessity of getting ahead with works, such as new air fields, building and improving roads for military transport and communication, etc. It has been found by investigation that China has cut its budgets for such purposes and only under pressure have they been restored. It has also found that there has been long treasury delay in issuing appropriated funds and that the work has thus been delayed. Investigations quietly and confidentially made in assistance to our army have shown indications of extensive corruption, of jealousies, of delays, and of sabotage of honest effort.

Large monthly sums are being paid out by our army to finance air field installations, pay transportation charges, etc. The monthly amounts run to twenty million American dollars or more and are constantly rising. It is stated that our costs are from eight to ten times what would be incurred in the United States for similar facilities and services, this being because the Chinese insist on maintaining a rate for Chinese dollars against United States dollars which is fantastically arbitrary. Runaway inflation in China is such that prices of goods and services have increased 160 to 180 times (16,000 to 18,000 percent) over 1937 levels, and the increase in prices continues at a rate of about ten percent per month. The Chinese dollar, however, has been pegged at five cents United States currency (the pre-war rate was thirty-three cents). The Chinese dollar, in relation to price levels and pre-war exchange rates, should not now be worth more than one-half cent to one cent. China has evaded proposals which have been made for some adjustment of exchange or some arrangements under reverse lend lease.

The heavy and increasing monthly expenditures of the Army continue at the arbitrary rate while China quietly builds up at our expense a substantial United States dollar reserve.

It may be argued by some that China in its present deplorable economic position is not in a position to assist the United States financially in our war expenditures within China. It is not my suggestion that such expenses should be borne by China but I suggest that China should not exploit the United States in the matter. Realization by China that it is blessed to give as well as to receive and that she will be helping herself by helping us should be encouraged.

- 4 -

I am of the opinion that at this time no further American political loan to China can be justified in the face of all the foregoing.

3. It is my conviction that our attitude toward China should be quietly and persistently firmed; it should be emphasized that there is need for mutual benefit in all our intergovernmental arrangements for exchanges; the necessity of an all-out effort within the limits of China's resources and ability toward winning the war and helping herself by helping us in our war effort in this theater should be impressed on the Chinese, and that there be insistence upon a more equitable and realistic attitude by China in regard to the exchange financing of our American expenditures in this theater for governmental and military purposes.

4. Referring now to the Chinese tendency toward a closed post-war economy, I recommend strongly that without further delay we should quietly put China on notice as to what we expect before policies are adopted by China which later for reasons of oriental face she may not be willing to change, by opening negotiations for our commercial treaty, advancing our proposals in respect of the treatment of American commerce and American financial and industrial interests, emphasizing that mutual consideration and mutual benefit are necessary, and insisting that rights and privileges comparable to those which Chinese enjoy in the United States should be enjoyed by all Americans and American interests in China.

GAUSS

December 20, 1943  
2:52 p.m.

Ted  
Gamble: ....in answer to suggestion that when I received  
this photostat of Stimson's letter....

HMJr: Now, listen, I'm not going to get in on that.  
You and Fred Smith work it out between you.

G: Yes. Well, I just called....

HMJr: What?

G: I called because I had been asked to call.

HMJr: No. No. Well, you -- Fred -- I mean that so  
many things have happened around here and if  
you want it, or if you don't want it, tell Fred  
who will see me before Press Conference.

G: Fine. Well, that's very good.

HMJr: I thought it was good.

G: Very good. And I....

HMJr: I thought it would be helpful.

G: It's very helpful and I have already prepared  
an answer and it should be on your desk now.

HMJr: Because I'm having my first Press Conference in  
three weeks and I wanted to say something on  
War Bonds.

G: Yes.

HMJr: Are you all right?

G: I'm all right and I will be there.

HMJr: Oh, you're coming, too?

G: Yes, Fred called me and asked me to come.

HMJr: Good. Well, Fred's managing it and I'll be  
glad to see you again.

G: Fine.

HMJr: Thank you.

G: All right, sir.

Statement given out  
at press conference

12-20-43 182

The revenue bill as it now stands after giving effect to the tentative decisions of the Senate Finance Committee appears to promise about \$2.1 billions of additional revenue on an annual basis under war conditions.

But this calculation leaves out of consideration the decision to freeze social security payroll taxes and the changes the House and Senate have proposed to make in the law governing contract re-negotiation.

The revenue yield of the bill in its present form is naturally extremely disappointing to the Treasury Department. We had hoped both that the unfairness to future taxpayers, including the returning soldiers, of passing on to them war costs that we are able to meet now and the need for protecting ourselves against inflation would have made an appeal to the members of the committees.

Other provisions of the bill as it now stands seem to me equally unfortunate.

I regret that the Senate committee has voted to freeze payroll taxes at the present rate of 1 per cent. This will mean reducing social security collections by \$1.4 billions in the next year. The effect will be to increase the

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amounts the government will have to raise in future years for that purpose. The increase ought to go into effect now when wages are high and employment conditions good, when both employers and employees can afford to put aside money for security purposes.

The changes in the re-negotiation provisions which have been proposed will make re-negotiation so complex as to be practically unworkable and also will certainly cost the government large amounts. It is impossible to make any exact calculation of their money cost, but we know that it will be substantial and in many cases will involve refunds of admittedly excessive profits already paid into the Treasury by agreement. This is not their worst feature, however. Their worst feature is that they open the way to truly extortionate profits. I predict that if they are enacted into law they will come back to plague not only the Congress but the war goods manufacturers who get temporary gain from them.

They hold the seed of a national scandal. I refer to provisions such as those eliminating from re-negotiation the makers of so-called standard articles and the retroactive exemption of sub-contractors whose goods do not enter into the final product. Other provisions of the bill would leave final settlements under re-negotiation open for years to come.

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December 20, 1943  
5:12 p.m.

HMJr: Hello.

Operator: Mr. Patterson.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello, Bob?

Robert  
Patterson: Yep.

HMJr: Henry talking.

P: Yep.

HMJr: I just held a press conference and off-the-record  
I got a little excited.

P: You did?

HMJr: And I told them about on this -- told them  
about the Timken case and how you had to  
finally close on \$75 million with the hope that  
you could still renegotiate.

P: Yep.

HMJr: Now, I don't know whether -- now, then they tried  
to beg me to let them use that. They were all  
familiar with your testimony.

P: Yep.

HMJr: Do you want that on the record or do you don't?

P: Oh, I guess not.

HMJr: Guess not?

P: Yeah.

HMJr: I mean....

P: They -- they'll hear plenty more about the case  
all right.

HMJr: But you'd rather that it was off-the-record?

P: I think so.

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HMJr: That's the way it will be.

P: Thank you, Henry.

HMJr: Thank you.

P: Bye.

HMJr: Hello. Hello.

Operator: Mr. Nelson.

HMJr: Hello.

Donald  
Nelson: Hello, Mr. Secretary.

HMJr: Good afternoon.

N: How are you, sir?

HMJr: Fine.

N: I promised to call you today and give you the names of some good merchants.

HMJr: That's right.

N: Now, there's one man that -- that's in the Government; he's in the Army but is one of the outstanding men in the country and that's Al Browning.

HMJr: Yes.

N: I would rate Al Browning as being a darn good merchant and a fellow that I am sure has -- he isn't indoctrinated with an Army point of view. He's a good merchant.

HMJr: What was he in private life?

N: Well, he used to be -- he was President of United Wallpaper Mills.

HMJr: I see.

N: And before that he was one of the merchandise men at Montgomery Ward & Company.

HMJr: Oh, yes.

N: I -- I've known Al Browning for a great many years and he's a darn good merchant as I think you'll find, and a very cooperative fellow as I think you'll find in talking with Cliff Mack.

HMJr: He's a General now, isn't he?

N: He's a General.

HMJr: Yeah.

N: I don't know how important his position is with the Army.

HMJr: Yeah.

N: But he's an outstanding man.

HMJr: Yeah. Well, that's a good hunch.

N: And he knows Government. He knows -- if you get a man who has been in Government....

HMJr: Yeah.

N: ....you get a man who knows all of the pressures of Government....

HMJr: Yeah.

N: ....and a lot better than men who come from the outside.

HMJr: I know that.

N: You see, we never did get many merchants in this place because we've never had much use for them....

HMJr: Yeah.

N: ....except in purchasing and there we went to the purchasing men rather than the over-all merchant.

HMJr: I see.

N: Now, another man that I would recommend very highly....

HMJr: Yeah.

N: ....is W. G. Baumharger who is the President of United Cigar Whelan Stores.

HMJr: Yes.

N: Baumharger was Vice-President in charge of merchandising at Montgomery Ward.

HMJr: I see.

N: ....and is an outstanding fellow. The only -- you may have -- he's a -- at times inclined to be pretty stubborn for his own point of view.

HMJr: Yeah.

N: You may have some difficulty with him but he's a good merchant.

HMJr: Yeah.

N: And I've given you a whole list of men. Another outstanding man is Houston McBaine who is now the President of Marshall Field & Company.

HMJr: Oh, I've heard about him.

N: Now, Houston McBaine formerly had charge of Marshall Field's manufacturing enterprises.

HMJr: Oh, yes.

N: And he's one of the outstanding young men in America. I think if I were to -- if I were to -- you'd ask me who the outstanding young merchants of America were, I would give you Houston McBaine's name as Number One.

HMJr: I see.

N: He's had charge of their factory operations.

HMJr: Yeah.

N: He's a good merchant.

HMJr: Yeah.

N: A splendid fellow.

HMJr: Yeah.

N: And not at all stubborn.

HMJr: Yeah.

N: He's not at all indoctrinated with any fixed point of view.

HMJr: Yeah.

N: Now, another man that I have always regarded as outstanding....

HMJr: Yeah.

N: ....is Al Hughes of The Penny Company.

HMJr: Oh, yes.

N: He's an outstanding fellow.

HMJr: What's his position there?

N: Well, he's Assistant to Mr. Sams.

HMJr: Oh, yeah.

N: Sams is President, but Hughes is the virtual president of the company.

HMJr: I see.

N: Virtually president -- he's practical president of the Company.

HMJr: Yeah.

N: Now, their merchandise man, who is also an outstanding man, is F. W. Binzen.

HMJr: F. W.?

N: Binzen. B-i-n-z-e-n.

HMJr: Oh, yes.

N: He's their merchandise manager.

HMJr: Yeah.

N: Now, the reason I suggest a firm like Penny is that they're very, very high class people.

HMJr: That's right.

N: And I don't think you would get into any great difficulty with them.

HMJr: Yeah.

N: Another fellow, a very good merchant who has really done an outstanding job is Walter Hoving, President of Lord & Taylor.

HMJr: Walter Holding?

N: Hoving. H-o-v-i-n-g.

HMJr: Oh, yes.

N: Now, Walter was formerly with Montgomery Ward & Company.

HMJr: I see. You seem to think pretty well of your competitor.

N: Well, these were men -- these were men that I thought well of when they were competitors.

HMJr: Yeah.

N: Because they were outstanding fellows.

HMJr: Yeah.

N: Now, another man that I regard very highly is Elmer Weibolt of Chicago. We've never been able to get him in this picture.

HMJr: Yeah.

N: He runs the Weibolt Stores out there.

HMJr: I see.

N: A very high class fellow. A fellow broad gauged. We've never been able to get him. We've never been able to get Elmer -- to pry him loose, but you might have more luck.

HMJr: I doubt it, but....

N: Well, you got me down here, you know.

HMJr: I know, but I was lucky.

N: You -- no, you weren't lucky -- I was unlucky.

HMJr: No, you don't really think that.

N: No, I don't.

HMJr: Well.

N: No, I was kidding with you.

HMJr: I know.

N: But I -- I'm giving you the men that I think are outstanding men.

HMJr: Well, they all sound wonderful. Have you got anybody else?

N: Yes, I have two other men that I would recommend highly. One is DeLoss Walker of Macy....

HMJr: Oh, yes.

N: I don't know whether you know DeLoss.

HMJr: I know the name, yes.

N: But he's -- his health has been bad and I was never able to get DeLoss. I wanted him several times.

HMJr: Yeah.

N: He's now recovered his health.

HMJr: Yeah.

N: Now, those are the men that I think are outstanding.

HMJr: Well, they....

N: There are two other men if -- but I was never able to get either one of these two and I would have taken them for any job.

HMJr: Yes.

N: One of them was W. W. Humphrey who is the President of the Western Auto Supply of Kansas City.

HMJr: Oh, yes.

N: And a very high-grade man.

HMJr: Yes.

N: The other one is Phil Skogmoia, President of Gamble-Skogmoia, Incorporated, of Minneapolis.

HMJr: What do they do?

N: Well they're -- they're a chain of stores who are in the automobile supply business, chiefly.

HMJr: I see.

N: But an outstanding merchant, an aggressive fellow -- just has a lot of guts. I think you'd like him tremendously if you could get him, but I don't think there's a chance.

HMJr: I see.

N: Now, I'd rate them this way: I think if you could get Al Browning....

HMJr: Yes.

N: ....if you could get him from the Army....

HMJr: Yes.

N: ....Al is an outstanding fellow. He knows Government.

HMJr: Yeah.

N: He's been accustomed to working in Government.

HMJr: Yeah.

N: And he's -- he has no connection that would embarrass you in the slightest, because he came from the United Wallpaper Company.

HMJr: Oh, yes.

N: Well, he resigned completely and is a part of the Army.

HMJr: Yeah.

N: But not a regular Army man or one who would be indoctrinated necessarily with the traditional Army point of view.

HMJr: Well, I'm ever so much obliged and I'll think those things over carefully tomorrow.

N: And if there is any way in which I can help you, you know, Henry, that I'll be glad to do it.

HMJr: Ever so much obliged.

N: All right, sir.

HMJr: Thank you.

N: Good bye.

December 20, 1943.

MEMORANDUM

TO: Secretary Morgenthau  
FROM: Mr. Gaston

In the last two weeks I have talked to five columnists on the general tax situation and to five columnists and reporters on re-negotiation.

On the general tax situation I talked to the following: Ray Tucker, Ernest Lindley, Mike Griffin of Time, Drew Pearson and Walter Lippmann.

In the re-negotiation interviews on Thursday, Friday and Saturday of last week I talked to the following: Ray Clapper (by telephone), Drew Pearson, Ernest Lindley, Nathan Robertson of P.M., and Sam Bledsoe of the New York Times, the latter two being regular news writers.

In the general tax interviews my approach was to ask their opinion of the situation in which we were now in and whether there was anything effective that could be done by the Treasury and the Administration to get better legislation. All thought the outlook quite hopeless as to Congress. The value of the interviews, so far as they may have value, was to obtain support of the Treasury's position before the public. With Ray Tucker, Mike Griffin and Drew Pearson I went into considerable detail in defense of the Treasury's position with respect to taxation in the brackets below \$5,000 and integration of the Victory Tax. What I told them seemed to be news to all of them. Walter Lippmann thought that the Administration ought not to abandon the fight for higher taxes without some further effort, which he thought ought to be of a striking character. He believed an appeal by the President might have value and he suggested that the Treasury ought to make some final stand along a somewhat different line than its original recommendations to the House Committee. After some discussion with Randolph Paul and me Lippmann sug-

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gested that another appeal for a spendings tax might be the right thing. He asked whether we would have any objection to his sounding off on the spendings tax and I told him we would not object and I gave him some material on which he based the article which you noticed.

I found that all of the five men to whom Joe O'Connell and I talked about re-negotiation had been approached by, or had had contact with, both Forrestal and Patterson on this question. The three columnists, Clapper, Pearson and Lindley, had all been directly approached by Forrestal and Patterson and the two reporters had had contact with them. In my brief conversation with Ray Clapper over the telephone I only had the opportunity to tell him that the Congress was about to wreck the whole re-negotiation law and that it was likely to result in a scandal. Both Forrestal and Patterson had talked to him. He said he would like to get over and talk to us about it, but he was cleaning up his desk to get away for a holiday vacation and he didn't know whether he could get over or not. If he could he would call me up.

In the conversations with the others, in all of which Joe O'Connell carried the main burden, we stressed the fact that since there was no real competition the ordinary rules of bargaining did not apply and that to protect the public's interest the Government must necessarily regulate the profits of the contractors to a reasonable figure in much the same way that utility monopolies are regulated. We also told them that re-negotiation was practically a certificate of good character and patriotism for a contractor and was a far greater protection to them against future scandals than a protection to the Government, since if they were later criticized for taking extortion profits they could point to the re-negotiation agreement and shift the complete responsibility to officers of the Government. We told them the contractors were trying to have their cake and eat it too in that they sought to obtain the advantages of re-negotiation and yet to shoot it so full of holes that it would be no protection to the Government. We pointed to these specific provisions of the bill as it has been amended up to this date by the Senate: (1)

- 3 -

The standard article provision; (2) the elimination of sub-contractors whose material does not enter into the final product, such as machine tools; and (3) the provision which would make the loss carryback provisions of the tax bill apply to re-negotiation. This would not only result in great loss to the Government but would make the effect of any re-negotiation agreement uncertain for years to come.

Joe O'Connell gave Pearson, Robertson and Bledsoe some particulars of individual cases. Robertson was not, he said, very much interested in improving the law because he strongly hoped that the President would veto the whole bill. He had done some calculating of the loss which would result from holding the payroll tax to one per cent, which will be well over a billion dollars, plus the loss to be expected in contract re-negotiation under the proposed provisions, and had come to the conclusion that the whole bill would result in a net loss rather than a gain to the Treasury. Mr. Bledsoe wanted to run a story saying that there was strong sentiment in Administration quarters for a veto of the bill, but he hoped if he ran such a story we would not kill it by a flat denial such as we put out on his report that Randolph Paul would resign. I told him that I could not say anything about the prospects of a veto, that I could only tell him that as the bill now stood I didn't think it was any good and that if he printed such a story what we would probably say would be about as follows: (1) We cannot of course talk about what the President will do as to a veto or what we will advise him as that involves a confidential relation with the President. (2) The bill has not yet passed and it would be too early in any event to form a conclusion. He printed the story this morning.

*MS*

December 20, 1943

Dear Henry:

*MK* I wish to thank you for your very prompt response to my request for help during the impending Fourth War Loan Drive.

I hope it will be possible when we receive the names of the nine officers that you will have assigned as liaisons to have at least one meeting of the entire group. It was our thought that if some person assigned to each Service Command had a complete understanding of our problems and we in turn knew what limitations we would need to work with in each Service Command, we could quickly and efficiently carry out the work between our two organizations.

I think you ought to know that all of our people here are delighted with the fine help that we have had from your office and this latest indication of willingness to go along with us in the big job we have to do is most heartening.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The Honorable Henry Stimson,  
Secretary of War,  
Washington, D. C.

TRG:fgt

December 20, 1943

Dear Frank:

I have read with considerable interest the inspiring report made by the Navy Coordinator for War Bonds, Gerald A. Eubank.

The Navy sales of over \$22 million dollars on Pearl Harbor Day is one of the most stirring and practical examples of patriotism that has come to light in the entire period of the war. I should like to congratulate through you all of the fine officers and men of the Navy who have been doing such a splendid job throughout the war and whose enthusiasm for continued improvement seems to know no bounds.

This latest accomplishment will not only serve as a challenge to our millions of volunteer war bond workers, but will serve also as heartening encouragement in their daily work. I am seeing to it that all of our people learn of this outstanding job.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable Frank Knox,  
Secretary of Navy,  
Washington, D. C.

TRG:fgt

TED R. GAMBLE

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WAR FINANCE DIVISION

EXPENSES OF LOANS

TRG:ECB DECEMBER 20, 1943

MR. WOKL COWARD  
SAINT REGIS HOTEL  
NEW YORK, NEW YORK

MR. WILLIAM RAINNEY WILL CONTACT YOU DURING THE DAY WITH REFERENCE TO YOUR GRACIOUS OFFER MADE TO THE SECRETARY OF THE TREASURY TO TRANSCRIBE YOUR SONG FOR OUR FOURTH WAR LOAN DRIVE. YOUR DECISION TO DO THIS WILL, AS IT WAS HERE, BE MET WITH ENTHUSIASM BY OUR FORTY-EIGHT STATE ORGANIZATIONS AND YOU CAN BE SURE THAT IT WILL BE GIVEN IMPORTANT HANDLING EVERYWHERE.

TED R. GAMBLE  
ASSISTANT TO THE SECRETARY  
TREASURY DEPARTMENT

2.

Ted Gamble  
The Secretary

December 20, 1943

I saw Mr. Noel Coward and heard him sing the song about Germany, over which there is so much discussion and about which Fadiman telegraphed me. I told him we'd like to have him make a record for us to be used during the Fourth War Loan and he agreed to it. He will be at the Hotel St. Regis Monday afternoon and I want a letter waiting for him when he gets there. I would like Mr. Steele to handle this matter personally and make arrangements for Mr. Coward to make this record. Also, if they have to use an orchestra I'd very much like to use Andre Kostelanetz if ~~we need one~~. Please follow through on this yourself and also have Steele follow through, and after the record is made, I'd like to hear it and discuss with you how we should use it.  
Thank you.

# WRITERS' WAR BOARD

122 EAST 42ND STREET, NEW YORK 17, N. Y.

Telephone, Murray Hill 3-6800

December 1, 1943

Mr. Henry Morgenthau, Jr.  
U. S. Treasury Department  
Washington, D. C.

Dear Mr. Morgenthau:

Thank you for your wire. We have asked the Mutual Broadcasting System to send you a recording of the Coward song as sung by Celeste Holm. The response to it has been extremely sensational and it is the opinion of many of us that the time has come to take up a much bolder line than has been deemed feasible heretofore. This song does it entertainingly.

What I have in mind is <sup>the</sup> ~~that~~ dubbing in at the proper places of the regular Treasury announcements in such a way as to make the record a good fifteen-minute Treasury Star Parade program. I have every confidence that this can be arranged with Mutual.

Sincerely,

*Clifton Fadiman*  
Clifton Fadiman

OF ba

Dear Ted:  
While I could not qualify for "Information Please", I am sure you can. Hence I ask you formally, Please!!! to take Clifton Fadiman off my hands.  
*My?*

BEA STOUT, Chairman  
FRANKLIN P. ADAMS  
G. CAEMER  
H. T. COLWELL  
RIGHEL CRUCE  
CLEPTON FADIMAN  
PAUL GALLICO  
JACK GOODMAN  
SAMUEL GRAFTON  
ONCAR HAMMERSTEIN, II  
RYA HALL KLEEMAN  
ROBERT J. LANDRY  
MARGARET LEECH  
JOHN P. MARQUAND  
KATHARINE SETMOUR  
WILLIAM L. SHIRER  
LOISE SILLORE  
FRANCESCA BARACK,  
Executive Secretary

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FREDERICK LEWIS ALLEN  
FAITH BALDWIN  
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QUENTIN REYNOLDS  
ELMER RICE  
MARY ROBERTS RINEHART  
KENNETH ROBERTS  
JAKE SULLIVAN  
DOROTHY THOMPSON  
SOPHIE KERR UNDERWOOD  
CARL VAN DOREN  
MARK VAN DOREN  
HENDRIK WILLEM VAN LOON  
WALTER WHITE  
WILLIAM L. WHITE  
MARGARET WISSEMAN  
THORNTON WILDER

COPY

T. R. GAMBLE

202

WAR FINANCE DIVISION

EXPENSES OF LOANS

TRG:FGT      NOVEMBER 30 1943

MR. CLIFTON FADIMAN  
MUTUAL BROADCASTING COMPANY  
NEW YORK NEW YORK

THANKS FOR YOUR THOUGHTFUL WIRE WITH REFERENCE TO NOEL  
COWARD'S NEW SONG. I WAS NOT AVAILABLE TO HEAR THE  
BROADCAST BUT WILL LISTEN TO THE RECORDING. THE TITLE  
DOES NOT SOUND LIKE ANYTHING WE COULD USE BUT BECAUSE  
OF YOUR ENTHUSIASM I DO NOT WANT TO DECIDE THAT UNTIL  
AFTER OUR PEOPLE HAVE HEARD THE SONG.

HENRY MORGENTHAU, JR  
SECRETARY OF THE TREASURY

Remind

203



TREASURY DEPARTMENT

WASHINGTON

XXXXXXXXXXXXXXXXXXXX

War Finance Division

December 20, 1943

TO: SECRETARY MORGENTHAU

FROM: Ted R. Gamble *(TRG)*

This is to remind you of The Broadcast to Retail Store owners at 12:30 - 1:00 p.m., December 29, over The National Broadcasting System. We will pick you up wherever you are.

This Broadcast is the opening gun for the Retailers in the 4th War Loan. Mr. Fred Smith is working on your part of the program.



## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE Dec. 20, 1943

TO Secretary Morgenthau  
 FROM Mr. Haas  
 Subject: The Business Situation,  
 Week ending December 18, 1943.

Summary

Cost of living: Due largely to lower prices for fresh fruits and vegetables, the BLS cost-of-living index declined slightly last month, following increases in September and October. The index is now 0.8 percent below the peak reached in May but is 3.6 percent higher than a year ago.

Commodity prices: With commodity prices generally higher last week, the BLS index of 28 basic commodities advanced slightly for the fifth successive week and attained a new war-time peak. The BLS all-commodity index in the week ended December 11 rose 0.1 percent to 102.9.

Hog slaughtering: Hog slaughtering has reached unprecedented levels in recent weeks under the movement of the record-breaking spring pig crop. Despite record slaughtering, the heavy hog marketings have congested many markets and have forced some to impose temporary embargoes on hog shipments. While hog prices for Government-supported weights have been maintained, prices of weights not covered by the Government support program have shown marked declines.

Retail trade: Department store sales in the week ended December 11 dropped slightly below last year's level for the first time since the end of September. Although the nation-wide decline was only 1 percent, sales in the Philadelphia and New York districts showed declines of 11 percent and 8 percent, respectively. The heavy volume of Christmas shopping done in previous weeks, together with the adverse effects of goods shortages and the influenza epidemic, were factors in the slackening sales pace.

Transportation: Handicapped by equipment and manpower shortages, the railroads and the trucking industry will probably undergo the most severe test of the war period in coming months. Although the seasonal peak in railroad freight traffic has been passed, the customary year-end decline in traffic has not been as sharp as usual. Enlarged production programs for locomotives, freight cars and trucks for civilian use have been projected for 1944 in an effort to cope with equipment shortages.

- 2 -

### Living costs show slight decline

The BLS cost-of-living index declined slightly last month, following increases in September and October. Although the index is now 0.8 percent below the peak reached in May, it is 3.6 percent higher than a year ago, and is 23.1 percent above the level of January 1941, the base date of the "Little Steel" formula. (The formula permits a 15 percent rise in basic wage rates to compensate for the increase in living expenses.)

A decrease in food costs, due largely to lower prices for fresh fruits and vegetables, was responsible for the November decline in the index. With the Florida orange crop coming on the market, the price of oranges dropped 11.8 percent. Spinach and cabbage prices also registered seasonal declines, and apple prices were 3.8 percent lower although they ordinarily increase at this time. While peanut butter declined 2.4 cents per pound as a result of a subsidized price rollback, it fails as yet to reflect the full effect of the OPA's action, which was expected to reduce the price 6.5 to 7.0 cents. Other components of the index showed little or no change. (See Chart 1.)

In a press conference last week, Price Administrator Bowles indicated that the food rollback program announced last September, which was expected to reduce the cost-of-living index 2.3 percent, would probably not succeed. He stated, however, that the decline in food costs evident last month would continue in December, with prices for citrus fruits and winter vegetables moving lower.

After a gradual rise to a peak on September 1, the Canadian cost-of-living index has shown little change during the succeeding two months. (See Chart 2.) In the United Kingdom, the index has continued to move within the narrow range of the past two and one-half years. Retail food prices have continued to be a dominant factor in determining the level of the cost-of-living indexes.

### Decision on subsidy question postponed

Postponing a decision on the subsidy question, the House and the Senate passed resolutions last week to extend the life of the CCC until February 1944. The majority leader in the Senate was reported to have given assurances that no new subsidies would be instituted in the interim.

Prolongation of the uncertainty regarding subsidies may have unfavorable repercussions on the 1944 food program. War

- 3 -

Food Administrator Jones appealed to Congress for the second time last week to act quickly on the subsidy question. Without knowing the fate of subsidies, the WFA is handicapped in announcing price supports for various farm crops next year. Farmers are already reported to be concerned over the delay in announcing the 1944 price supports.

#### Commodity prices higher

Commodity prices were generally higher last week, with the BLS index of 28 basic commodities moving up 0.2 percent to a new war-time peak, 78.8 percent above the August 1939 average. The index has now advanced for five successive weeks, although the total amount of the rise has been only 0.6 percent. Grain prices continued to move higher, and wheat prices have now risen 24 cents per bushel in the last four months. Flaxseed prices moved up to ceiling levels after having been below for almost three months. Mill buying had a firming influence on cotton prices, and steer prices were appreciably higher. (See Chart 3.)

The BLS all-commodity index advanced slightly in the week ended December 11. The index now stands at 102.9 percent of the 1926 average, which is only 2.4 percent above the corresponding week last year, but is 37.2 percent above the pre-war level of August 1939.

#### Hog slaughtering at record levels

Hog slaughtering has attained record levels in recent weeks under the impetus of the heavy marketings of the 74 million spring pig crop. In the week ended December 11 a total of 1,299,000 hogs were slaughtered under Federal inspection at 27 selected centers. (See Chart 4.) This was 5 percent more than in the corresponding week last year, which represented the peak up to that time. Federally-inspected hog slaughter in November was at record levels, 39 percent above that of a year earlier. The War Meat Board indicated last week, however, that slaughtering operations are now practically at capacity under present manpower shortages.

Despite record slaughtering, hog marketings have been so heavy that many markets have become congested, and hogs have had to be carried over for several days with a resulting loss in weight. Moreover, some markets, particularly St. Paul and Sioux City, have several times been forced to embargo hog shipments temporarily. The WFA expects the heavy run of hogs to continue through January.

- 4 -

While hog prices of Government-supported weights have been maintained at the support levels, the heavy marketings have depressed prices of other weights. Thus the Chicago prices of 180-200 pound good to choice hogs, which are not covered by the Government support program, have declined to the lowest point since February 1942.

As a result of the heavier pork supplies, the ration value of pork was reduced by one-third in November, but now there is agitation for making pork temporarily ration-free. In this connection, Price Administrator Bowles stated last week that pork will continue to be rationed, although there may be further reduction in ration point values. Government purchases of pork increased during November but they are considerably below the high levels of May, June and July. Plans, however, call for heavier Government purchases in December and January.

#### Stock prices firm

Although numerous individual stocks showed sharp gains last week, particularly in the liquor, railroad equipment and farm equipment groups, stock prices on the whole showed relatively little change. After easing moderately in the early part of the week, industrial stock prices subsequently strengthened, and at the close on Saturday the Dow-Jones average was fractionally above week-earlier levels. Railroad and utility stock prices showed virtually no net change for the week. (See Chart 5.)

Apparently stimulated by reports that another company, (Park and Tilford) is planning to distribute part of its whisky holdings to stockholders, another outburst of trading activity occurred in liquor shares. Nevertheless, trading activity on the whole declined about 19 percent from the previous week. In London, industrial stock prices advanced slightly to a new recent high in the early part of the week, and then eased slightly, due in part to news of Prime Minister Churchill's illness.

#### Retail sales pace slackens

Partially in reflection of the unusually early start in Christmas shopping this year, the rate of increase in department store sales slackened in the week ended December 11, and the dollar volume of sales dipped below year-earlier levels for the first time since the end of September. Although the nationwide decline was only 1 percent, sales in the Philadelphia and New York districts showed declines of 11 percent and 8 percent, respectively. (See Chart 6.)

- 5 -

Inadequate assortments of gift merchandise and the deterring effects of the influenza epidemic were cited as contributory factors in the slackening pace of retail sales. Preliminary reports indicate that department store sales in New York City last week again fell below last year's levels, with both customer attendance and store personnel reduced by the influenza epidemic.

#### Transportation difficulties menace war effort

While signs continue to multiply that many of the country's worst production problems have been surmounted safely, the most serious transportation difficulties of the war period threaten to develop during the coming winter months. Although the fall peak in railroad freight traffic has been passed, freight car-loadings in recent weeks have failed to show as sharp a year-end decline as usual, and in the week ended December 11 were nearly 11 percent above the corresponding week last year. Moreover, passenger traffic continues at record-breaking levels. Thus, in the first week in December, passenger revenues of the Pennsylvania Railroad were 24 percent above year-earlier levels, following a gain of 30 percent in the month of November.

In order to meet anticipated heavy traffic demands, the railroads requested authority to build 80,000 freight cars and 900 locomotives in the year ended October 1943. Actually, Class I railroads in the first 10 months of 1943 were able to install only 24,000 new freight cars and less than 600 locomotives.

In connection with 1944 requirements, the railroads have asked for 1,200 new locomotives and from 40,000 to 50,000 new freight cars. This goal may be realized, since the 1944 locomotive production schedule has been stepped up to 4,000 units, although 2,500 of these are intended for military purposes, lend-lease and other export needs. Likewise, the 1944 freight car production schedule is now expected to approximate 50,000 cars.

#### Manpower shortage and labor troubles confront railroads

In addition to equipment shortages, the railroads also have been hampered by manpower shortages. Despite an increase of 400,000 employees in the entire transportation industry from July 1941 to July 1943, the ODT recently estimated that 62,000 more workers will be needed by July 1944 to handle anticipated traffic increases. Meanwhile the long-pending wage case of the railroads' non-operating employees

- 6 -

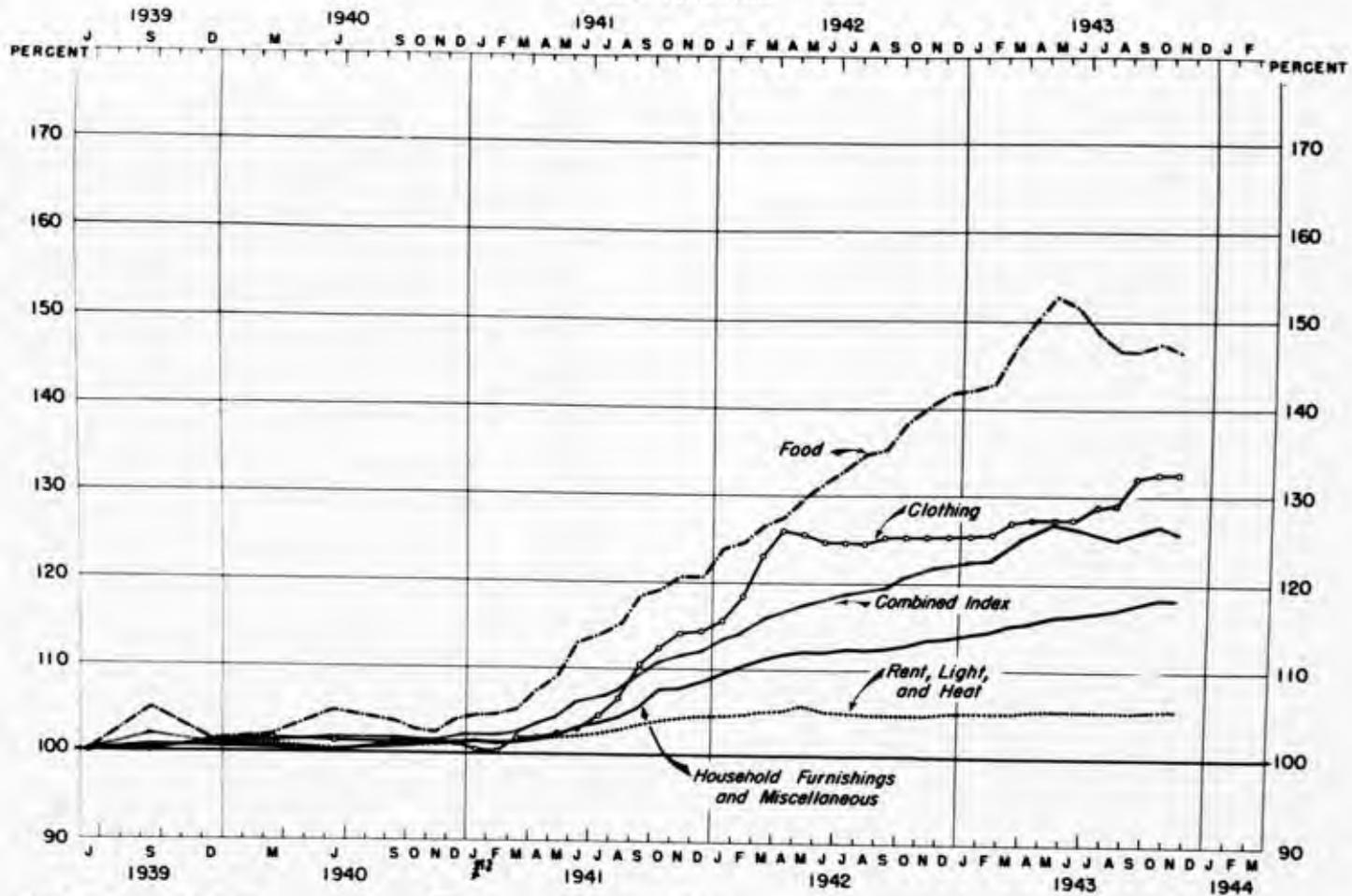
remains unsettled, while the operating employees have voted to strike on December 30 rather than accept an increase of 4 cents per hour awarded by an Emergency Board.

Truck production to be increased

Transportation Director Eastman recently stated that the trucking industry was in greater danger than any other branch of transportation because of the shortages of tires, parts, vehicles and manpower. Furthermore, serious equipment shortages are expected to continue in 1944 despite the recently announced expansion in civilian truck production scheduled for the coming year. Civilian truck production in 1944 is scheduled to rise to 123,000 units. While this is far below normal peacetime production, it will represent a very large increase over recent negligible production levels. However, requirements of lend-lease, Foreign Economic Administration, and other Government agencies will cut the number allotted for civilian domestic use to around 80,000 units.

# COST OF LIVING AND SELECTED ITEMS

June 1939 = 100



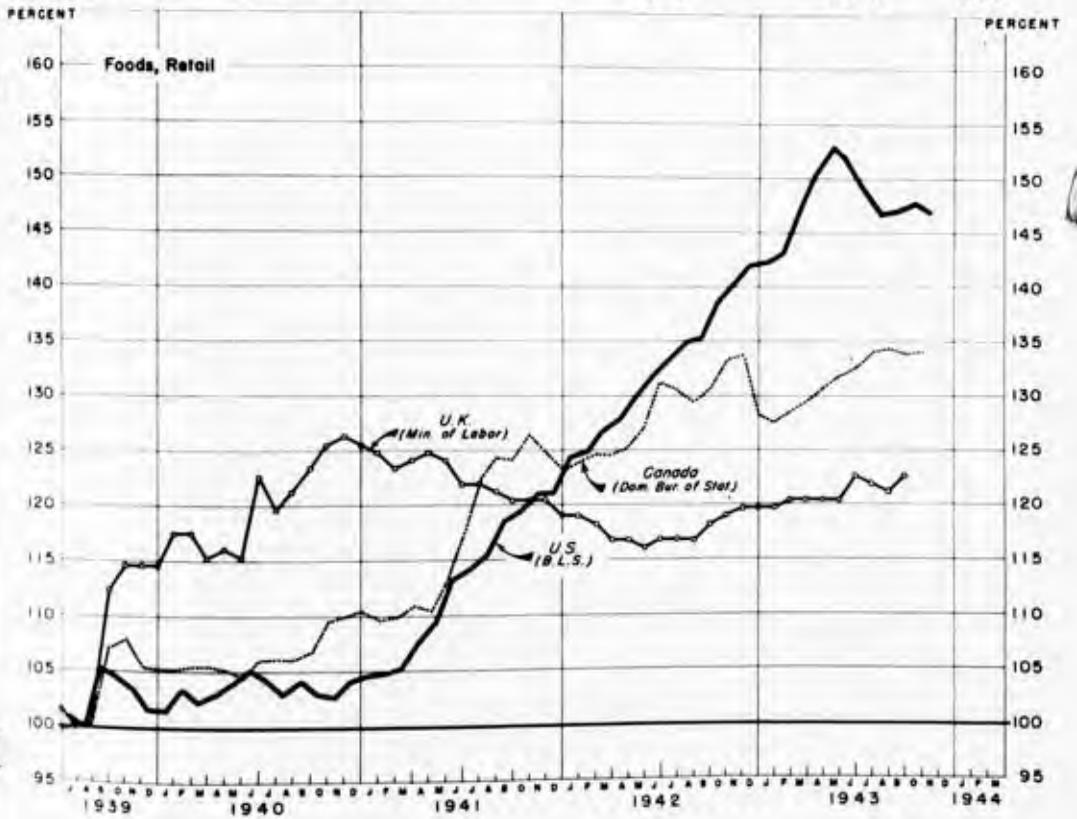
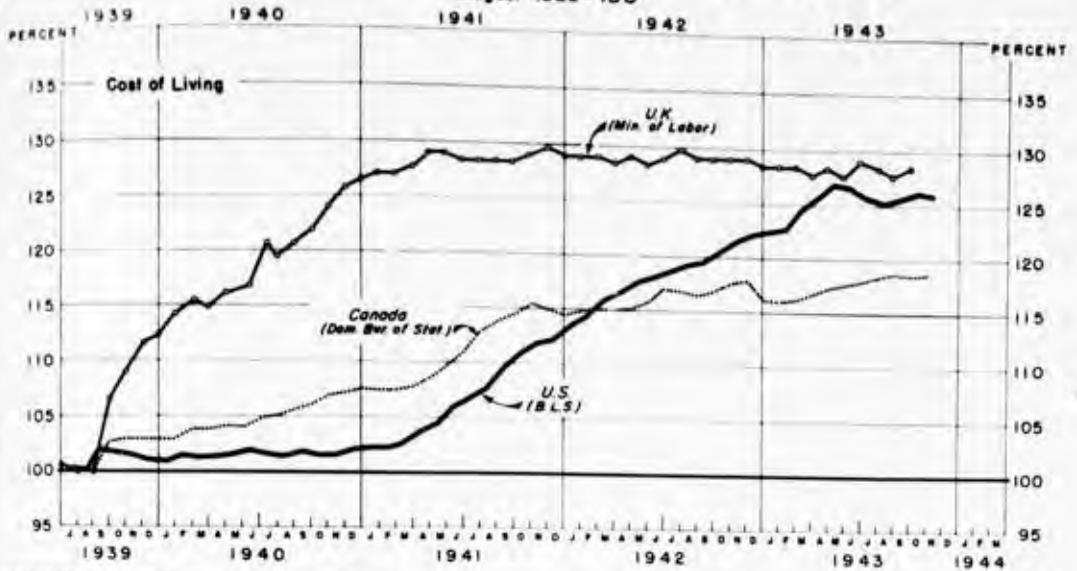
Office of the Secretary of the Treasury  
Division of Research and Statistics

Source: B. L. S.

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Chart 1 210

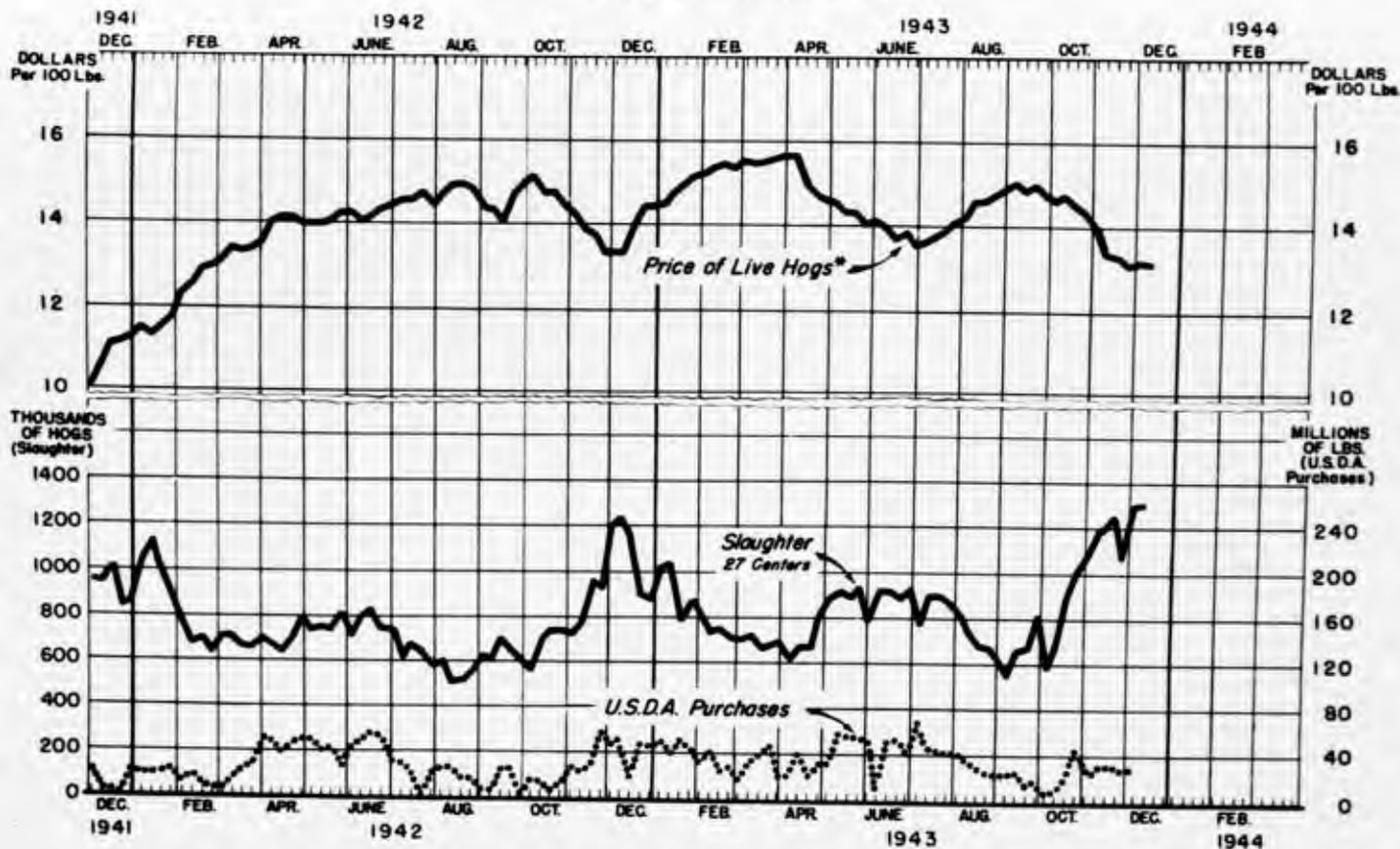
### COST OF LIVING, U.S., U.K. AND CANADA August 1939 = 100



Office of the Secretary of the Treasury  
Bureau of Economic Warfare



# HOG PRICES COMPARED WITH HOG SLAUGHTER AND U.S.D.A. PURCHASES



\* Chicago, good to choice, 180-200 pounds  
 Source: Department of Agriculture

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

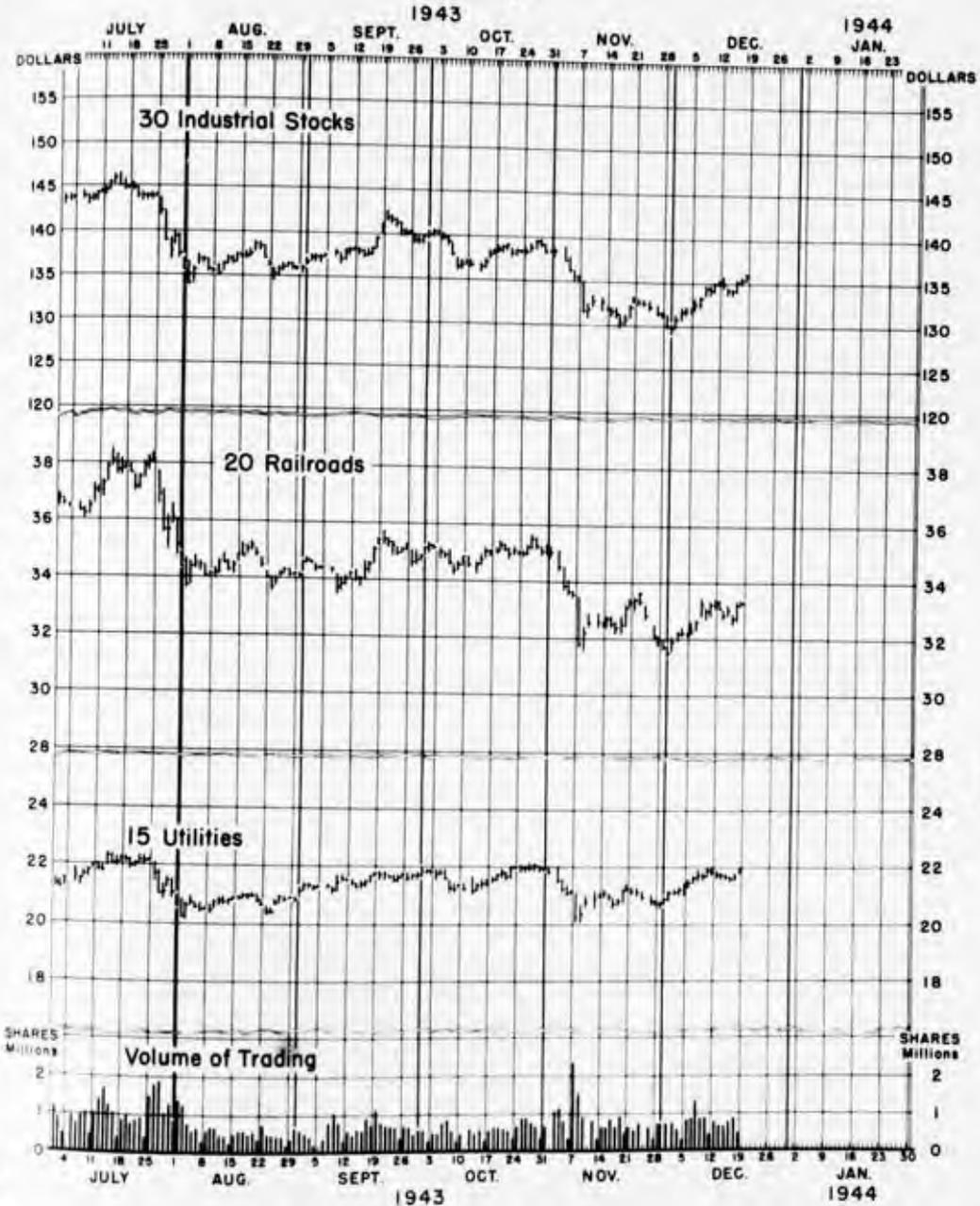
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Chart 4

213

# STOCK PRICES, DOW-JONES AVERAGES

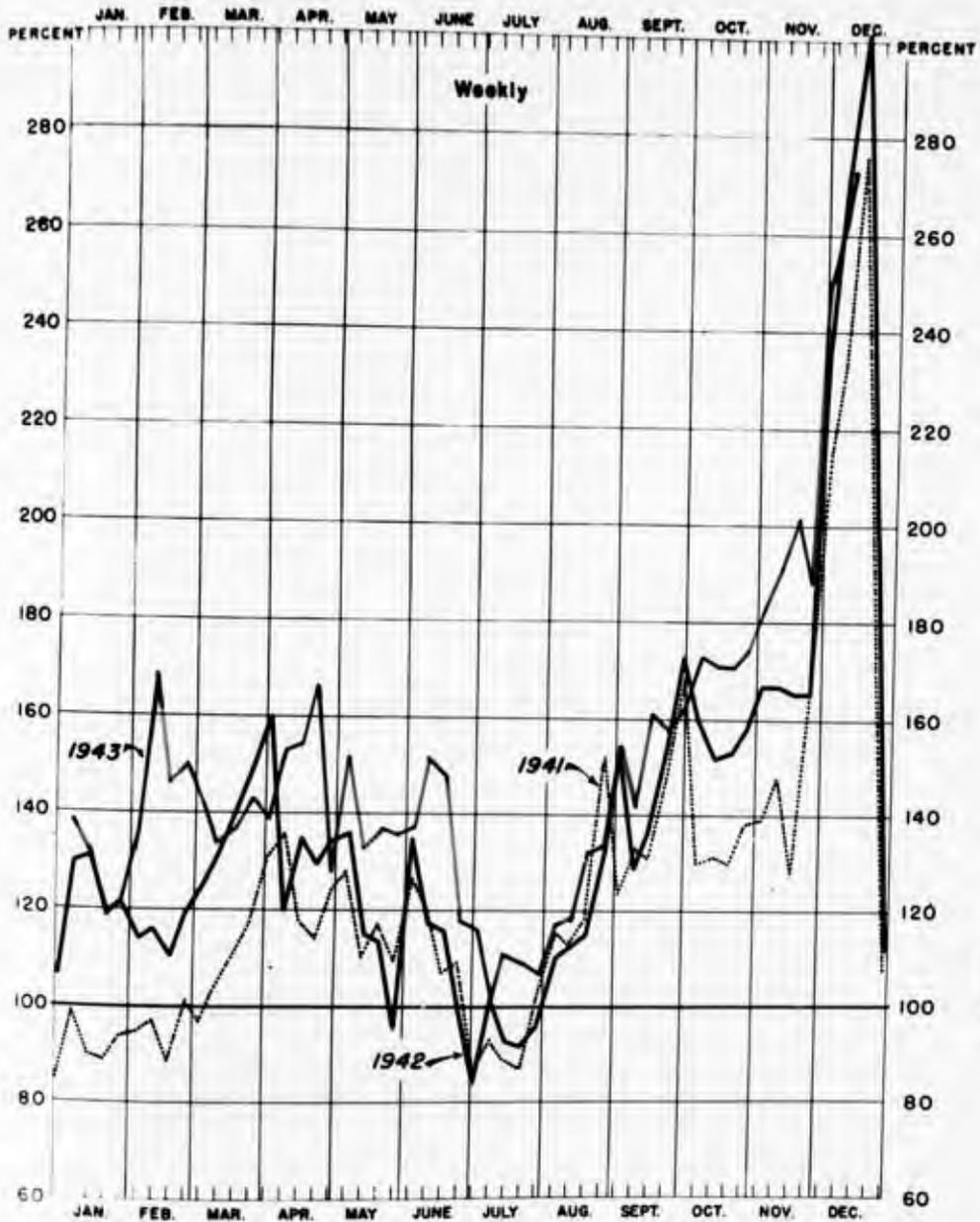
Daily



U.S. Department of the Treasury  
Bureau of Economic Warfare

# DEPARTMENT STORE SALES

1935 - '39 = 100. Unadjusted



Dept. of the Secretary of the Treasury  
 Division of Research and Statistics

C-390-B

Norman Thompson  
The Secretary

December 20, 1943

You gave me Saturday a press release dated November 22, 1943, in regard to facilities to care for children. What I'd like to know is, and I'd like to have a report as to how much these facilities have been used. In other words, how much success are we meeting with? How much demand is there? Supposing shortly after the first of January you give me a report on the month of December, and from then on I'd like a report on this particular phase once a month. When the first report is prepared, I'd like Mrs. Doyle to bring it in with you and whoever else is associated with you in this work, and explain it to me in person. I see that this memorandum of November 22nd is signed by a man named Joseph Jordan, Chief, Employee Relations Section. That's a new name to me. I'd like for you to tell me who he is. If this memorandum is not clear to you, please talk to me about it.

*Mr. Thompson gave*

*Mr. Magenthan 1/5/44*

The Speaker's Rooms  
House of Representatives U. S.  
Washington, D. C.

December 20, 1943

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

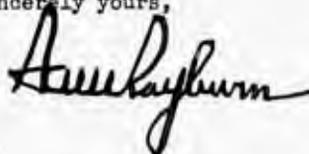
Dear Henry:

Thank you for your kind telegram with reference to my remarks in the House of Representatives on December 9th at which time I spoke on some "Dangerous Trends".

I was trying to be helpful and trust that I was. I appreciate deeply your taking the time and trouble to wire me.

With best wishes, I am

Sincerely yours,



P. S. I am sending you under separate cover copy of the speech in full.

(Not printed at Government expense)



United States  
of America

# Congressional Record

PROCEEDINGS AND DEBATES OF THE 78<sup>th</sup> CONGRESS, FIRST SESSION

## Dangerous Trends

SPEECH

OF

HON. SAM RAYBURN

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

December 9, 1943

Mr. RAYBURN. Mr. Chairman, I do not know whether it is possible for me by saying what I have in my heart today to say to be helpful to all of us or not. I read a great deal, I hear a lot of conversation, I hear things and I see things on the printed page that I feel are very hurtful to the unity of your country and mine and if I were going to say what would be the subject of my remarks today I would say that I desire to speak on some dangerous trends.

I know that every man and woman in this House loves this country. I do not doubt the patriotism of a single one of you, I do not doubt the patriotism of those numberless millions of men and women out there. I do know that there are complaints about supposed sacrifices. I think I know, however, that the people in this country who are making the greatest sacrifices are complaining the least. I think of the mother of six sons, a widow, in the district I represent. Every one of her sons is in the Army or in the Navy. She is not complaining, but is meeting her sacrifice as a great American and has gone out to get herself a war job.

Every day or every week somebody, somewhere asks: "What are we going to do with England after the war is over?" "Is England in diplomacy going to outdo us after the war is over?" "What is going to be done with this little island or that little island or the other little island in some sea after this war is over?" "Is England going to stride the world like a colossus?"

That is dangerous talk. Anything calculated to bring about disunity and wrong thinking in our own country or disunity among us and those allied with us is dangerous talk, it is dangerous propaganda; it is a reflection upon the intelligence of American manhood and womanhood that we do not have patriotism enough and brains enough to sit

around a peace table with anybody upon the face of the earth.

I brand expressions like that as canards, not only upon the patriotism, but the intelligence of those who will represent us when this terrible war is over.

Then somebody says to me: "What are we going to do with Russia after the war is over?" "What is Russia going to do after the war is over?" What I am interested in in 1943 and 1944 is what Russia is doing now. We will settle those things after this war is over.

They ask, Is Russia going to communize the world? Will that strange doctrine find root in American soil? It will only when the people of the United States are willing to accept communism, and not until then.

Is somebody trying to change our form of government, they ask; an insidious group somewhere? Now, listen: Under our form of government and the way we have of doing, the election of Members of the House of Representatives each 2 years, the election of a President every 4 years, and the election of all the Senate each 6 years; this form of government of yours and mine is not going to be changed until the people, exercising their intelligence and an unpurchasable ballot, vote to change this form of government.

Another thing, especially since the Patton affair, which was tragically unfortunate, the Army has not escaped whisperings. Of course, everybody knows that mistakes have been made, that judgments have gone wrong. If in the Army they had had months to consider whether or not they would do a certain thing, some of the seeming mistakes might not have been made. We were attacked and we were unprepared to defend ourselves. Things had to be done in a hurry. Decisions had to be made, when you could not even wait overnight. I do fear that these men in the Army and in the Navy, if criticism goes on, and if they are called into the open to answer questions that many times should be asked in executive session, may themselves come to fear to make decisions upon which the fate of the Nation or a hemisphere may depend.

I call your attention to that because I know that these earnest men are using

all of their training, all of their brains, and all of their patriotism to do this job well, and to do it as quickly as it is possible. If the Army and the Navy cannot run this war better than any civilian, then we should have done away with West Point and Annapolis a long time ago.

So when these strange things are talked and printed and blared over the radio, I hope that we, if we are fortunate enough to have a few days among our own people during the Christmas season which at its best cannot be a very happy Christmas, will go back and try to stamp out some of these things among our own people.

Another thing, ceilings for the other fellow but not for me; price fixation for the other fellow but not for me; uncontrolled inflation on what I have to sell but controlled prices on what I am called upon to buy—that just will not work.

We can tell the people of America a story of production unequalled by anything in the annals of time. Two things stand out in 1942, and will for half a century, in my opinion. One was the swift conversion of American industry from what it was doing to the manufacture of the instruments of war, and the mass production that they brought about. The other was the unexpected and successful resistance of Russia.

Some people say, "Why send so many things across the ocean to other people?" I would rather send bullets and bread to the armies of the Allies to fight on their front than to have to send more of our boys to fight on all fronts.

Let me repeat that the people, in my opinion, who are complaining the most are the ones least justified in complaining. I am an average American citizen, no better, I know, no worse, I hope, than the average. I have no son to give to this war or to the reconstruction of a sad and stricken world after it is over, and I am in the same position as at least 50 percent of the men and women. I am wondering what sacrifice I have made, and I cannot think of a single one. Maybe I have been slightly inconvenienced. Like the average American, I have had all the coffee I needed to drink and plenty of sugar to go into it. I have had enough gasoline to transact my essen-

## CONGRESSIONAL RECORD

tial business. I have eaten well and plenty, as has every other American citizen, and many of them are eating better today than they have ever eaten before. Of course, I have bought some bonds, all I can afford to buy. That is no sacrifice. I will get my money back with interest, if these boys who are fighting and dying over there win this war for you and for me.

We in this country would not know that a war was on if we did not read the newspapers, hear the radio, and see the vacant chairs in the homes of the country. In all probability, a hostile gun will never be heard fired inside of this hemisphere, a bomb in all probability will never fall. But when I think of this widow that is giving six sons, she is making a sacrifice. When I think of her son who has been in command of a submarine in the Pacific Ocean ever since Pearl Harbor; when I think of millions of other mothers' sons who are in the Southwest Pacific, wading in the mud and murk of vermin-infested islands, where if disease does not attack them the murderous Jap is behind every stone, every stump, and every tree; when I think of the sacrifice of these people, I would despise myself if I complained about my little inconveniences, and that is the best or the worst or the greatest sacrifice I have made.

Some people are complaining who have improved their position during this

565258-4813

war. I hate to think it, but as I do think it, I must say it, I think some groups in this country, at the expense of our unity in the war effort, are thinking more of their position after the war than they are of winning the war now. It is a sad commentary upon some human beings.

Some people just love to be unhappy. They just love to be scared, "What is Russia going to do to us?" "What is England going to do to us?" "What are they going to take from us?" "What have they got to give us after this thing is over?" "Are we going to be able to feed the world after this thing is over?" "Are they going to demand the bread and the meat that should go into the mouths of our people and the milk that should go into the stomachs of our children, to the deprivation of our people here?" Of course, that is not going to happen. Ah, my friends, this war is not over by a great deal. The people of the United States are so geared that if we win a little island somewhere they think the war is almost over. I think anyone who predicts the length of a war is dealing in superhazards. And I do not predict the length of the war in Europe or in Asia. But I cannot see anything in this situation, either in Europe or in Asia, that would cause me to believe it is going to be a short war. It is going to take the might and brain

of every patriot under the flag to do this job. Our hands are to the plow. We cannot look back. The very fate of civilization depends not only on how our Army and our Navy act, but how you and I act and how you and I respond to the necessity of this hour.

Unity in this war effort we must have. And I trust the brains and the patriotism of Americans after it is all over to look after our interests. It is going to take the work, the loyalty, and the love of every citizen throughout the length and breadth of the earth who loves liberty and who is willing to sacrifice to preserve liberty in this world and make it again a decent place in which to live. I am saying this not for you so much as hoping that it might get out somewhere and might help somebody and might stop some complaints which are wholly unjustified. When I think of the millions of men and women who are making the supreme sacrifice in sons in this war, when I think of the bravery of the best equipped soldiers that ever went to battle in the history of mankind, how our production has put into their hands the greatest instruments of defense and for attack of any soldiers ever called to battle in all the history of mankind, if we do our job on this front in unity, not only here but with those who fight with us, God knows, and you know, that the boys who wear the uniform will do their part.

116 77 15 210  
G.H.B.

100-100

December 20, 1943

My dear Cordell:

I am sending you herewith copy of a confidential memorandum on the Chinese situation, which I gave to the President yesterday afternoon. In drafting this letter for the President, unfortunately I did not have the benefit of the information contained in Ambassador Gauss' cable of December 9th.

Sincerely yours,

(Signed) Henry

Honorable Cordell Hull,  
Secretary of State.

D

Date... December 20, 1943

To: Secretary Morgenthau

From: Mr. White

*HDW*

We received no cable from the State Department from Gauss on December 9. We have cables dated December 7 and December 10 but they refer in no respect to the request for a loan by China.

A long cable dated November 24 (No. 2228) from Adler, dealing with many matters, contained the phrase that "China was preparing to ask us for another loan and that any increase in the (China's) expenditures for USAAF would merely mean an increase in amounts they would ask for." No specific request for a loan has been received by us in a cable from Chungking.

December 18, 1943

MEMORANDUM FOR THE PRESIDENT

You have spoken of the request of Generalissimo Chiang-Kai-Shek for an additional \$1 billion of financial aid to China to be used to help control inflation and for postwar reconstruction.

I

The facts regarding inflation in China and the possibility of its control through the use of dollar resources are as follows:

Inflation in China, as you well know, arises from the grave inadequacy of production for war needs and essential civilian consumption. Supplies have been drastically reduced by enemy occupation and the cutting off of imports except the small amounts that come by air or are smuggled from occupied territory.

The Chinese Government cannot collect sufficient taxes or borrow from the people in adequate amounts. As a consequence, the Government has been issuing 3.5 billion yuan a month, twice the rate of a year ago.

The official exchange rate for yuan is now 5 cents; before China entered the war it was 30 cents. The open market rate for yuan in U. S. paper currency is one cent and in terms of gold one-third of a cent.

You have suggested the possibility of our selling dollar currency for yuan to be resold to China after the war at no profit to us. No doubt something could be done to alleviate inflation through the sale of gold or dollar currency in China. I have received the following message from Dr. Kung dated December 14:

"You will be pleased to hear that the recent gold shipment is one of the outstanding factors contributing to the strengthening of fapi, because people believe that the arrival of gold has in-

- 2 -

creased the much needed reserve of our currency, thereby influencing the stability of prices. The action of the United States Government re-affirms to the Chinese people that, despite difficulties arising from the blockade and the cumulative effects of over six years of war against the invasion, China has a powerful friend desirous of strengthening China's economy as conditions permit."

However, while something could be done to retard the rise in prices, the only real hope of controlling inflation is by getting more goods into China. This, you know better than I, depends on future military operations.

## II

China has tried two similar monetary remedies for alleviating inflation without marked success.

1. The Chinese Government issued and sold dollar securities for yuan, setting aside \$200 million of the aid granted by this country for the redemption of the securities. (These securities were sold at exorbitant profit to the buyers. For instance, a person holding \$100 in U. S. currency could have quadrupled his money in less than two years by selling the currency for yuan on the open market and buying the dollar securities issued by the Chinese Government.) I believe that the program made no significant contribution to the control of inflation.

2. The Chinese Government has recently been selling gold at a price in yuan equivalent to \$550 an ounce, about fifteen times the official rate. We have shipped to China more than \$10 million of gold and they have sold about \$2 million of gold for yuan. This program has not been tried sufficiently to warrant any definite conclusion as to its possible effect.

China now has \$400 million of unpledged funds in the United States and is getting about \$20 million a month as a result of our expenditures. China could use these funds in selling gold or dollar assets for yuan, although in my opinion such schemes in the past have had little effect except to give additional profits to insiders, speculators and hoarders and dissipate foreign exchange resources that could be better used by China for reconstruction.

- 3 -

Under the circumstances, a loan to China for these purposes could not be justified by the results that have been obtained. It is my opinion that a loan is unnecessary at this time and would be undesirable from the point of view of China and the United States. Large expenditures on ineffective measures for controlling inflation in China would be an unwise use of her borrowing capacity which should be reserved for productive uses in other ways. On reconstruction, it is too soon for us to know the best use or the best form of the aid we might give to China.

#### Recommendations

For the past five years I have had a deep admiration for the valiant fight that the Chinese people, under the leadership of Chiang-Kai-Shek, have waged against Japanese aggression. Therefore, I am in complete sympathy with your position that no stone be left unturned to retard the rise in prices. Using the tools we have at hand, I recommend the following:

1. All U. S. expenditures in China, currently \$400 million yuan a month and rising rapidly, be met through the purchase of yuan with gold or dollar currency at whatever price we can get them for in the open market. This is equal to more than 10 percent of the present rate of issue.
2. Accelerate the shipment of gold purchased by China to twice the amount we have previously planned to send. It should be possible to raise gold shipments from \$6 million a month to about \$12 million. At the present price for gold in the open market this would be equal to the present 3.5 billion of yuan currency that is being issued.

The impact of this two-fold program should contribute to retarding inflation, always bearing in mind that the basic reason for inflation in China is the shortage of goods.

EMB:HG:WHT/lr, jm  
12/19/43

Treasury Department 22  
Division of Monetary Research

Date Dec. 23, 1943 19

To: Secretary Morgenthau

*Information*

I think you will be interested in  
glancing at the appended information  
which has been furnished us by our man  
Wood in Lisbon.

H.D.W.

MR. WHITE  
Branch 2058 - Room 214½

December 20, 1943

MEMORANDUM FOR THE FILES

Economic Intelligence from Portugal

Portuguese Axis Relations

a. Bank of Portugal has been instructed to open large credits for German interests. Portuguese railways have been instructed that shipments to Germany are to be given priority over all other traffic. Portuguese justify such concessions to the Germans on the grounds that they must balance the cession of the Azores to Great Britain, in order to prevent German reprisals.

b. "Lavish allotments" of tin have been made available for purchase to Roumania, Bulgaria, and Hungary, by Portuguese firms. Portuguese justify this offer by alleging that Allies refused to accept Portuguese prices and declaring that such action was necessary to forestall German reprisals for the Azores cession.

c. A Portuguese-German agreement on delivery of iron by Germany was concluded about November 1. Germans insisted on 50 percent cash advance payment on each delivery outside the clearing in whatever currency they might stipulate. Portuguese buyers refused these terms at first; however, the Minister of Interior, Duque, intervened and informed Portuguese importers that the Portuguese government would guarantee the payments.

d. It is reported that 200 wagon loads of munitions are to be sent by Germany to Portugal, in order to liquidate Germany's debit balance on the Portuguese-German clearing.

e. The German and Portuguese governments have reached an agreement concerning supply of wolfram. Considerable shipments are known to have been effected.

f. Germans are making enquiries as to the volume of taxes paid by British and U. S. firms in Portugal.

Italian Colony in Portugal.

a. An Italian ship loaded with tin from Spain has been harbored in a Portuguese port. Spain has been pressing for unloading the ship lest she attempt the run to Gibraltar.

b. Italian Minister in Portugal has issued a circular to members of the Italian Colony reminding them that Italy is now at war with the Axis and that any commercial dealings with the new enemy would be severely punished.

c. The Italian Legation is reported to have 30 tons of tin and wolfram in Portuguese ports. The Legation commissioned an agent to arrange for its

*Sale.*



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT  
PROCUREMENT DIVISION  
WASHINGTON 25



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December 20, 1943

MEMORANDUM TO THE SECRETARY:

The information which you requested concerning the reduction in Lend-Lease purchasing by the Procurement Division because of the change of policy effective November 15, 1943, excluding British Empire requisitions of certain capital items, is summarized herewith.

With regard to the over-all Lend-Lease purchasing handled by us, the dollar volume of purchases for all countries for the past several months has been far below the original estimates of requirements as programed by the Foreign Missions, and, as against the total estimates averaging about 173 million dollars monthly, the actual purchases have been at an average of about 90 million dollars monthly. There is no decrease in the number of purchase contracts, however, the dollar amount is but about half.

With regard to the British Empire requirements under Lend-Lease that are processed through the Procurement Division for purchase, our forecast for November 15, 1943, to June 30, 1944, predicated upon the average for the past several months, is approximately 337 million dollars. Accordingly, it is our estimate, by segregating the indicated value of commodities purchased by the Procurement Division, which are excluded by the policy change, that the approximate reduction will be 45 million dollars from November 15, 1943, to June 30, 1944.

*Clifton E. Mack*  
Clifton E. Mack  
Director of Procurement

Attachment:  
Letter dated 11/16/43 from FEA  
to the Procurement Division

FOREIGN ECONOMIC ADMINISTRATION  
Washington, D. C.  
(25)

November 16, 1943

Mr. Clifton Mack, Director  
Procurement Division,  
U. S. Treasury Division,  
7th and D Streets, S. W.,  
Washington, D. C.

Dear Cliff:

In order that you may be informed of Lend-Lease policies, the following is a statement of a recent decision regarding certain items:

Effective November 15, 1943, the following categories of items heretofore obtained on requisitions filed with Lend-Lease Administration, will be furnished to the British Empire only for cash (preferably through ordinary commercial channels unless, in such cases, procurement difficulties necessitate the use of Lend-Lease cash reimbursement procedure):

- (a) Projects of a permanent nature
- (b) Machine tools
- (c) Material and equipment for the production and refining of petroleum, excluding drum sheets and pipe lines for direct military use.
- (d) Industrial equipment
- (e) Portable electric and pneumatic tools.

This policy is not intended to apply to procurement and transfer of material against approved requisitions which you have already received. The effective date will be controlled by the date of the requisition and consequently for some days you may be receiving approved requisitions for these materials on a Lend-Lease basis.

Sincerely yours,

(s)  
Arthur B. Van Buskirk  
Assistant to the Administrator

TO:

Secretary Morgenthau

You may be interested  
in the attached editorial  
reaction to the President's  
report on reverse lend lease.  
It was favorable beyond ex-  
pectation.

Dec 20, 1943

OSC

MR. COX

EDITORIAL COMMENT ON THE  
PRESIDENT'S TWELFTH REPORT TO CONGRESS  
ON REVERSE LEND-LEASE AID  
FROM THE  
BRITISH COMMONWEALTH OF NATIONS

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NEW ENGLAND STATES

## Lend-Lease

President Roosevelt's report on lend-lease aid received by the United States and the simultaneously issued British White Paper on "mutual aid" give striking evidence that pooling of resources and services by the United Nations has contributed mightily to progress of the war.

The two reports, moreover, will set at rest any lingering suspicion that lend-lease has yielded this nation practically no return for what we have given of our resources.

In cold monetary terms, the records show that through June 30, 1943, the United States shipped roughly \$5,500,000,000 worth of goods to nations of the British Commonwealth. In return, we received goods and services worth about \$1,171,000,000. It would appear that what we received approximated one-fifth as much as we supplied—a ratio true for the United Kingdom as well as for the entire Commonwealth.

Dollar figures, however, do not adequately measure the ratio of income to outgo.

They do not reflect a steadily swelling volume of aid received, as implied in the President's notation that such aid currently is at an annual rate of \$1,250,000,000. They do not include an important new lend-lease factor—the recent agreement that the United Kingdom henceforth will include in "mutual aid" raw materials and food-stuffs which we formerly purchased because of Britain's need for dollars with which to meet contractual obligations in this country not covered by lend-lease. All told, Britain's cash expenditures in the United States since the outbreak of war have totalled about \$6,000,000,000.

The figures further are based on the current exchange equivalent of \$4 for the pound sterling, a war-time rate which, as President Roosevelt observes, cannot "always reflect comparable values in terms of purchasing power, man-hours of work or materials." Labor costs and material prices are substantially higher in this country, a factor which leads the British White Paper to suggest fairly that the American book costs of lend-lease exceed similar British costs by more than 50 per cent.

The two reports reveal that the overall sacrifices of Britain and the United States to the lend-lease program have been nearly equal relative to total war expenditures and national income. The United Kingdom, giving aid to the other allies as well as to us, has assumed a burden \$9,000,000,000 in excess of

sums received. The proportion of British war expenditures devoted to "mutual aid" currently is 10 per cent.; our own lend-lease outlays up to May, 1943, equalled 12 per cent. of total war costs.

Many of the goods and services interchanged can never be measured in dollars. Our own contributions have been detailed before; the President now lists some of the numerous British contributions in what he says is only an approximate and admittedly incomplete accounting of "reverse lend-lease."

Already members of Congress and other citizens, as is their privilege, are seeking a more detailed accounting. May this be done in a spirit of friendliness, not of distrust, to the end that the bitterness toward our allies which prevailed after the last war will not again spread its virus to poison the coming peace.

And when final settlement of lend-lease takes place, it is to be hoped, with due regard for our national interests, that the accounting will not be a miserly one of dollars and pounds only. For as President Roosevelt points out, the rapid and free interchange of United Nations resources has speeded the world-wide war effort, thereby saving countless thousands of lives. That is the standard by which we should gauge the real net worth of what we have received from lend-lease.

## Lend-Lease In Reverse

In response to a demand for fuller information, President Roosevelt has given a statement on Lend-Lease in reverse. This statement shows that the British Commonwealth has supplied Lend-Lease aid to the United States, in response to aid given, totaling \$1,174,000,000 to date. Our aid to the British Commonwealth during the same period has been roughly \$5,500,000,000.

British aid is continuing at the rate of \$1,250,000,000 a year. This figure does not include a recent extension of reciprocal aid by the British government to raw materials and food stuffs purchased by the United States government in Great Britain and her colonies.

These materials include rubber, sisal, pyrethrum, asbestos, chrome, goods, tea, coconut oil, and benzol and tar acids. By an earlier agreement, purchases of these materials were paid for with dollars needed by the British to meet heavy dollar liabilities for contracts not covered by lend-lease. Now they will become part of the reverse in the lend-lease program.

In addition, Britain has furnished other United Nations war aid totaling \$9,000,000,000 more than she has received from them. This reverse phase of Lend-Lease is one that is not generally recognized. Many people think of Lend-Lease as a sort of American benefaction, to help the Allies carry on the war. They do not realize that instead it is a giant pool in which all United Nations have a part to enable each to make his fullest contribution to the war.

It is well that there should be a full understanding of lend-lease operations. But it is regrettable if Lend-Lease is used by malcontents as a means of sowing at our allies and to create friction among the United Nations at this most critical time in the war. Such sowing can only produce a bad setting for the postwar discussions that may jeopardize the fruits of the war, if it does not paralyze the war effort itself. The war can be won only by cooperation and to start a squabble over who is doing most and what the eventual return will be now is both unfitting and dangerous.

New Haven, Conn. REGISTER  
November 12, 1943

**THEY WENT OVERBOARD**

The simultaneous release in Washington and London of long and detailed reports on the operations of what is called "lend-lease in reverse" seems a rather obvious effort to counteract critical impressions and comment in this country on certain aspects of that program. That the feeling has been sharper since the five battlefront-touring senators came back with stories of what they had seen and heard, is plain enough in the Senate launching of a survey of its own on the way in which those activities have been carried on. Clearly, there was no complete satisfaction with what information had been supplied the Congress in the periodic reports which have been given because the law required them.

It would not be fair for the dissatisfaction, however warranted, with the handling of certain particular transactions to condemn the handling of the program as a whole. At the same time, if those in charge had been a bit more on their toes to prevent those irritations from developing, and there had been a little less inclination to try to brush critics off as spreaders of disunity and persons who give comfort to our enemies, there would have been less danger of any undeserved black eyes.

About the same thing applies to the labored presentation now of the so-called "reverse" in lending and leasing. From the start the periodic reports have been in the main, and in some cases practically in entirety, glorifications of the American contribution. The element of the dollar value has been very heavily underscored. At least in the early stages the real meat, or the fine print in the reports, indicated that that emphasis was for the purpose of obscuring the fact that the contribution was not really a reflection of war production strides in the United States. Careful examination showed that the contributions boasted of were heavily on the side of agricultural products or of equipment previously on hand and in no way a real measure of what was the armament situation at the time.

Later on, as recently as at the time of the Ottawa Roosevelt-Churchill conference, somebody in charge went so far overboard in emphasizing the American gift aspect of lend-lease as to make the President formally disavow that part of the official statement and to re-word it in a much toned-down declaration. That perhaps about sums up the difficulties which all this effort now seems aimed to explain away. Our officials in charge went overboard. The unfavorable feeling has been largely of no one's making but their own.

Hartford, Conn. TIMES  
November 13, 1943

**Lend-Lease and Reverse**

The recent report which President Roosevelt made on lend-lease by the United States to Britain and the Dominions and the amount of reverse-lend-lease extended by them to us, has given some needed information but it probably will not shut off further debate by those members of Congress who say that we are not getting enough for our money.

The figures show that about 21 percent of the \$5,000,000,000 which we lend-leased to Britain and the Dominions during the past fiscal year, ending last June 30, can be charged off because of reverse lend-lease from them to us.

To dispute that ratio soundly, the critics will have to produce information which they probably do not possess and which may not be available.

Critics in Congress may, by their insistence to get more reverse lend-lease, improve this ratio but it would have to be left to the government leaders to determine how that may be possible, if at all. The critics say they will continue their campaign. The subject will continue to be a live one for some time even after the war is over.

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## Benefits Under Lend-Lease.

New Bedford, Mass., STANDARD-TIME  
November 15, 1943

**T**HE average newspaper reader skips such matters as the president's report to Congress on the scope and operation of lend-lease. Unfortunately, this trait of the average reader. The president gave it vitality and significance. "One thing is clear," he told the legislative branch of government. "By the help which our friends and the Allies have given us, and by the help which we have given them in the common cause, we have not only made progress in the war, but we have saved the lives of many of our own boys as well as those of our allies."

It is not possible to epitomize the report in a few words. But lend-lease can be likened to something with the common experience of cities and towns.

Aid calls come to Brockton when serious fires threaten neighboring communities. Would any citizen withhold this aid? No, because when this town's fire-fighting facilities must needs be supplemented, aid comes as readily.

Lend-lease is not a one-way process. Its beneficiaries include the United States.

## WORTH WHAT IT COSTS

The President's report on Lend-Lease transactions, and the British White Paper on the same subject, should reassure the public that this vital implementation of the Allies' co-operation in war is working to the advantage of all concerned.

The Lend-Lease picture, in its entirety, is complicated. It covers not only goods and materials which are measurable in terms of money, but services which are hard to value and many imponderables, such as the military contribution to the war by land or sea, or in the air, by our allies or by ourselves, to which, the President said, "no physical or financial standard of value" can possibly be applied.

From time to time it has been charged that this country has been contributing more than its share, and other countries less than they might have contributed. Such charges are a proper subject of inquiry by Congress, but any investigation should take in the over-all picture, and not be confined to single items. To say that the value placed on what we have furnished Great Britain is about 4,458 million dollars, and the value of what Britain and the Dominions have furnished us is about 1,174 millions, does not tell the whole story. Allowance must be made for the difference in national incomes, for contributions not measurable by dollars, for damage suffered as a consequence of war, and for the benefit that we have gained from our greater expenditure.

As the President has said, "By the help which our friends and allies have given us, and by the help we have given them in the common cause, we have not only made progress in the war, but we have saved the lives of many of our boys as well as those of our allies." When that broad view is taken of the matter, we believe the American public will be satisfied that Lend-Lease has been well worth what it has cost.

Springfield, Mass., REPUBLICAN  
November 12, 1943

## Lend-Lease in Reverse

That lend-lease is a two-way business has been well known for some time, particularly in the Anglo-American relationship. The British government's statement and the President's message to Congress on the subject furnish data as late as June 30. The two governments are the more anxious to have the facts published because of recent criticisms and the start of an investigation of the whole gigantic business, covering many billions of dollars in book value, by Senate committees.

The two statements agree approximately with respect to the aid the United States has been furnished by the British Commonwealth. This amounts to \$1,174,000,000, according to the American figures, as compared with some \$5,000,000,000 of American aid for our British allies. They are doing their best, obviously, to make lend-lease in reverse amount to something, and it is fair to say they are succeeding.

When our lend-lease program was initiated early in 1941, by act of Congress, the United States was still in its neutral phase. There was considerable hope in the air that this form of aid to a belligerent might keep us an inactive, short-of-war participant. Lend-lease seemed to be a new way to fight a no-shooting war. Senator Taft tempered his opposition to the legislation by proposing that the United States government loan to

Britain several billions of dollars for its war preparations and expenses—which would have been no less unneutral in fact and principle.

As things fell out, it wasn't lend-lease that got us into the war. But our own war expenditures on top of lend-lease have called for the greatest wars appropriations in the history of the world. In these circumstances, rather raucous voices are heard now and then suggesting that the recipients of our lend-lease aid reciprocate. Stalin has already told Mr. Nelson that Russia would reimburse us, and the Russians have a very good record of good faith in the matter of their debts. The British policy of repayment, so far as possible, is now a matter of official record.

One item needs some explanation, perhaps, in the interest of good feeling. Up to June 30 last, the main British aid for the United States—it is now taking new form—had been in furnishing base facilities, barracks, hospitals and the like for American air and land forces based in the British Isles. For that sort of aid to the United States forces the British have been given a corresponding credit against their lend-lease debit account.

Putting it another way, the British are not asking the United States to pay ground rent for airfields or rent for land bases of any sort, or for hospitals or army barracks and the like. Those facilities,

however, are properly reckoned as an offset to the lend-lease supplies our government has sent to them. In the last war the French government, according to a widely circulated report, charged our fighting armies rent for the trenches they occupied on the western front. That, or whatever the arrangement was, seemed to Americans like a raw deal. Certainly these matters are much better managed today.

### Basic Facts on Lend-Lease

The President's report to Congress yesterday on Lend-Lease in reverse, as between ourselves and the British, went right to the point. He set forth available figures on British repayments, and with little elaboration permitted those figures to argue for themselves. They argue well.

Thus, he presented simplified accounts showing that the British Commonwealth's expenditures for Lend-Lease aid to America as of June 30 were approximately \$1,171,000,000, of which \$871,000,000 came from the United Kingdom, \$196,000,000 from Australia, \$51,000,000 from New Zealand and \$56,900,000 from India. At present the British Commonwealth's reverse Lend-Lease outlay runs at about a billion and a quarter dollars a year, in addition to the raw materials, commodities and foodstuffs provided for in program expansions now being set up.

Similar information appeared a few hours earlier in the British Exchequer's white paper on the same topic. The President sought to estimate the money value of the reciprocal part of the system—of the barracks, hospitals, services, equipment, foodstuffs, clothing and other items. Sir John Anderson introduced "the money sign" reluctantly and stressed rather the common effort. But both official utterances were to the same purpose, directed at the misgivings which certain members of Congress hold lest the United States give all and get nothing.

The President's figures are welcome and illuminating. The key to Lend-Lease, forward or reverse, is found, however, in two of his sentences. He said at one point, "There is, of course, no physical or financial standard of value by which we can measure the military contribution to the war on land or sea or in the air which has been made by our Allies or ourselves." At another point he said, "It (the statement of British expenditures) is an indication of the extent to which the British have been able to pool their resources with ours so that the needed weapon may be in the hands of that soldier—whatever may be his nationality—who can at the proper moment use it most effectively to the defeat of our common enemies."

Inquiries into Lend-Lease by Congress are fine. So vast an operation requires scrutiny. The Truman Committee and the McKellar Senate Appropriations Subcommittee have a legitimate field for intelligent investigation. But certainly it cannot, as the first Truman report did, ignore mutual aspects of the operations. It cannot ignore the immense saving in ships and time which reverse Lend-Lease has given. It cannot ignore the great factors that dollars and cents will not measure.

The primary yardstick of Lend-Lease is its part in winning the war. If our Allies are contributing their utmost in proportion to their resources (and they are) Lend-Lease books are in balance, even though British reverse payments shown in the President's report may be but a fifth of America's \$1,500,000,000 outlay to the British.

### What America Gets Back

The operations of the lend-lease agreements with our Allies have for the most part been set up in the public mind in a false light. It has been made to appear that it was a case of all give and no take for this country and that there was no guarantee that lend-lease goods would ever be paid for. President Roosevelt's message to Congress partially listing goods and services that have already been given in return should stop the grumblers' careless talk.

Complete figures are impossible to assemble. Many services that have been given in reverse lend-lease cannot be computed in dollars or tons. Roughly Britain and the Commonwealths of Australia and New Zealand have contributed and are contributing about a billion and a quarter dollars a year value to American war costs. That may not seem large in comparison with the scores of billions this country is spending to get its own war machine in working order. In comparison with the resources of the givers, and their own huge burdens of war costs, they are not inconsiderable. The details of what has been contributed are in the President's message which should be read by all who desire to have intelligent opinions of the lend-lease in actual operation.

There are considerations that outweigh in importance the actual figures. In Australia and New Zealand they have rationed food and clothing to the point of hardship for the native populations to provide full soldiers' rations to our troops, without cost to us. Certain British equipment proved superior to the American types. These included fighter plane gun sights, interplane radio communication devices, heated clothing and bodily armor for our flyers. These have been provided in large numbers not only increasing the efficiency of the men of the Eighth Air Force but also saving many men's lives.

Greatest of all in the way of contributions is what Britain and Russia have given in sacrifices to hold the enemy at bay until our forces could join in delivering the killing punch. Every ruined city in both those countries is a sacrifice that is part of the cost of beating down Hitler, a loss which America will not have to endure in kind. All the hundreds of lives, soldiers and civilians, which Britain and Russia have sacrificed without faltering, is a contribution to the victory that will be America's victory as much as it is theirs. Before the war ends our battlefield losses will in some degree measure up to those of our Allies. But our sacrifices here at home can never compare with theirs.

In dollars and cents the American contribution will of course be by far the greatest of all. But taking all things into consideration in estimating the true value of what has been done and what has been given, it is far from unlikely that when the war is finally over, honest opinion will have to be that the over all balance sheet is somewhere near even as between the fighting Allies.

Boston, Mass. GLOBE  
November 12, 1943

## Clearing the Air

Almost simultaneously, the British Government at London and President Roosevelt in Washington have undertaken to set the record forth clearly with respect to mutual give and take under Lease-Lend arrangements. This clarification was overdue; but it is all to the good that Congressional criticism has finally elicited it.

As the picture is drawn, Britain reports that she has repaid, under "reverse Lease-Lend," close to \$900,000,000, through the furnishing of goods and services to the United States, specifically and in particular, to American forces operating or stationed in the British Isles. Above and beyond this, other substantial repayments in services have been made, some of which are calculable, others beyond specific dollar-and-cents valuation.

President Roosevelt states that in all, about \$5,500,000,000 in Lease-Lend goods and services have gone from this country to Britain and her dominions and possessions, while about \$1,175,000,000 has been received in return, to date. This, obviously, leaves the account rather formidably unbalanced. It may be doubted that a majority of Americans expect or desire any exact matching of dollars and pounds sterling in this enterprise of mutual aid. On the other hand, a four-to-one ratio is neither close nor satisfactory. The American public will feel justly entitled to insist that the gap be diminished as a matter of financial common sense and in furtherance of good relations on both sides.

The London Government recognizes the pertinence of this view already. In the report to Parliament yesterday, Sir John Anderson made it clear that Britain intends, by expansion of deliveries of raw materials and foodstuffs from herself and her Empire, to take up the admittedly wide margin and bring these two accounts nearer balance. That is sound procedure, which will be welcome here.

Boston, Mass. POST  
November 13, 1943

## REPORTS ON LEND-LEASE

The President's report to Congress and the British White Paper explaining the workings of lend-lease, published almost simultaneously, appear reasonably satisfactory; although it is likely the recent criticism by the five Senators who toured the war fronts brought about some improvement in the means and methods whereby Great Britain now supplies a larger proportion of raw materials in reverse lend-lease than she had been doing.

It might seem that, whereas the United States was extending to the British Empire about \$5 lend-lease for every \$1 they paid us, we were overgenerous. But it must be recalled that it was never intended that lend-lease should be a 50-50 proposition.

As the British White Paper courteously points out, the lend-lease was established by Congress in March, 1941, as an act to promote the defense of the United States. That was nine months before we entered the war. But even thus early it was realized that unless we aided the nations that were combating the Axis aggressors these defenders might be wiped out and we be left alone to thwart any further Axis aggression.

Perhaps there was some hope here that if we furnished sufficient aid to the Allies they might defeat the Axis without our getting directly into the war. But, at any rate, lend-lease

was considered a good investment in that it helped hold the Axis at bay until we had time to complete preparations for our own defense.

It may be pointed out, too, that the Allies were fighting and dying long before we got into the war and that it is impossible to evaluate their efforts in dollars and cents. We may be sure that not only in the case of Britain but also Russia, China and other beneficiaries of lend-lease we shall pay out much more than we shall receive in material reimbursement.

At the same time, when transactions are carried on on such a huge scale it is well to keep a close check on them in order that each nation will, at least, do its fair share in carrying out this "mutual aid" compact.

Boston, Mass. HERALD  
November 13, 1943

## Lend-Lease Mutuality

There are international war services of which the value cannot be expressed in dollars and cents. The obligation of Australia to the United States, to cite one instance, is altogether beyond numerical calculation. The assistance we gave to England and she to us in her pitiful, dark days cannot be appraised by an accountant. How much are the lives of the millions of Chinese and Russians who checked the Axis worth to Americans and Englishmen? The destroyers which we transferred to England were priceless, and so are the various bases which we are using primarily for home defense. The contribution of Brazil is certainly not computable financially. The achievements of the Filipinos in our behalf cannot be put on a debit-and-credit basis.

The fact seems to be that the United States, Canada, England, Russia, China and other nations have made exertions and outlays for the common cause which defy international bookkeeping. About all we can do is to make a careful fact-and-figures record of the exchanges of tangible goods and measurable services, and to do our utmost, while expecting our associates to do theirs. At the end of the war, perhaps, we can make an equitable arrangement which will wipe the slate clean.

The United States does not wish to become either a Santa Claus or an Uncle Shylock, but it does wish to make sure that all nations contribute in a volume commensurate with their ability. The regular accounting required by the lend-lease act is therefore invaluable in giving us a criterion for judgment. There can be no reasonable objection to the inquiries of Congress into the dollars-and-cents working of lend-lease, as the taxpayers will have to foot the bill sooner or later.

Reading the texts of the President's report and the British white paper—about a newspaper page altogether—the curious examiner is impressed by the zeal of the principal participating nations. Our shipments have been enormous, and so have those of Canada, England, Australia and New Zealand. The difference between our expenditures and receipts is large, but when all the circumstances are taken into consideration, does not indicate that we were over-prodigious or that Lend-Lease Administrator Stettinius—now Under Secretary of State—was lacking in a sense of relative values. The publication of the two documents was decidedly advisable, for we now have conclusive evidence that lend-lease works two ways, that it has saved all the nations many precious lives and has given the war an impetus which would have been absent otherwise.

MIDDLE ATLANTIC STATES

New York, N. Y., November 1, 1943.

### LEND-LEASE INTO MUTUAL AID

The British Chancellor's White Paper on Mutual Aid and President Roosevelt's report on "the reverse lend-lease aid which we have received" will enlighten those who really wish to be enlightened as to our economic relations with our allies.

Lend-lease has never been all outgo and no income. In money terms through June 30, 1943, the United States had shipped to Great Britain \$4,458,000,000 worth of goods. It had received in various ways \$871,000,000 from Great Britain and about \$300,000,000 from Australia, New Zealand and India. These receipts are continuing at the rate of about \$1,250,000,000 a year. The figures are not complete, since some supplies and facilities furnished our armies overseas have yet to be accounted for.

Moreover, they do not include an important new item. Under an agreement recently reached the British will extend mutual aid to raw materials, foodstuffs and shipping services for which regular payments have until now been made. Some of the goods thus obtained will be rubber, sisal, pyrethrum (the soldier's friend when insects attack him), asbestos, chrome, cocoa, tea, coconut oil and benzol and tar acids. These are important, whatever the cash value.

Both President Roosevelt and Sir John Anderson, the British Chancellor, remind us that conditions of mutual aid differ as between the two countries. Our lend-lease, as Mr. Roosevelt says, "flows from a central source," whereas "British aid is rendered to the armed forces of the United States all over the world." Despite all such differences we are scarcely making a greater sacrifice than the British. According to the White Paper, Great Britain has paid out \$11,000,000,000 in lend-lease or mutual aid over and above receipts. The comparable figure for this richer, more populous and less hard-pressed country is \$15,235,000,000. Last May lend-lease amounted to 12 per cent of our total war expenditure. The comparable figure for Britain is 10 per cent.

The figures, at best, do not tell the whole story. If, says Sir John Anderson, the United States sends planes to Britain for British crews to fly "that is reckoned as lend-lease." If the planes are manned by American crews the transaction is not called lend-lease. What we give and what we receive cannot be treated in terms of bargaining. It counts for victory, which is indivisible and of which there will be plenty to go round.

New York, N. Y., November 1, 1943.

### Partnership in Lease-Lend.

Through reports delivered on the same day to Congress here and the House of Commons in England the respective governments have sought to remove misunderstandings over the workings of lease-lend. It is not, assert President ROOSEVELT in his report and Sir JOHN ANDERSON, British Chancellor of the Exchequer, in a special "white paper," any one-way arrangement. By it, each insists, the two nations are doing their utmost to advance the common cause, the defeat of Germany and Japan, and not seeking any way of tricking the other.

Naturally the figures of the two reports are in agreement. Since the passage of the act "to promote the defense of the United States," in March, 1941, this country has advanced about \$5,500,000,000 to the British Commonwealth of Nations. In the early stages it was purely a one-way undertaking, although, as the British Minister observes, the use being made of the materials received when England stood alone, was clearly within the intent of the title given to the bill in this country. After it became, with the entry of this country into the war, a mutual exchange agreement, the British Commonwealth contributed, according to the President's figures, \$1,174,900,000 by lease-lend in reverse. It has included a substantial amount of goods, especially foodstuffs in the Antipodes, but primarily, as Sir JOHN observes, it represents services. Both reports note the difficulty of putting a dollar value on these services, since often they are given at distant fronts, from which statistical reports may be weeks in arriving.

It is not as a bookkeeping accomplishment that the reports are most important. It is difficult to make a dollar comparison. A ton of steel goes just as far in the war whether

it is made in Pittsburgh or Sheffield, but one costs in dollars much more than the other, due to differentials in wages and other things. American book costs, Sir JOHN estimates, probably exceed British costs by 50 per cent. He himself prefers a proportionate measure and applies this by citing President ROOSEVELT's report of May in which he listed this country's lease-lend expenditures as 12 per cent of our total war costs. Britain's devotion of 10 per cent of her current war outlay to mutual aid, he correctly argues, is not very far out of line.

President ROOSEVELT does not mention the intangibles which Sir JOHN lists as bringing the scales more closely into balance. These include the huge expenditures here before 1941 which so depleted British exchange that financial assistance was imperative. They also take account of the steady flow of the fruits of research and combat experience gained before the United States began to fight, which have contributed to saving thousands of American lives. He correctly observes, "Indeed, financial sacrifice is not the most valuable part of what any of the United Nations is called upon to contribute to total war. The claims of war against each are the same, that is, that they should give all they have." The President similarly speaks of it as "a pooling their resources with ours so that the needed weapons may be in the hands of that soldier—whatever may be his nationality—who can use it most effectively to defeat our common enemies." That, after all, is what counts. It is fool's to try to cast accurate detailed accounts while a transaction is still going on. The assurance which both reports carry that no ally is taking all and giving little should silence a great deal of carping on both sides of the Atlantic which only can serve to weaken the common effort.

### Friends' Accounting

The bitter and wholly unjustified story which was heard so frequently after the last war to the effect that the French had charged the American Army rent for the trenches occupied by our troops has and must have no place in the accounting of this great struggle. How many lives that one perverse invention is costing us today, how much all the miserly quarrels over war debts and reparations contributed toward producing the new catastrophe (which has dwarfed all the sums involved into insignificance), no man can estimate. They contributed far too much. If, in the President's report on reverse lend-lease, appearing simultaneously with the British White Paper on "mutual aid," one sees a concerted effort to reduce American lend-lease to its proper proportions in the total picture of the United Nations' war effort, then no reasonable man can quarrel with the effort.

Until recently it was in the main true that the United States contributed dollars to the common effort while our allies contributed lives. It is natural, therefore, that the United States dollar contribution should bulk very large. Up to July 31 total lend-lease aid came to nearly \$14 billions. But the President's statement shows that reverse lend-lease in the same period has been a by no means negligible offset; up to June 30 we had received in computable values the equivalent of \$1,175,000,000 from the British Empire as a whole, and these sums are growing relatively much larger as our armies reach the field. The White Paper, moreover, shows that the British are carrying very heavy burdens in respect to the other allies as well; the United Kingdom alone has assumed a burden on behalf of Russia, the other allies and the United States of \$9 billions. While the United States has put about 12 per cent of its total war expenditure into lend-lease the United Kingdom has put no less than 10 per cent of its war expenditure into "mutual aid."

Further, both the President and the White Paper stress the fact that the dollar totals present an inadequate picture of the British contribution. Lend-lease is a "wholesale" transaction, easily accountable; reverse lend-lease is of a "retail" character and many of its multitudinous items escape evaluation and computation. Because of the difference in price levels a British pound means considerably more to Britons in terms of food and clothes and so on than \$4—its exchange equivalent—means to Americans. Finally, as the President says, "there is no physical or financial standard of value by which we can measure the military contribution which has been made by our allies or ourselves." But one thing is clear: that by the interrelated system of mutual aid "we have saved the lives of many of our own boys as well as those of our allies."

### Auspicious Beginning

THE United Nations Relief and Rehabilitation Administration has gotten off to a very auspicious start. Previous agreement on the principles of its work and organization was an indication of the coming success of the Moscow conference. Now the agreements reached at Moscow on much broader questions promise well for the new organization. Director Lehman, in his acceptance speech, did well in emphasizing that the organization will seek to work through and with the national governments and will not seek to influence political events within liberated countries. It is very widely remembered that similar work under Hoover after the last war served anti-democratic purposes.

Another favorable Coalition development is President Roosevelt's lend-lease message and the British White Paper on "reverse lend-lease." These upset the demagogic contention of the America Firsters that our lend-lease contributions entitle us to take in return any bases and advantages a small group of imperialists may want. It turns out that Britain's lend-lease contributions to our Allies are proportionately equivalent to our own, and that she is also giving us many services in return. The traveling, trouble-seeking Senators and the lend-lease investigators will not like that.

The whole makes a good picture of the seamless web of military, moral and economic obligation which binds all the Allies. How the final settlements can be made no one yet knows; but it seems unthinkable that this intricate complex of reciprocal contribution will ever be subjected to the niggardly kind of accounting which was applied so disastrously to the debts of the last war. Lord Halifax on Wednesday delivered an effective address on the political bonds, resting on important similarities in tradition and development, which make co-operation between the British and American democracies so essential to a stable peace. The intricate lend-lease and mutual aid system simply shows these political realities working out in economic terms. Sooner or later there must be settlements, but the settlements must be broadly based, taking into account all the actualities of mutual interest and interdependence which the financial transactions imply.

Chattanooga, Tenn., NEWS-FREE PRESS  
November 12, 1943

### Lend-Lease Works Both Ways

Elsewhere on this page an article by George Lait, International News Service correspondent, who was in London during the blitz and after, tells how Britain gave life-saving service to the United States by trying out Flying Fortresses and General Sherman tanks. The writer says that many Britons lost their lives in the first Fortresses that were sent over and the first Sherman tanks were worthless. The Britons made the sacrifices in testing out the equipment and today the Fortresses and the Shermans are winning the war.

The story amplifies and emphasizes President Roosevelt's report to Congress yesterday on lend-lease "in reverse." The President told how Britain, Australia and New Zealand are furnishing food and supplies for the American armies, especially how British manufacturers made garments of special cloth to protect the American aviators from intense cold at high altitudes. He praised the spirit of co-operation between the Allies and how each was helping the other.

Critics of lend-lease who have been envisioning it as a one-way affair need to revise their thinking. When the story of the war is told, lend-lease will be given much of the credit for the victory, but the story is far different from the way the French charged the American armies rent for barracks, actually made them pay for cemeteries in which to bury their dead in World War I. This war, both Mr. Lait's article and Mr. Roosevelt's report show, is truly an allied war in which the finances can be counted and worried over when the victory has been safely won.

The President's report serves as a sort of answer to the globe-trotting senator who charged that Britain was holding its own oil in reserve and permitting the United States to drain all American reserves. The senator did a distinct disservice to his country in his criticism of its democratic ally and it is time to cease serving Hitler with such carping to foment discord between the two nations who are fighting for their lives side by side on the battlefields and on the home fronts.

Chattanooga, Tenn., NEWS-FREE PRESS  
November 17, 1943

### Mutual Aid

One of the most interesting official documents of last week was the "white paper" presented to the British Parliament by Sir John Anderson, chancellor of the exchequer. The paper gave some significant statistics of British contributions to the United States war effort as well as stressing the value of other support which cannot be measured in money. One comment made by the chancellor deserves to be filed for permanent record:

Lend-lease has ceased to flow in one direction only; it has become a system of mutual aid. We ourselves are now furnishing huge supplies without payment, and indeed without calculation, to the United States, to Russia and to our European Allies.

The paper, with the report made by the President to Congress on the same day, should be sufficient to silence the anti-John Bull critics of this country. "Without calculation" has scarcely a parallel of its type in history.

Watertown, N.Y., TIMES  
November 12, 1943

#### LEND-LEASE.

Criticism of lend-lease operation, particularly as voiced by the five senators who toured the battle fronts, probably inspired President Roosevelt to issue his statement of yesterday in which he disclosed that England had turned over to us goods valued at more than a billion dollars in what he called "reverse lend-lease."

Of course this is only a little more than a fifth of what we have turned over to Great Britain and it amounts to hardly a drop in the bucket when we consider our contributions to China, to Russia and to various of our other allies. President Roosevelt makes no claim to the contrary. He simply strives to emphasize that lend-lease is not entirely a one-way proposition.

The theory behind lend-lease is that all the resources of the United Nations are put into one pool and that this pool is drawn upon as the situation requires. We have been unable to aid Russia in her great offensive with our armed forces, but we have been able to help out with war material. Can anyone say that our contribution to the success of the war in the East is even comparable to that of Russia?

When Britain faced her greatest danger, the United States was not even in the war. We could not send our armed forces to her help as we are now, but we could send her planes and tanks and guns. England held the line at a time when disaster threatened. We helped her hold it but can any one say that our contribution to the Battle of Britain was even comparable with that made by the British people, themselves?

Our contribution in material things to the cause of common victory may very likely be far greater than the contribution of our Allies because our resources are greater. We have greater productive capacity because, through the hard fighting of our Allies, our industries are not subject to destructive enemy air raids. If so, we are simply doing our part. It is our duty, as the richest member of the anti-Hitler coalition.

Utica, N. Y.  
OBSERVER-DISPATCH  
November 13, 1943

#### Just in Passing

President Roosevelt's lend-lease report this week revealed that in dollar values we have lend-leased five times what has been returned. Our materials have counted mightily on all fronts, however, and as the President said, they have not only made progress in the war but have saved many lives of our own boys as well as those of our allies. The death figures, noted above, seem to bear him out. We should get back what is fair, but our greatest compensation will be the victory.

Rochester, N. Y.  
DEMOCRAT & CRISCIAN  
November 13, 1943

#### Good Faith Both Ways

The two reports on lend-lease operations to date, the one by President Roosevelt and the other by the British government, are intended to answer questions raised in Congress about the extent of the commitments made by this country and the use to which Great Britain has been putting goods received under the lend-lease act.

The questions seem to be answered effectually by the detailed reports on the value of goods and services that have gone in both directions under this agreement. Whatever doubts may have existed in 1941, when the lend-lease act was passed, as to the wisdom of this method of extending aid to Great Britain, they have long since given way to the necessities of war time. In getting weapons and supplies to our allies we are helping wage a common war, and we cannot stop now to argue about technicalities of payment.

It helps the war effort, none the less, to get proof showing that lend-lease is by no means a one-way affair. It was, in fact, never a one-way affair. The British report shows that since the passage of the act, goods and services to the value of almost \$2,000,000,000 have accrued to this country exclusive of British purchases here of approximately \$6,000,000,000 since the beginning of the war.

The dollar value of British contributions under lend-lease naturally is considerably less than the value of what we have sent her. British dollar balances were drained almost dry even before we entered the war; it was that fact which prompted the lend-lease arrangement, an arrangement by which Britain got the goods she needed without piling up dollar indebtedness, as in the last war. Although pledged to repayment, this may be done through goods or services, as well as cash.

From Britain we have been getting essential goods, including rubber, but mostly we have been getting transportation, food and supplies for our armed forces in British territory. The plan has turned out to be fair, the detailed figures show good faith on both sides.

We are now beginning to take over our full job on the battle-fronts, but heretofore, our contribution has been largely one of dollars. Russia has paid in the blood of her millions and her devastated cities. England paid at Dunkirk, in Greece, in Africa and in her own shattered homeland. Considered in this light, perhaps the balance is not all in our favor after all.

### THAT "MONEY SIGN"

When lend-lease began—and began necessarily as a one-way operation—President Roosevelt expressed a desire to take the dollar sign off this form of aid to embattled freemen resisting Nazi tyranny. In his required periodical reports to Congress on lend-lease operations, however, it has been impossible to avoid the dollar sign.

Such a rule works both ways, of course, and in the British government's White Paper, giving Parliament its first report on reciprocal lend-lease, it was necessary to use pound sterling symbols or dollar signs—although Sir John Anderson, chancellor of the exchequer, told the House of Commons:

"It is only in a very limited sense that this White Paper introduces the money sign and to those, if there are any, who wish to judge these matters as a business deal, the effect is to underestimate the real material cost that falls upon us. I should have preferred not to have introduced the money sign even partially into the story."

By limited and approximate use of the "money sign," it was estimated in the White Paper made public yesterday, that about \$871,000,000 worth of British goods and services had been made available to the United States under lend-lease—or, to use the British term, "mutual aid"—up to June 30th last. The present cash value of such aid is estimated as well in excess of a billion dollars.

These figures apply to goods and services given to the United States in the United Kingdom alone. President Roosevelt yesterday estimated that reciprocal lend-lease from the entire British Empire, up to June 30th last, had a cash value of \$1,174,900,000. If the reciprocal lend-lease figure for the United Kingdom alone now has passed the billion mark, it seems reasonable to assume that the total for the British Empire is better than a billion and a half.

Those who, as Sir John Anderson put it, "wish to judge these matters as a business deal," will be quick to contrast this billion-and-a-half total with the approximately five-and-one-half-billion-dollar value of American lend-lease aid to the British. The British government's White Paper on mutual aid or lend-lease anticipated this argument, perhaps, when it pointed out that 12 per cent of American war expenditure, as of May 25th last, was going to lend-lease while 10 per cent of the British war expenditure was going to reciprocal aid.

The report added: "What we

give to the United States as mutual aid in relation to our national income does not fall far short of what the United States gives to us as lend-lease in relation to their national income."

The White Paper further reported that Great Britain had given materiel of war valued at \$1,500,000,000 to Russia and other Allies under mutual aid.

Such statistical sidelights are illuminating and interesting; but, as both President Roosevelt and the British chancellor of the exchequer emphasized, the "money sign" does not tell the story. If it did, Russia, a principal beneficiary of lend-lease both from the United States and Great Britain, would be greatly in debt to both her major allies. As a matter of fact, most persons feel that the United States and Great Britain are even more greatly in debt to Russia.

Sacrifices in blood cannot be balanced with the "money sign"—even though the "money sign" really represents food and munitions and armaments and military installations, all essential to victory. The same rule which applies to our lend-lease relations with Russia holds good of similar relations with Britain. You can't put a money value on Stalingrad, any more than you can reduce the Battle of Britain or Dunkerque or El Alamein to pounds, shillings and pence—or put a dollar sign on Bataan or Guadalcanal or Salerno Beach.

That is what President Roosevelt meant yesterday when he said:

"There is, of course, no physical or financial standard of value by which we can measure the military contribution to the war on land or sea or in the air which has been made by our Allies or ourselves. One thing is clear: By the help which our friends and

Allies have given us, and by the help which we have given them in the common cause, we have not only made progress in the war, but we have saved the lives of many of our own boys as well as those of our Allies."

The author of the British White Paper had something of this sort in mind when he said that certain types of mutual aid, on which no money value could be placed, such as research based on battle experience, have "cost more in blood and effort than most aid." Most Americans worthy of the name, will have the same idea in mind when certain senators go wallowing for mud to hurl at our Allies in the impending lend-lease "investigation."

No soldier would think of throwing mud at a wounded comrade—but senators aren't soldiers.

### Reverse Lend-Lease

The simultaneous reports of President Roosevelt and the British Government on "reverse Lend-Lease," showing that Great Britain and the Dominions are supplying extensive materials, goods and services to the common pool of Allied war resources, is especially timely. There has been much public misunderstanding of the purpose and operation of Lend-Lease, and recent rumors have not allayed it. The latest Gallup poll, for example, indicates that only a third of the American people know that there is such a thing as reverse Lend-Lease, and a majority believe that England is supposed to pay after the war for Lend-Lease aid given her by the United States.

The reports show that Great Britain has supplied this country with more than \$1,000,000,000 of free goods and services in the form of reverse Lend-Lease, consisting chiefly of camp installations and airfields in the United Kingdom, military supplies, food, airplanes and naval and shipping services. This does not take into account supplies and services made available by the British in North Africa, Sicily and elsewhere, nor does it include anticipated exports of raw materials, commodities and foodstuffs from British colonies which Britain has agreed to furnish without charge from now on. Nor, of course, does it take into account the intangibles of research and battle experience for Lend-Lease weapons, nor the part that Britain has played in the fight against the common enemies of the two nations. As the President put it:

"The overwhelming benefit which the United States has received from its Lend-Lease program has, of course, been the pooling of resources and the combined effort of the United Nations against the Axis countries. . . . One thing is clear: By the help which our friends and allies have given us, and by the help which we have given them in the common cause, we have not only made progress in the war, but we have saved the lives of many of our own boys as well as those of our allies."

The President's report also noted that Australia had provided \$196,000,000 worth of goods and services to American armed forces, New Zealand \$51,000,000 and India \$54,900,000. Canada has never been included in the Lend-Lease exchange, paying cash for all supplies received here. From these figures it is clear that Lend-Lease is not a one-way street, though, of course, the United States has made by far the greatest contribution. The object, as the preamble of the Lend-Lease law sets forth, is the "defense of the United States," which is also the defense of all the United Nations. Congress, through the Truman and other committees, does well to maintain a close check on Lend-Lease expenditures and operations, but the slogan of the common Allied war effort must be, "From each according to his share of manpower and material resources, to each the reward of a common victory and separate peace."

## Victory the Yardstick To Measure Lend-Lease

How to measure Lend-Lease?

Some may know the answer. Possibly there are ways to calculate the ceiling price on valor, the dollar value of a life saved, the wholesale cost of a nation's survival.

We do not know any of those answers.

To assuage the strange souls who in the midst of this conflict bleat that Lend-Lease is not reciprocal, President Roosevelt and the British government, in simultaneous reports, give figures on reverse Lend-Lease—the aid given the United States by Britain since our entry into the war.

In bookkeeper's figures, the totals stack up as follows: We have given all our Allies about \$14,000,000,000 in Lend-Lease aid (up to June); and we have received reverse Lend-Lease aid amounting to a little more than \$1,000,000,000.

So we have spent a net of \$13,000,000,000—thrown it away, if we listen to the Colonel McCormicks; invested it, if we believe our President.

But we don't have to believe anyone. We can consult history.

We can ask ourselves where we would be, where the United States would be, where the world would be if the foresight of Franklin Roosevelt had not sent Lend-Lease aid to our Allies—in time.

As the President himself put it in his message yesterday:

"No physical or financial standard of value exists by which we can measure the military contribution to the war . . . by our Allies or ourselves. By the help which our friends and Allies have given them in the common cause, we have not only made progress in the war, but we have saved the lives of many of our own boys as well as those of our Allies."

Try to imagine the war at this point without Lend-Lease.

In March of 1941, when the Lend-Lease bill passed Congress, there still were doubts that Britain could survive, alone.

Do we forget the days when the Wehrmacht seemed irresistible? When men cried for an answer to the Stukas and the Panzers? When every frontier in Europe crumbled, or seemed to, at the Fuehrer's touch?

Do we forget the days when our aid to Britain, modest as it was, may have proved the straw in the scales which tipped them for her survival—and ours?

Do we no longer recall Pearl Harbor? How the bastions of the Far East crumbled—while only our ally, China, held out on the mainland, with pitiful dribbles of Lend-Lease?

Do we recall the dark days in Egypt, when Rommel had swept to El Alamein, seemed certain to roll on to Alexandria and Suez—and the tide turned, thanks to arrival of American arms? Today the Axis is out of Africa. What is that worth to us? Let statisticians or Congressmen try to calculate it; we cannot.

Do we recall Stalingrad? Lend-Lease moved into Russia—in time. It helped. Perhaps Stalingrad would have held anyway. But we do know that our help got there—that once again the scales were tipped our way at the zero hour.

Today Hitler's Fortress Europe is crumbling. Nearly half of Italy is ours. All Africa. The Russian front is behind the Dnieper, not before Moscow. Australia is secure; Hawaii no longer threatened. We call off our air raid drills, suspend dimouts—and talk of peace in sight.

Perhaps there are Senators and Representatives who can weigh all that in the scales with Lend-Lease, whip out their microscopes and tell us the net figure.

We are content to remember what President Roosevelt told us back in those too-easily-forgotten days, early in '41:

"When your enemy comes at you in a tank or a bombing plane, if you hold your fire until you see the whites of their eyes, you will never know what hit you."

Most Americans thank God our leaders did not hold America's fire until it was too late.

*THE PRESIDENT'S report and the British White Paper show conclusively that lend-lease is not a "one-way street". The United Kingdom's contribution about equals ours in percentage of national income, and is to be increased. There is much dynamite in this controversy, and it is to be hoped the Congress will handle it wisely. It really is a fact that lend-lease has become mutual aid, and the British term certainly is more appropriate than "reverse lend-lease."*

Philadelphia, Pa., RECORD  
November 12, 1943

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As the President himself put it in his message yesterday:

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Perhaps there are Senators and Representatives who can weigh all that in the scales with Lend-Lease, whip out their microscopes and tell us the net figure.

We are content to remember what President Roosevelt told us back in those too-easily-forgotten days, early in '41:

*"When your enemy comes at you in a tank or a bombing plane, if you hold your fire until you see the whites of their eyes, you will never know what hit you."*

Most Americans thank God our leaders did not hold America's fire until it was too late.

Philadelphia, Pa., INQUIRER  
November 13, 1943

### Our Returns From Lend-Lease

President Roosevelt's report to Congress on lend-lease "in reverse," as practiced by the British Commonwealth of Nations, meaning aid received by the United States in return for assistance provided to those allies, presents some much-needed information.

The American people, who are paying for these sinews of war, have a right to know not only the amount of their contribution and the uses to which it is being put for winning the war, but the extent to which it is being reciprocated. There is no good reason for secrecy with regard to either side of the transaction.

The fact that the respective value of these various contributions cannot be adequately measured by the cost in dollars, since their object is to save lives and hasten victory, doesn't mean that we should not keep an accounting of the vast sums expended. For the financial factor, without excluding these other considerations, does help to measure the extent of the sacrifices involved.

The need for public enlightenment on this score was recently shown by a Gallup poll, which indicated that 47 percent of our people did not know whether the British were supplying us with war materials, while 90 percent confessed their unfamiliarity with the workings of lend-lease.

The President's report shows that the United States has shipped about four and a half billion dollars' worth of goods to the British and received in return supplies with a cash value of nearly a billion and a quarter dollars. An important new disclosure is that hereafter the British will furnish us with raw materials, foodstuffs and shipping services on account of lend-lease without cash payments by the United States.

This bookkeeping report is interesting and will be useful in whatever final settlement is concluded. But it would be instructive to have equally enlightening reports concerning current or prospective returns from other beneficiaries of our lend-lease system.

Pittsburgh, Pa., POST GAZETTE  
November 13, 1943

### Mutual Aid

The simultaneous reports on lend-lease operations released by the British government in a "white paper" and by President Roosevelt in a message to Congress throw needed light on the program of mutual aid which is helping the United Nations win the war.

In pointing out that lend-lease works in reverse at a cost running into billions, Chancellor of the Exchequer Sir John Anderson avoided saying anything to give the impression that the British are minimizing the assistance this country has given them. There is no denying that the United States has been the great "arsenal of democracy." Yet it is not a false pride which makes the British want the world to know that they are pulling their weight in the financial phases of the war.

Surprised though they may be at the extent of reverse lend-lease, Americans can claim credit enough for their own contribution to the common cause. Some of them, before this country went to war, may have wanted to help the foes of Hitler primarily to save their own skins, but others were willing to help their kind of people the world over chiefly because they needed help. There is no telling what would have happened, or where we would be, had not lend-lease been thrown into the battle at a time when it was needed most.

Bookkeeping comparisons, though, can be most odious if they are pressed too far. Who would say that Russia has not done her part without giving us or the British anything—except immense quantities of blood poured out in a common cause? The profits from mutual aid will be enough for all when the United Nations, fighting together and working together and paying together, have won the war.

Johnstown, Pa., TRIBUNE  
November 13, 1943

The report issued simultaneously by President Roosevelt in Washington and Sir John Anderson in London, on the operations of the lend-lease program gives information which both the American and British people should receive at regular intervals. The reverse flow has amounted to \$1,171,000,000. Many Americans had thought of lend-lease as a one-way thoroughfare.

Pittsburgh, Pa., PRESS  
December 3, 1943

### LEND-LEASE

A REPUBLIC Thunderbolt, sent to Britain with an American pilot and serviced by American ground crews, is not Lend-Lease. It is part of the direct American military effort against Germany.

But the same Republic Thunderbolt, sent to Britain to be flown into action by a British pilot, is Lend-Lease and the cost of the plane is added to the sum of America's financial contribution.

In each case the product of our American factories is used effectively. In each case the United Nations are using the most effective means to defeat their common enemy.

If it is Lend-Lease a British pilot may lose his life in the plane. If it is not Lend-Lease, the sacrifice may be made by an American pilot.

This is just one illustration of difficulties involved in evaluating the war contributions of the two nations. How is it possible to balance the value of a life against the value of an airplane, or guns, or tanks, or ammunition?

Who would sacrifice a thousand American lives to save Lend-Lease dollars? Or one American life?

The war against Nazi Germany requires the all-out effort of both nations. We are more concerned with expenditure of lives than with expenditures of money. We would not squander either, but if we were forced to choose one extravagance or the other, certainly no one would hesitate an instant in the decision.

Victory is the important thing and to that end each nation should do its utmost.

Wilmington, Del., NEWS  
November 12, 1943

### Right in Principle

With two Senate committees about to begin inquiring into the operations of the lend-lease program, the President's report to Congress on "reverse lend-lease" furnished this country by the British Empire and the British White Paper on "mutual aid," both made public yesterday, amount to a backfire set by arrangement of the Government at Westminster and the Administration at Washington. However, they are not to be discounted for that reason.

The backfire, at any rate, has been started in broad daylight and with no apologies. It was announced in advance that the two documents would appear simultaneously, and though nothing was said about the Senate investigations it is obvious that they were prepared as separate answers to criticism recently made by the five senators who toured the fighting fronts last summer. Both objects of this attack were and are entitled to make their case.

That case, from the Administration's point of view, is that the United States has received one "overwhelming benefit" from the lend-lease program—the pooling of the resources and the effort of all the United Nations against the enemy, which has made victory possible and has saved the lives "of many of our own boys as well as those of our Allies." The British case chiefly reinforces this contention by showing that Britain has aided the United States to the extent of more than a billion dollars, not counting other services that cannot be measured by money signs, and has also freely aided Russia and other Allied nations.

This should go a long way toward convincing Americans and Britons alike that the principle of lend-lease is right. It is proper for the Senate to inquire into the details, for it may be that they need correction, but the program has proved its worth and its right to be carried on.

Baltimore, Md., SUN  
November 12, 1943

### The President Reports On Reverse Lend-Lease

Just as the Senate Appropriations Committee launches a general study of Government expenditures abroad, Mr. Roosevelt provides Congress with a special report on the extent of reverse lend-lease aid received by us from the United Kingdom, Australia, New Zealand and India. The President's figures on aid from the United Kingdom coincide with those presented in a statement made in a White Paper presented to the House of Commons by the British Chancellor of the Exchequer.

Mr. Roosevelt's report shows that up to the end of June 1943 the British had supplied us with some \$71,000,000 worth of reverse lend-lease aid. The figure for Australia was \$136,000,000, for New Zealand \$51,000,000 and for India \$56,900,000. Canada does not enter the picture, because she has received no lend-lease aid.

The nature of the aid given to our forces by the various parts of the British Commonwealth differs. The largest single item in the United Kingdom contribution, for instance, has been airports, barracks, hospitals and similar military constructions. Britain depends heavily on imports for her food supply, but she is providing some reverse lend-lease aid in the form of food and beverages.

The Australian and New Zealand aid to our forces consists largely of construction and foodstuffs of various kinds. New Zealand's contribution of clothing necessitated the establishment of a clothing-rationing system for the New Zealand civilian population. The largest single contribution of the Indian Government is in construction.

Mr. Roosevelt makes it clear that the figures which he presents are not final nor inclusive. For instance, supplies and services made available by the British to our forces in North Africa, Sicily and elsewhere have not yet been reported. The value of barracks, etc., not built specifically for us, but taken over by us after earlier use by the British, are not included at all, but will await the final reckoning after the war.

The figures on reverse lend-lease do not show that we are getting nearly as much as we are contributing to the British Commonwealth. What Mr. Roosevelt has indicated is that we are receiving a substantial return in materials for our lend-lease aid and are to receive more in the future. Undoubtedly there are and will be comparable returns from such other beneficiaries of our lend-lease statutes as Russia and China.

With these other allies, as with the British, the ultimate account will be studded with values not susceptible to dollar measurement. What is the value to us, for instance, of Britain's stand under the blitz of 1940 or Russia's offensives against Hitler? By all means, let the material facts on lend-lease be developed, whether in Presidential reports or in Senate investigations. No one really doubts that they will show all parties contributing to the full extent of their ability in war materials, as they are in military exertions.

Washington, D. C., POST  
November 12, 1943

## *Lend-Lease*

The newspapers, unwittingly no doubt, gave the public at home and abroad a very distorted impression of the tone, temper and contents of the Truman Committee report on postwar conversion problems. It was regarded as a document on lend-lease problems. In point of fact, only brief reference was made to the connection between the lend-lease program and the principal issue under discussion. But emphasis on that one section combined with provocative newspaper headlines, conveyed the idea that the Truman Committee members are bitterly critical of the system as it is now operated and convinced we are getting a "raw deal."

To be sure, the committee did refer to the rubber monopoly that forced us to pay exorbitant prices for prewar British-owned rubber while we were being called Shylocks for requesting repayments of World War 1 war loans. This raking up of old grievances was designed, however, to buttress suggestions that we ought to consider now the terms and conditions under which any such rubber monopoly should be continued after this war. This proposal, reasonable enough *per se*, though inopportune, suggested other possibilities of remuneration such as taking payment in kind for petroleum needed by England through transfer of an equivalent value of foreign petroleum reserves or of English-held securities of corporations having title to such reserves.

The Truman report declares that lease-lend was never intended as a device to shift a portion of the war costs of our Allies to us, but only as a realistic recognition that they did not have the means to pay for needed materials. In so saying it does not fairly state the issue. The real question is to what extent our war costs can properly be segregated from those of our Allies in a joint enterprise such as that on which we have embarked. That question is really unanswerable, and the reason why that is so is clearly indicated in a British White Paper published today called *A Report On Mutual Aid*. In that report presented by the Chancellor of the Exchequer an attempt is made for the first time to appraise in detail the value of some of the services rendered by the British in exchange for what we have advanced to them.

The summary is impressive, but what the report shows most clearly is the impossibility of ascertaining the comparative value of the mutual lend-lease aid furnished by Britain and the United States, respectively. In the first place, it is almost impossible, as the White Paper states, to obtain information from operational areas. Secondly, comparisons based on money values lead to serious underestimates of the British contribution in view of higher American price levels. Finally, the national sacrifice represented by lend-lease aid cannot be determined by comparing the value of the aid extended by Britain with the value of the goods and services supplied by us. For, as the British report well states, "The claims of war against each [of the United Nations] are the same, that is, they should give all they have." If we keep that thought in mind, we shall avoid laying up a lot of trouble for the future.

Washington, D. C., POST  
November 14, 1945

## Dollar Sign

Lend-lease had its origin in a desire to remove the dollar sign from aid to our friends. But increasingly of late the dollar sign has reappeared. It intruded itself into some of the observations of our five peripatetic Senators. It appears with great prominence across the face of the President's twelfth lend-lease report to Congress which attempts a valuation of reciprocal aid given to this country by certain of our allies. The report performs a service in detailing the extent and variety of the material contributions made by other nations "to promote the defense of the United States." But unless its figures are viewed in proper perspective they can lead to a tragic distortion of the original lend-lease concept.

It should be noted at the outset that the dollar is an extremely faulty measurement for lend-lease. The valuation which we put upon the goods we send abroad represents at most a cost price under a controlled market. Similarly British or Australian contributions to reverse lend-lease are reckoned in terms of pounds sterling translated into dollars at an arbitrarily fixed rate of exchange. What counts in war is not dollar value but use value. And many of the articles furnished to our forces overseas are, in a strictly literal sense, priceless—first, because they are indispensable and not otherwise obtainable; second, because they have no market save for war purposes and are therefore not susceptible to ordinary commercial evaluation.

The use of the dollar standard presents another graver danger. When all the reciprocal aid enumerated by the President is toted up in dollar terms, the sum is impressive but nevertheless a long way short of the fabulous 15 billion dollars at which we have appraised our own lend-lease shipments. This is liable to lead both ingenuous and disingenuous persons to conclude that we are contributing much more than our allies to the common pool of the United Nations. The conclusion is as dangerous as it is erroneous. It could lead through haggling to the disruption of effective coalition warfare.

And it could lead also to the disastrous notion that the discrepancy between what we gave and what we received in dollar terms should be paid back to us after the war by our allies. This would take us right back to the tragic fallacy of World War I—the fallacy enunciated by President Coolidge when he observed, "They hired the money, didn't they?" In the present conflict we set out to avoid any such error. Our allies have not hired money from us. They have borrowed things. And these things, if they are not consumed in the process of defeating our common enemy, will be returned to us.

When a bomb bursts on the German ball-bearing plant at Schweinfurt, it does not much matter whether it was manufactured in Britain or in the United States, whether it was dropped from a Lancaster or a Liberator, whether it was paid for by the British treasury or out of lend-lease funds or out of a direct congressional appropriation to our own War Department, whether the bombardier belonged to the RAF or the USAAF. It has fulfilled its function. It can usefully be forgotten. There is no proper place for it in the account books of the United Nations. Its dollar value is an irrelevancy.

Perhaps we shall contribute more than our allies in dollar terms to the destruction of Hitlerism. If so, it will be because, by good fortune, our factories have not been bombed and our industrial resources are great. Some of our allies will contribute more than we in blood and human suffering. President Roosevelt explained this best in his eleventh lend-lease report. "The United Nations," he said, "are growing stronger because each of them is contributing to the common struggle in full measure—whether in men, in weapons, or in materials. Each is contributing in accordance with its ability and its resources. Everything that all of us have is dedicated to victory over the Axis powers." Here is the only basis for evaluation which can have meaning.

Washington, D. C., STAR  
November 12, 1943

### Beyond Bookkeeping

Although a full and detailed accounting is not possible at this time, and will in fact never be possible, it is clear from the President's latest report to Congress and from the new British White Paper that lease-lend operations are far from being a one-way procedure in which the United States gives everything and receives nothing.

Going into the subject more deeply than does the President's report—understandably so in view of the many loose and harsh things said about Britain and lease-lend—the White Paper asserts that reciprocal aid from the United Kingdom to the United States in terms of cash expenditures, already totals well over a billion dollars, with \$871,000,000 specifically accounted for. It points out, moreover, that such aid will hereafter include raw materials and bulk supplies of foodstuffs which we have heretofore bought outright because Britain needed our dollar receipts to meet its heavy obligations on pre-lease-lend war contracts in the United States.

In this connection, the White Paper reminds us that despite the help they have received under lease-lend, the British have spent six billion dollars in cash in the United States for supplies of all kinds since the start of the war. It reports further, that in addition to the reciprocal aid extended to us they have sent to Russia and other allies aid valued at more than a billion and a half dollars. All told, it says up to the middle of 1943 the total burden assumed by the United Kingdom, in the form of payments made to other members of the United Nations in excess of sums received from them, amounted to over nine billion dollars."

When we keep in mind such figures as these and when we make due allowances for the differences between the United Kingdom and the

United States in national income, size of population, wage standards, price structures and similar factors, we get a much fairer picture of Britain's contribution and are less apt to describe its reciprocal aid as puny in relation to ours. Actually, as the White Paper temperately argues, this aid is not nearly so small as a lot of people suppose, the fact being that it represents 10 per cent of the total British war expenditure, whereas our own lease-lend outlays up to last May represented 12 per cent of the total American war expenditure.

The truth is, of course, that there can never be a complete and precise accounting of lease-lend and reverse lease-lend in terms of hard cash. A price tag cannot be placed on what the British did in the early days of the war when they stood alone against the enemy. Nor can one be placed on what the Chinese and the Russians and others among the United Nations have done. The accomplishments of the human spirit, the sacrifices of the brave, the shining deeds of thousands of nameless men on the bloody battlefields of the world—none of this can be evaluated by the bookkeepers or counted off in the coin of the market place.

In his report to Congress, President Roosevelt plainly suggests that some lease-lend items will be beyond settlement when peace comes because there simply is "no physical or financial standard of value by which we can measure them." The same point is even more strongly suggested in the British White Paper. It means that as the Senate now prepares to investigate the subject, neither that body nor the American people as a whole should ever for a moment lose sight of the fact that forces far more precious and far less tangible than dollars and cents are the truly decisive factors in the winning of this war.

SOUTHERN STATES

## Heading The Anglo-phobes Off

A report from President Roosevelt on reverse lend-lease and a British "white paper" on the same subject, released simultaneously and quite significantly on Armistice day, should prove a wholesome contribution to public thought on this topic and do much to silence criticism in certain congressional circles.

The Daily News is not so naive as to believe that this latter desideratum will be accomplished, however, as the critics are longtime Anglophobes and will not be so easily estopped from their dislike for and denunciation of the British, regardless of how heavily their criticism banks upon prejudice and demagoguery or how seriously it may interfere with the sound relations which the two English-speaking nations are building and the unity which must obtain to speed victory in the war and assure preservation of the peace. Our hope is that the two reports, in their factual accounting, their intelligent approach and their primary emphasis, will have such effect upon public thinking that the Anglo-phobes and John Bull baiters will not get far with their prejudicial attacks and re-creminations.

Both the President's report and the British "white paper" clearly show that lend-lease is working both ways. For those who insist upon putting a dollar and cents value upon winning this war there is the revelation that the British empire has supplied \$1,174,000,000 of reverse lend-lease aid to the United States, that United Kingdom payments to other United Nations aggregate over \$9,000,000,000 and that on the basis of national wealth, population, et cetera, Great Britain's "mutual aid," as his majesty's government sees fit to call the program, exceeds this country's.

To the Daily News it seems that "mutual aid" is a proper cataloguing. The whole lend-lease plan, as we originally termed it before we entered the war or assumed a direct and mutual responsibility, is designed to win the war, to enable each and every United Nation to put what it is capable of putting, what is needed, into the victory cause. There is positively no way of evaluating, in dollars and cents, even material contributions when one takes into consideration exchange rates, relative production costs and the conditions and circumstances under which production and delivery occur. How can one value the time which this country bought while it was getting ready for war? How can we repay the British for the six months they stood alone against Hitler, taking everything the Luftwaffe had to throw at them and their island, saving the democratic world until Russia and the United States came into the fray? You cannot pay men and women for indomitable courage, for indescribable suffering, for qualities of the spirit.

What the Daily News fervently hopes with all its heart is that citizens of the United States will think upon and realize these mutual assumptions and responsibilities, that they will heed factual reports which are regularly given them and that they will tear down, even before it is erected, the erroneous impression which was created about our previous war debts and the impairment which deliberately engendered demagoguery brought to Anglo-American relations. America must be far more concerned over saving lives than over an accumulation of dollars or pounds which have heretofore proved so sterile and so impotent.

Greenville, N.C., CITIZEN  
November 12, 1943

## LEND-LEASE IN REVERSE

There were barrage balloons over Los Angeles and anti-aircraft guns on Long Island soon after Pearl Harbor, but many of them did not come from our own arsenals. They were British-made—delivered to the United States on urgent order after the Japanese attack.

This is what has been called "Lend-Lease in reverse." Actually it began months before American entry into the war. The two countries drew almost at will from what President Roosevelt once characterized as "the common pool."

Yesterday's publication in Washington and London of a British white paper on Lend-Lease and Mr. Roosevelt's report to Congress on the same subject reveal for the first time in some detail the money value of reciprocal aid. Through last June the total was \$871,000,000 from the United Kingdom and \$1,174,900,000 from the British Commonwealth of Nations as a whole.

These figures are much less, obviously, than corresponding Lend-Lease shipments from the United States, which have a value of five and one-half billions. However, they do not take into account the vast sums of cash spent in this country by the British government in the development of American aircraft and tank industries before Pearl Harbor. From these expenditures, of course, we were to benefit later.

In presenting the white paper to Parliament, Chancellor of the Exchequer Sir John Anderson remarked that he "should have preferred not to have introduced the money sign even partially into the story." While it is unfortunate, perhaps, that such transactions must be reduced to cash equivalents, it is not unwise. Some measurement thereby is provided of mutuality, and it is one which may be readily comprehended and defined. British aid is less tangible for the reason that the United States is not an active war zone. Quite the reverse is true in Britain. Examining these two reports, most Americans will conclude that our ally is contributing a fair share, well in accordance with its limited resources.

OFFICIAL COPY  
 NOVEMBER 13, 1943

#### MUCH ADO OVER LEND-LEASE

The American people accepted the principle of lend-lease long before this country got into the war. They have seen it work well since it was adopted. It seems somewhat superfluous at this late date for both the American and the British governments to devote so much effort to explaining and justifying it. President Roosevelt has made a report to Congress showing how much the British Commonwealth has contributed by way of what is called reverse lend-lease. On the same day the British government issued a White Paper presenting much the same explanations, facts and arguments.

If anything, the cause of lend-lease is somewhat weakened by the spectacle of the two administrations defending the British position as if it were necessary to convince the people of the United States that they were not getting the worst of the lend-lease bargain. It does not specially help the cause, either, to note that among the major items charged up by the British to our account are the airports, barracks and other facilities made available to American troops in Great Britain. It is too easy for would-be critics of the system to answer that the least the British could do was to provide room and shelter for armed men sent to their assistance from overseas.

Much of this talk is unnecessary. The American people are able to understand the broad facts of lend-lease and require no propaganda campaign for that purpose. They favored from the beginning the plan whereby the United States, although still neutral, would extend aid to certain countries it was to this nation's interest to help. They do not consider that several billions in lend-lease goods have been sent to the British from motives of generosity or affection, but because the leaders of this government believed

it was a necessary part of American defense. They are convinced that the British have not given us anything, whether through lend-lease or otherwise, unless the British thought it served their interests to do so. They feel certain that both we and the British sent great quantities of war goods to Russia not through love of the Russians but because that was best for the United States and Britain. Lend-lease is an excellent thing, a highly practical thing, and a most important factor in the war. It requires no apologies, official or unofficial.

WASHINGTON, D. C., Nov. 13, 1943

#### THE BRITISH CONTRIBUTION.

The President's announcement that the British Empire has contributed more than a billion dollars to what is called reverse lend-lease in America and mutual aid in Britain, may seem like a paltry sum in comparison to the hundreds of billions which are being invested in the war. But when all the circumstances are considered, it is seen that it is a substantial contribution.

In the first place, Britain is nothing like the size of America and, more pertinently, nothing like the industrial giant that is the United States. Furthermore, Britain has shipped considerable quantities of "live ammunition" such as tanks, guns, planes and so on to Russia in that country's great hour of need. That the United Kingdom was able to spare more than a billion in return goods to the United States is noteworthy, despite the fact that most of the mutual aid was in such goods as rubber and sisal, less complicated of manufacture than weapons of war.

Atlanta, Ga., CONSTITUTION  
Nov. 13, 1943

Atlanta, Georgia, U.S.S.  
November 12, 1943

## Turns From Lend-Lease

LEND-LEASE is not a one-way process.

Passed by Congress in March, 1941, nine months before Pearl Harbor, it was entitled "An Act Further to Promote the Defense of the United States" and it empowered the President to provide weapons, materials and services for those countries whose defense he deemed vital to that of our own. Since our entry into the war we have been receiving as well as sending such aid.

In a current report to Congress President Roosevelt points out that up to July 1, 1943, the British Commonwealth of Nations has contributed to our side of the account \$1,174,900,000 in essential supplies and services. The United Kingdom has furnished barracks, airports and various other necessities for our large ground and air units quartered there, while Australia and New Zealand have been the food basket for our forces stationed throughout the South Pacific area. Similar contributions to our forces in North Africa and Sicily are yet to be reported. Here, as the President says, we have "an indication of the extent to which the British have been pooling their resources with ours so that the needed weapon may be in the hands of that soldier whatever may be his nationality—who use it at the proper moment most effectively to defeat our common enemies."

To 35 other countries, notably Russia, China and our Latin-American Allies, Lend-Lease has been available. We cannot rightly measure its value to us by dollar returns any more than we could put a financial estimate on the worth of our soldiers' lives. In its earlier stages, when the Axis aggressors were riding high and fast, this useful system buttressed the nations that were our defensive outposts and gave us critically needed time to prepare. If Britain had fallen or Russia succumbed, as they might have without the help of Lend-Lease, we might now be fighting alone and on our own shores instead of carrying the war ever nearer to the heart of our enemies' territory. Now we reap abundantly where we have sown. In the case of the British Commonwealth of Nations we have received not only a priceless bulwark to our defense but also a substantial return in military items, industrial materials, agricultural commodities and needed services for our parallel contributions of some \$5,500,000,000.

But the supremely important value of Lend-Lease, as the President declares, is this: "By the help which our friends and Allies have given us, and by the help which we have given them in the common cause, we have not only made progress in the war, but we have saved the lives of many of our own boys, as well as those of our Allies."

## Lend-Lease Benefits

The average citizen is probably little concerned at this time as to whether Great Britain or the United States is faring best under the lend-lease program. Chief concern is concentrated on winning the war and the prevalent feeling is that little can be accomplished by quibbling over which country is getting the best of the bargain.

President Roosevelt and the British government, in separate reports, yesterday laid heavy stress upon the material aid which this country has received from the British Empire under "reverse lend-lease," stated by the President to have totaled \$1,174,900,000 through last June. The reports followed, but made no specific reference to, charges in Congress that United States lend-lease constituted "the most colossal dole of all time," and implications that this government was bearing a disproportionate share of war costs, in money and supplies.

Apparently in recognition of these discussions in Washington, Sir John Anderson, British chancellor of the exchequer, declared that lend-lease has ceased to flow in one direction only—from the United States to Europe—but now flows toward America as well and has become not lend-lease but "mutual aid." The Senate appropriations committee and the Truman war investigating committee are now jointly inquiring into lend-lease operations. The committee's report should present a clear picture of the situation. In the meantime, it is hoped that the lend-lease arrangement will continue to play an important part in the winning of the war. The men on the battle lines probably will agree that England, Scotland and Wales, and the rest of the empire, have been contributing heavily to her comrades in the fight.

## Two-Way Aid

That lend-lease is a mutual program that works two ways was emphatically proven in President Roosevelt's message to congress on Thursday last.

Under terms of that co-operative system between the Allied nations, Great Britain, through last June, has furnished to the United States materials and services valued at \$1,174,000,000, the President stated.

Which, in itself alone, should be sufficient refutation of propoganda lies, spread by enemy agents in the first place but resspread by ignorant, though probably well-meaning, folks.

However, it must be remembered that the figure in dollars and cents given by the President does not, actually, represent fair valuation of the reverse lend-lease aid we have received from Britain.

In the first place there is much service and material which is not included in the total for the simple reason the British do not consider it worth the extensive bookkeeping work involved to maintain full records. They are quite willing to put all they have in the common effort and scorn to do it on a pound and penny basis.

Secondly, even those items which are included in the total given, do not represent comparable value with the same items in the United States. The figures used represent the actual cost to Britain which, because of differences in cost of war goods and differences in wage levels, is much lower in many instances than it would be on this side of the ocean.

Britain has, for more than four years, magnificently borne a heavy share of the war burden of the free world. For many long and weary months she bore the burden practically alone.

Now that she fights beside strong allies, there need be no fear that Britain will hesitate to use all she has or can secure, for the common victory. And, if furnishing material and service to the United States brings that victory nearer, Britain will place no limit on her lend-lease contribution.

It would be well if certain factions among our own public men would bear this truth in mind and understand, after the war is over, there can be no equitable balancing of the financial account between nations who have engaged in total war against a common enemy.

From all one hears of postwar problems and their formidable nature, it seems that peace will be part of the duration.

Tampa, Florida, Times  
November 13, 1943

### Lend-Lease In Reverse

**T**HE American and British governments chose the same day to release reports about lend-lease. That just didn't happen. The leaders of the respective governments obviously are conscious of the impending Senate investigation not only of lend-lease but of all U. S. war spending abroad.

There has been much misleading information over here to the effect that lend-lease is a one-way street. We've heard criticism that the British aren't doing enough. While Americans realized that lend-lease has worked in reverse, we've been miffed somewhat because the British describe it in another term—mutual aid. Yet mutual aid is exactly what it has been.

When we adopted the lend-lease program early in 1941, we made an investment for our national defense. Lend-lease sounded better because we were not a belligerent. Now that we have been in the fighting for nearly two years, we understand that its real purpose is to insure and hasten our victory in a common cause over the axis aggressors.

One of our faults has been that we have attempted to measure the contributions to the Allied war effort in dollars and cents. It is a common American failing. But, as President Roosevelt has stated, "there is, of course, no physical or financial standard of value by which we can measure the military contribution." For one thing, how can we value the cost in lives or the damage done to ruined cities?

To those who still contend that money counts to a considerable extent, the British report has effective answers. It shows that its program consumes about 10 percent of all British war expenditure, as compared with 12 percent of American outlays for lend-lease. It mentions that Britain has spent six billions in cash over here for war material, in addition to more than a billion contributed in reverse lend-lease to this nation and nearly two billions to Russia and other Allies.

Miami, Florida NEWS  
November 12, 1943

### Two-Way Traffic

President Roosevelt's report on "reverse lend-lease" from the British empire shows our money coming back to us at a ratio of about one to five.

If one considers the available wealth of the nations involved, the amount they have had to divert to immediate defense of their territories, the amount of blood they have given to the war so far, and the relative rates at which their people are taxed, this does not seem a one-sided or in any way inequitable proportion.

Certainly it proves that we are no sucker "Santa Claus," that the traffic is by no means all one way.

If we digest this report carefully and with an unbiased mind, we come to realize that British expenditures are not far short of ours when viewed in the light of relative national incomes.

Under the circumstances, American and British leaders are wise to release the facts for all to see. It's good to talk over the situation. Plain talking now surely will avoid bitterness and misunderstanding later.

Miami, Fla., HERALD  
November 13, 1943

**British White Paper—**

# Reply To Senators

**S**IMULTANEOUSLY with the President's twelfth report to Congress on Lend-Lease operations the British government released a white paper on "Mutual Aid" prepared by Sir John Anderson, Chancellor of the Exchequer.

Both the President's report and the Chancellor's statement had the same general purpose—to prove that Lend-Lease is not a unilateral affair with the United States doing all the lending and the leasing, that we are getting considerable aid in goods and commodities from our Allies.

The timing and the theme of both statements clearly were calculated as an answer to the Truman Committee's report of November 5. The group declared that Lend-Lease never was intended as a device to shift Allied war costs to the United States and demanded that the Allies furnish greater quantities of Reverse Lend-Lease supplies and be compelled to use their own resources to a maximum before asking for American aid.

**A**N ANALYSIS of the Chancellor's "white paper" sets out the following five points to establish that Lend-Lease "has ceased to flow in one direction only; that it has become a system of Mutual Aid:"

1—Pooling of Resources: The war is being fought on the principle of pooling all resources. Britain has spent \$5,000,000,000 in cash purchases in the United States, and faced a great financial strain in 1941 when Lend-Lease began. British Aid covers Lend-Lease and all other forms of reciprocal aid among the United Nations.

2—The Range of Mutual Aid: Britain's Reverse Lend-Lease aid to the United States consists of goods and services supplied at every base and battlefield of the world, making complete accounting impossible. Raw materials are now included. The costs enumerated by Britain would be much greater in United States terms. In addition, Russia and the other Allies are being extensively supplied by Britain under Mutual Aid.

3—The Amount of Mutual Aid: Not including raw materials, foodstuffs in bulk and goods transferred abroad, Britain's cash expenditure under Mutual Aid totals well over \$1,000,000,000 for United States Forces and more than \$1,500,000,000 to Russia and other Allies.

4—The Limitations of Mutual Aid: In addition to expenditures under Mutual Aid, Britain has had to meet overseas expenditures totaling already more than \$9,000,000,000. For this, she has depleted her gold and overseas assets and incurred heavy indebtedness.

5—Conclusion: Britain is devoting 10 per cent of her current war expenditures to Mutual Aid. She is giving the United States not much less (in relation to British national income) than the United States (in relation to its national income) is giving under Lend-Lease.

Coupled with the coincidental announcement by Soviet Premier Stalin, that Russia intends to repay the United States in full for Lend-Lease aid, the President's report and the Chancellor's white paper clarify the questioning which has clouded Lend-Lease since the Flying Senators criticized the British in certain Lend-Lease operations. While the five differed on other items, they agreed that:

1—The Middle East should provide more oil for military purposes and take the strain off the United States.

2—The British have substituted their own labels for American markings on Lend-Lease goods and transhipped them to Turkey and India.

The first charge was answered by the statement that until the Mediterranean campaign had cleared that water route of enemy sea and air craft, extensive use of British Middle East oil was a military impossibility.

Secretary Ickes stated this week that "cannot oil another war." The American people will watch with interest how the Middle East oil fields are integrated into the European war theater, now that the Mediterranean is controlled from one end to the other by the Allies.

As to the re-marking of our goods that was a bit of slick propaganda that reflected little credit on whatever British officialdom was responsible for it.

**I**T IS not a pleasant thing to see Allies arguing when the closest cooperation and understanding are essential to their own common safety and to the victory they must carve out if they are to survive.

Nevertheless when misunderstanding arises, the best way to resolve it and to remove latent bitterness is to discuss it publicly.

The President's report and the British white paper have given the American people much information and a better grasp of what our Allies are doing in the pooling of resources.

We can thank the Flying Senators and the Truman Committee for it.

Miami, Fla., NEWS  
November 15, 1943

## Lend-Lease

In the period when Great Britain and Russia were holding the lines against the Axis for themselves, and for America, the idea of lend-lease came. The idea was simply this: The United States would back up the anti-Axis nations with such supplies as they most needed and we could spare. These supplies would be furnished on lease or lend, to be repaid if and when possible. We were not too particular about repayment, for were not such supplies battling for us bloodlessly?

Our supplies went to China, Great Britain, Russia and other countries stemming the Axis tide. Wherever food or munitions could be used against the Axis powers, there we "lend-leased" munitions and food. The lend-lease bill passed the house by 260 votes to 167. Twenty-four Republicans voted for it, 135 against it. In the senate such Republicans as Hall, McNary and White voted for the bill.

It was one of the great saving measures of the time. It was a means of getting ourselves ready for the blow when the Japanese struck us two years ago next month. It is doubtful whether one member of congress in 20 would now disapprove the act. What brings lend-lease to notice now is stories started impugning the fairness of the operation of the lend-lease act. Certain senators gave vent to opinions that Great Britain was abusing our generosity and taking advantage of us. Plans were made for a senatorial investigation of the operation of lend-lease.

This is war, the most difficult and delicate kind of war, where Allies must be kept harmonious while the war goes on. Even if our Allies were getting the best of lend-lease, as dollars and cents measure it, it was not a thing to write upon the skies. It would be a matter, rather, for the quiet negotiation by which the military operations of the war are coordinated and carried on. Herr Hitler would have spent millions of marks to secure the planting of such seeds of discord among our Allies. Our brand of politics did here. Hitler's work without a cent of expense to him. A senate investigation, based on the theory that an Ally is taking advantage of us, will be of as much help to Hitler as 10 divisions of soldiers could be.

Jacksonville, Fla., TIMES UNION  
November 12, 1943

## Reversed Lend-Lease Is Helping Uncle Sam

The fact that Lend-Lease in reverse, is proving of substantial assistance to Uncle Sam, was brought clearly into the limelight, Armistice Day, in Washington and London announcements. Britain already has supplied America reversed Lend-Lease goods, valued at about one billion dollars. Altogether, the United States has received somewhere near two billions in such reverse payments, to offset expenditures approximating fourteen billion dollars.

Figures on just how these reversed payments have been made, are not at hand. It may be assumed however, by tying-in these latest figures, with other bits of information given out previously, that supplies to our forces overseas, and materials returned to this country in ships carrying essential war cargoes to the fighting front, must be included.

The fact that our forces in the Pacific have received substantial foods supplies from Australia and New Zealand, has rather been taken for granted. It is logical, particularly, that a large meat tonnage should have been obtained from these sources.

As enemy forces are driven from occupied areas, and communications by land, sea and air are improved, American forces and the homeland itself, may secure an increasing flow of supplies from outside the continental borders of the United States. It is logical also to assume that a certain percentage of this increase may be secured in repayment of our earlier lend-lease advances.

It is this miserable state of facts which brought forth the recent white paper of the British government and the message of the president to congress on the subject of lend-lease. These statements show that lend-lease has been operating in both directions to the advantage of each of the Allies. Even had this not been so the working of lend-lease would have been to the advantage of all the Allies.

It would be pleasant now if congress would turn its attention away from matters calculated to alienate Allies and embarrass the conduct of the war and devote itself to the desperately pressing waiting problems of defeating inflation and financing the war.

Birmingham, Ala., AGE-HERALD  
November 29, 1943

### Good Mixture

Some three years ago, Prime Minister Churchill said that "British and American affairs are getting somewhat mixed up together." They are getting more and more "mixed up together" all the time. And there is much good in the fact.

Lord Halifax, British ambassador to the United States, commenting on recently announced lend-lease figures, said that a sense of comradeship was growing up between the two nations, putting "new courage into men and women joined in a common task."

Lend-lease figures of the United States and Great Britain show that the two nations are sharing wherever a share-the-goods principle can contribute to the conduct of the war. Up to June 30 of this year the United States had supplied Great Britain under lend-lease arrangements goods and services valued at \$4,458,000,000. In return, the British Empire had furnished the United States with goods and services worth \$1,174,900,000. Considering the greater wealth and productive power of this country, as well as the greater population, the two nations are about on a par in the matter of assistance.

But that does not tell all the story. Before lend-lease, Great Britain had spent in the United States about six billion dollars, the money coming out of savings and credit.

However, there has been much pooling that cannot be valued in dollars. The two countries have cooperated in planning, in research, in exchange of information and the results of experience, and in many ways. Joint use of equipment extends far beyond emergency use on the battlefield. There is no value that can easily be put on American use of British roads and British fields.

The figures in the lend-lease report, as Lord Halifax pointed out, represent only a part of the picture. Things are so "mixed up together" that they can never be entirely unscrambled, even if there should be a disposition to do so.

Lord Halifax could have added, however, that in a similar fashion, although on a somewhat smaller scale, that same mixing up is going on between all the allies. Lend-lease is a two-way affair in every case. Russia, China and the free governments of the conquered countries are both giving and receiving aid. The melting pot of the world is at work.

Baton Rouge, La., TIMES  
November 13, 1943

### IF IT DOESN'T BALANCE

Any idea of precisely balancing the lend-lease sheet should be scuttled right now.

What we are most concerned in is results. If we are able to get on with this war, it doesn't matter exactly how many cans of tomatoes and crates of eggs we have sent to England, or how much butter and how many barrels of apples Australia and New Zealand have provided our troops in the Pacific area.

Nor can we estimate the value in dollars of the war materials we may have furnished, and the co-operation and actual help our allies have given us. There are some things we just can't haggle over when a worldwide war is raging.

To be sure, those governments we are aiding materially may properly feel they should help us in return in whatever ways they can. Britain and others are doing just that. At least one member of a senate investigating group says he is "pleasantly surprised" by the extent of lend-lease in reverse, or mutual aid, shown in the president's report. Our own people should know that Australia and New Zealand have rationed clothing for their own populations, while helping supply clothing, textiles and shoes for Uncle Sam's forces in the Pacific area. They are providing quantities of food, also.

In the way of war materials, it is natural that many weapons and much equipment should be pooled, just as our man power is pooled, on occasions. Both Britishers and Americans make up Gen. Mark Clark's Fifth army pushing against the Nazi in Central Italy. At times, the air power and the

naval strength of ourselves and the British, and of other Allies, must collaborate in attaining objectives.

Besides, there are things that cannot be counted in goods and equipment, in food and clothing, in dollars and cents, or more properly in millions and billions. There are such things as dependability, and loyalty, and readiness, and resourcefulness, and sacrifice, and inspiration, and spirit. All these things count a great deal in winning a war. Yet they cannot be listed, directly or in reverse, on a lend-lease sheet. Let's not worry too much because the figures don't balance.

Shreveport, La., TIMES  
November 16, 1943

### THE LEND-LEASE WHITE PAPER

Publication of the British White Paper on reverse lend-lease, coupled with President Roosevelt's report to congress, has clarified some of the atmosphere over some of the problems involved but has failed to touch on the real point at issue. The real point is not whether Britain is laying so many pounds on the barrelhead alongside our dollars, nor the relative purchasing power of British and American money. It is whether the United States is NEEDLESSLY wasting its own national resources in a manner to leave it a very much deflated Santa Claus after the war, and whether incompetent and inefficient political administration of OUR lend-lease is doing this.

That is something that is not England's concern, that is not critical of England, and about which she might well maintain considerable silence.

Criticism of lend-lease in this country is not on a dollar basis, or in an effort to lessen lend-lease, but to lessen foolish inefficiency in policies, and in administration of them, and thus actually INCREASE the benefits of lend-lease and hasten the end of this war.

No one expects any nation to match or come close to matching our lend-lease or our other war expenditures on a dollar basis, or a pound basis, or any other money reckoning. The United States probably will have to pay tens of billions of dollars more in money to win this war and the peace after it than any other nation will pay. We know that, and expect to do it. What the people of this nation are concerned with is this: There is no need, in wild and reckless Santa Claus fashion, to give away our own future protection in the way of military bases, for example, or to toss tens of millions of dollars needlessly into the gutter simply because we must spend other tens of millions in essential and proper manner. It is to determine whether this is being done, and to what extent, that full and complete investigation of lend-lease has been demanded and should be had. A senate sub-committee of the committee on deficiencies now is at work on the problem—but an independent committee created especially for the purpose, or the Truman committee, would arouse more confidence among the people.

England is correct in saying that she has supplied us much in war "know-how" that could not be measured in money. But the phraseology used in the British White Paper was at least misleading. For example, it was largely American equipment, particularly American tanks, that took Montgomery and the British Eighth Army from Egypt to Italy. British-made tanks never matched the German tanks in fighting efficiency, nor could they even approach the American. British "know-how" and engineering simply didn't produce the kind of equipment needed. So, the British told us what was wrong with their stuff and asked us to use our engi-

neering and mechanical "know-how" to correct their failures. That was true also in planes. Try and tell some of the Boeing engineers that British "know-how" made the American Flying Fortress what it is today! The British developed the finest fighting plane in the world—the Spitfire—for cross-Channel range and for defense of England's shores. But it had only cross-Channel range and this isn't a cross-Channel war. It was American "know-how" that brought the P-38 fighter, which can go where the fighting is and does not have to confine itself to cross-Channel raids or cross-Channel defense. All of this applies to many other weapons.

England HAS given us a tremendous amount of "know-how" and we HAVE had tremendous value from her experience in the war before we got in—from her failures as well as her successes. But if "know-how" is going to be chalked up as "lend-lease" then the United States could present some totals that would be skyscrapers in the amounts involved in ingenuity, engineering ability, inventive ability and, above all, ability to convert IDEAS into FIGHTING weapons. Is there any nation in the world that could match American industry in conversion from peace to war, in mass production of whatever might be needed? That also is "know-how."

"Know-how" has been a two-way proposition through this war—even before we got into it. What about the "know-how" involved in our bomb-sights, gun-sights, and various other technical phases of fighting equipment that we gave to England when WE were still at peace? And, there have been some pretty clear intimations that, while radar was a British invention, it took American "know-how" to make it reach maximum efficiency in war; and that while a Briton discovered penicillin it didn't start saving lives until American medical science and "know-how" took it over.

These things have no place in discussion of lend-lease administration and should not have been brought in except with full recognition that they are two-way; that they are all CREDIT and no debit no matter who gives or who receives them and that the only books on which they can be marked up are the hearts of people whose sons are spilling their blood together to win a war.

The problem in lend-lease is not the system, but administration of it. Neither the president's message nor the British White Paper answer that problem, nor could they. The British have nothing to do with it at this end. The president cannot know the details. He set up lend-lease, doing so partly through support of certain leaders in his domestic political opposition, while we were at peace. The questions of efficiency of administration, or any need for changes in policies, are things that can be determined only by thorough inquiry—not by mere discussion of dollars given and pounds received, or as to which nations know the most when it comes to the "know-how" of winning a war. Such things serve only as smoke screens, no matter how well intended they may be.

San Antonio, Texas, *Express*  
November 13, 1943

### **Lend-Lease in Reverse: Surprise! Surprise!**

LEND-LEASE terms are not understood by the people generally, and they are not much better understood by the Senate. The first condition is made clear in a Gallup Poll, wherein a series of questions concerning lend-lease arrangements and repayment stipulations was put to a carefully selected cross-section of the citizens.

Almost three-fifths of the persons queried think that Britain is supposed to repay, while three in ten do not know.

The Senate's extraordinary confusion on the subject is seen in Senators' reaction to President Roosevelt's announcement—on the heels of London's—that Britain has supplied "reverse lend-lease" to this country totaling more than a billion dollars. Senator Kenneth McKellar (Tennessee) admitted that he was "pleasantly surprised."

Senator Allen J. Ellender (Louisiana) revealed a special type of unenlightenment, shot through with ill-advised isolationism. Noting that items in the reverse lend-lease included charges for the use of airports, barracks, hospitals and other construction by American forces, he asked:

"Are we renting airports to help defend Britain?"

Apparently, Senator Ellender has not yet heard that the United States' armed forces are "renting" all sorts of facilities at home from American citizens, for the purpose of defending those and other citizens. His question does not deserve to be dignified by an answer.

It is plain that the Government has been, and is, sorely remiss in explaining lend-lease to the American people. The terms of the arrangement, the way it works, the fact that Britain has provided lend-lease goods and services not only to this Nation, but also to Russia—all those conditions should have been made clear long since.

Wichita Falls, Tex., *ECO*  
November 19, 1943

### **Investment in Friendship**

LET'S try to think straight about lend-lease.

The first thing we ought to do is to get rid of the picture of a big, generous Uncle Sam playing Santa Claus to his friends and allies. It is true that Uncle Sam is big and generous, and long may he continue so. It is not true that he is giving away something for nothing — or lending something that he doesn't reckon he'll get back.

Lend-lease got planes, tanks, guns, food and other supplies to Russia. What did the Russians do with them? They supplied the troops who have broken the back of Hitler's army. They used them against hundreds of thousands of Germans who did not live to fire a shot at an American soldier.

Lend-lease got supplies to the British Eighth Army. The Eighth Army cut Rommel down to a size where the American Fifth and other armies could handle him with a minimum of casualties. Lend-lease got some supplies—not too many—into China. The Chinese used them to kill Japanese who might otherwise have been among the snipers shooting down American boys in the Solomons and New Guinea.

Lend-lease brought food for civilians in North Africa. It bought friendship, which again saved the lives of American soldiers. Lend-lease is always one of two things: assistance to soldiers of other nations who will help us in our battles; or aid to the civilians who stand behind those soldiers.

We invest American lives, too, in this war. We have not hung back. But lend-lease in almost every case is an investment of goods at a saving in American lives. What wife, or father, or mother or friend of a soldier would say that was a bad bargain?

Friendship is a means of winning wars. And lend-lease is friendship in action.

As a matter of record, British lend-lease to America began not long after Britain went on the receiving end. Moreover, when Pearl Harbor was smashed, Britain dangerously weakened its own defenses in some areas to send planes and other war-sinews to vital spots in the Americas—to "hold the line" while the United States' war machinery strove to catch up. Britain asked no questions, hesitated not a second and allowed no hint of its action to leak to the public in either nation.

All those facts should have been known to the politicians in the Senate long ago. They have no excuse for their ignorance of the matter. The Government should see to it at once that the people generally likewise have no excuse.

Houston, Texas, CHRONICLE  
November 13, 1943

### Reverse Lend-Lease

Lend-lease, like foreign trade, is not a "one-way street." While this country is supplying far more goods and services to its allies than it is receiving from them, the reverse flow of aid has become an important factor in the prosecution of the war and promises to take a growing place in the nation's military-naval "economy."

President Roosevelt in a lengthy statement Thursday revealed the far-reaching nature of the lend-lease assistance given the United States by the British commonwealth. Such assistance, according to an incomplete summary, amounted through last June to \$1,174,900,000.

This is only a little more than one fifth of the more than \$5,500,000,000 lend-lease aid this country has given Britain and the dominions, it is true. But, as the president pointed out, the mutual support being given by the allies is not to be calculated simply on a dollars and cents basis. The main purpose is to put the needed weapon into "the hands of that soldier—whatever may be his nationality—who can at the proper moment use it most effectively to defeat our common enemies."

The greater part of the help from the empire, the report to congress brought out, has been supplied by the United Kingdom. The British total of \$871,000,000 is divided between airports, barracks, hospitals and other facilities for American servicemen, \$371,000,000; goods and services, \$371,000,000; and shipping, \$169,000,000.

The reverse flow of lend-lease from Australia to this country amounted to \$196,000,000 through last June. New Zealand's help came to \$51,000,000, and India's, \$56,900,000.

Canada has received no lend-lease aid from this country, paying cash for her purchases here. Canada, like the United States, is putting out in the way of lend-lease more than she is taking in; she has made, in the president's words, "a billion dollars worth of aid available without payment to the United Kingdom and is now engaged in making available another \$1,000,000,000 worth of aid" to various members of the United Nations on a mutual assistance program similar to lend-lease.

Britain's agreement last summer to include in the reverse lend-lease program commodities we formerly purchased from her, including food and raw materials, will make available to the United States without payment such items as "rubber from Ceylon, Trinidad, British Guiana and British Honduras; asbestos and chrome from Southern Rhodesia, tea and coconut oil from Ceylon, and benzol and tar acids from the United Kingdom."

There is, the president maintained in his message, no physical or financial standard by which we can measure the contribution of each of the United Nations; but it is clear that the mutual assistance program has brought progress in the war and "saved the lives of many of our own boys as well as those of our allies."

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Houston, Texas, PRESS  
November 22, 1943

### Lend-Lease

A Republic Thunderbolt, sent to Britain with an American pilot and serviced by American ground crews, is not lend-lease. It is part of the direct American military effort against Germany.

But the same Republic Thunderbolt, sent to Britain to be flown into action by a British pilot, is lend-lease and the cost of the plane is added to the sum of America's financial contribution.

In each case the product of our American factories is used effectively. In each case the United Nations are using the most effective means to defeat their common enemy.

If it is lend-lease, a British pilot may lose his life in the plane. If it is not lend-lease, the sacrifice may be made by an American pilot.

This is just one illustration or difficulties involved in evaluating the war contributions of the two nations. How is it possible to balance the value of a life against the value of an airplane, or guns, or tanks, or ammunition?

Who would sacrifice a thousand American lives to save lend-lease dollars? Or one American life?

The war against Nazi Germany requires the all-out effort of both nations. We are more concerned with expenditure of lives than with expenditure of money. We would not squander either, but if we were forced to choose one extravagance or the other, certainly no one would hesitate an instant in the decision.

Victory is the important thing and to this end each nation should do its utmost.

Tulsa, Okla., WORLD  
November 13, 1943

### LEND-LEASE INQUIRY

QUESTIONINGS of some features of the joint lend-lease reports of the United States and Great Britain are legitimate and opportune. We do not mean by this that we think all the details of mixed transactions can or should be pursued, but we do think that broad principles should be observed. Members of congress who brought the matter up immediately after the statements of President ROOSEVELT and Premier CHURCHILL were within their rights. Certainly the committees of congress should look into this matter and find out if the liberal dealings of this country with others is having requisite or appropriate effects. Lend-lease must not be one-sided, wasteful or prejudicial.

There is a decided feeling that much of the lend-lease report is applesauce. It is not possible, of course, to be accurate in all details in such a report, and the balancing of values cannot be exact. But there can be adherence to sound principles and that should be the purport of questionings. For instance, various big items that look like abuses are occasionally divulged or intimated. It is said that we may even export ready-made houses, which would be an indication of trying to fill every need of the people abroad without the corresponding energy or enterprise over there.

Vice President WALLACE's early call for a quart of milk for everybody might be undertaken under the guise of broad humanitarianism, but actually it cannot be done. Further, a quart of milk, a suit of clothes, or a box of canned goods cannot be made the standard for international rescue. No single line of trade or charity can be a safe policy when billions of dollars are involved. Direct, practical and efficacious aid will be needed in large volumes and some of that has been undertaken through lend-lease. It will be necessary to separate portions of lend-lease and the work of permanent betterment.

It should be kept in mind that lend-lease was an expedient. It was also an act of emergency, and it led almost directly into war. The minute we began shipping important supplies we broke down embargoes. That was a preliminary to war and practically everybody understood it as such. However, the emergency should not be twisted into common practice as sometimes appears from the partial reports we get from lend-lease operations.

Kansas City, Mo., STAR  
November 12, 1943

### *Lend-Lease in Reverse.*

President Roosevelt has done a useful service in calling attention publicly to the extent of reverse lend-lease in the case of the British commonwealth. Most persons probably had no notion that the empire had contributed more than 1 billion dollars to the defense of the United States. There has been criticism of the accounting which may serve a useful purpose. We do not know that there has been laxness here. But if any should be discovered later it might be used politically to impair the good relations between the two nations that will continue to be essential in the post-war period.

But after all the financial side of lend-lease sinks into insignificance in comparison to the great issues of the war. It was the magnificent resistance put up by Britain to the German menace that saved the day for the side of civilization. With the British bastion gone South America would have been lost to the United States and our national life eventually would have been in desperate peril.

The cost of any help we can give to our allies is inconsequential in the light of what it is accomplishing for us and for the future of the world.

Joplin, Missouri, GLOBE  
November 13, 1943

### The British Side of Lend-Lease.

Undoubtedly the British "white paper" on mutual aid, and the report of President Roosevelt in support of it, were offered at this time in answer to the declarations made by some of the five United States senators who made a trip around the world to learn first-hand facts about the war. For instance, this from Senator Richard B. Russell of Georgia, chairman of the delegation:

We should keep closer check on the expensive tools of war that we are dealing out on such a gigantic scale under lend-lease arrangements. In the Mediterranean area and the Middle East, our British allies have stressed the fact that they have given large quantities of war supplies to Turkey as very effective propaganda to gain the good will of the 250,000,000 Mohammedans of the world. Much of this military equipment transferred by England to Turkey is American-made and American-financed equipment, and was transferred to England under lend-lease.

Every sensible person realizes that we will not be paid in full for all of the material of war which we have advanced to our Allies under lend-lease. No one really expects it. In my judgment, however, it is a very poor policy to permit lend-lease equipment, paid for by the people of the United States, to be used to any good will even for our closest friend when good will is such an important commodity. If it is good business for England to get credit with Turkey and the friends of Turkey for helping that nation in time of danger, it would seem to me to be worth something to the United States.

In like manner, some of the equipment which is included in the British transfers to Russia is American-made or American-bought. American food handled on a lend-lease basis has likewise been used by the British Food Commission to feed refugees and other hungry peoples of the earth, and I doubt that the recipient is always aware of the fact that the United States was the true benefactor.

Without definitely referring to this plaint, the British Information Service has issued a "white paper" explaining its position. Here are some of the outstanding assertions made in this official British document:

That the war is being fought on the principle of mutual aid and the pooling of resources.

That despite the help of lend-lease, the British have spent \$6,000,000,000 in the United States since the outbreak of war for supplies of all kinds.

That Canada has contributed outright to the United Nations a billion dollars in money and a billion dollars worth of goods.

That when the United States entered the war, lend-lease became "translated into mutual aid."

That a mutual aid agreement between Britain and the United States was signed in February, 1942.

That the goods and services Britain provides as reciprocal aid are in general of a different nature from those received from the United States under lend-lease.

That United States lend-lease is mainly in the form of contracts placed in build, while Britain's reciprocal aid is mainly in the form of services, large and small, "and a wide variety of items transferred in the daily course of the war, such as the provision of transport services accommodation, airfields, facilities and other services to United States forces in the United Kingdom and in the colonies, together with information, and with the fruits of research as tested in the light of battle experience."

That Britain has sent 4,690 aircraft to Russia and has sent supplies to China.

That a considerable number of British naval vessels have been loaned.

That the nature of Britain's aid makes it difficult to measure the amounts. That keeping of detailed accounts would be a waste of manpower.

That a comparison of British and United States contributions to the war effort merely on the basis of money would lead to a serious under-estimate of the British contribution, since United States prices are substantially higher.

That British contribution to mutual aid up to the middle of 1943 amounted to more than \$9,000,000,000.

That up to May, 1943, United States contributions to lend-lease amounted to 12 per cent of the U. S. total expenditure, and that Britain's contribution to lend-lease in the same time amounted to 10 per cent of its total war expenditure.

That, respective national incomes considered, Britain is giving approximately as much to the United States alone as the United States is giving to Britain.

This is the British side of lend-lease. Obviously it would not have been presented had the British government not been worried over the criticisms and questions that have arisen in the United States in regard to the matter. Their statement ignores the assertion that American-made goods were used to buy Mohammedan good will for the British, and it ignores the petroleum problems—whether American oil is being used when oil from British colonies could be obtained.

Supplemented, as it has been, with President Roosevelt's statement regarding reverse lend-lease, it seems a move in the right direction, but more details are going to be wanted by many Americans. We want to do our share but we don't want to be imposed upon. People who don't stand up for themselves and look out for their own interests are suckers—and the same is true for nations.

### Lead-Lease Figures

Both London and Washington yesterday announced the value of the lend-lease aid Great Britain and the United States extended to each other up to June 30. And, in doing so, they stole much of the thunder of the senate committee which is about to investigate the question.

Against a total of almost 14 billions of dollars which we have spent on lend-lease, said the President, we can set off something less than two billions for aid extended us in various quarters of the globe.

But there is not nearly so wide a disparity in the British-American figures. To all parts of the empire, we extended a little less than four and one-half billions, and were supplied, in turn, with more than one billion in reverse lend-lease. This means, Mr. John Anderson told the House of Commons, that Britain is giving the United States only a little less in relation to the British national income than she is now receiving from us in terms of our national income.

There is reason to believe that the gap may be further narrowed as the progress of the war makes more and more British imperial resources—such as the oil of the Middle East—available. However, it would be folly if we bent our policy toward an exact evening-up of the scales.

Our prime objective must be to win the war as speedily as possible, with the loss of as few lives as possible and, of course, at the lowest financial cost. Tax it must be remembered at all times that the money factor is the least important one in this three-point goal.

It should also be remembered that this is a United Nations war and that each of the anti-fascist powers must contribute whatever is most available to it—and that without stint—for the common cause.

It is inconceivable that the Chinese should say that they will not send another man against the Japanese until our casualty lists are as long as GIBNET, or that the Russians should say that they will not strike another blow against the Nazis until as much American soil is devastated as Russian soil was blighted by the invader.

It is equally inconceivable that the British should say that the Royal Air Force will not send another plane against the Reich until as many American houses are bomb-blasted as London buildings were ruined in the blitz, or that we should say that we will not spend another penny for victory until the British have matched our expenditures penny for penny.

In a war, it is not even possible to apply the old rule of "Iron work according to his means." War can't be fought by figure-balancing accountants. It must be fought by determined nations who throw everything that is at hand into the fight. Because of the realities of time and space, this may mean men for one and materials for another. We were able to get our money into action quicker than our men—and we should be glad for that.

As we said when the senate's intention to investigate lend-lease was announced, a non-political examination of the figures is in order. We are under no compulsion to give blindly. We have the right to ask "How much?" and "What for?" Indeed, a clear picture will impress us and our allies all the more with the true measure of our sacrifice. It ought to silence those who would call us Uncle Sucker and those who would call us Uncle Snylock.

Above all, it ought to prove that the lend-lease formula can avoid all the war-debt wrangling that embittered international relations in the 1920s. In the days after this war, we will not be able to afford such fruitless debates. The problems of the peace will call for as much—perhaps even more—unity than is demanded by the problems of the war. And we to the men who would now seek to find the means for determining that unity!

### MUTUAL LEND-LEASE

Simultaneous reports issued yesterday in Washington and London were obviously designed to scotch the lend-lease controversy that has ruffled Anglo-American relations ever since the five war-front-touring Senators came home with their abrasive criticism. Both governments chose the most effective way to quiet this tempest. They gave a factual resume of British reverse lend-lease.

No one studying these two documents can honestly persevere in the belief Uncle Sam has been made a "soft touch" by England. The dollar-and-cents statement of British reciprocal lend-lease and British cash purchasing from America is eloquent testimony that both nations are supplying the sinews of this war in mutual contribution.

President Roosevelt revealed in his twelfth quarterly report on lend-lease that the British Commonwealth is now devoting to reverse lend-lease commodities and services valued at the rate of \$1,250,000,000 annually. Up to June 30, Britain, its colonies and dominions, expended \$1,174,000,000 in reciprocal aid to the United States.

Up to the same date, United States lend-lease exports to the British Commonwealth aggregated \$5,591,000,000. In his "white paper" of yesterday Sir John Anderson, British Chancellor of the Exchequer, declared Britain's cash purchases in the United States amounted to more than \$6,000,000,000. He added that the United Kingdom is currently devoting one-tenth of its income to lend-lease. On the basis of national income, Sir John stated, Great Britain is contributing to the United States not much less than we are sending over there in lend-lease.

This reverse lend-lease does not include British expenditures under an agreement of last summer, whereby a large quantity of foodstuffs and raw materials will be made available to America from British sources without cost to us. Vast quantities of funds, some equipment, large construction costs for housing our troops, as well as other supplies constitute reciprocal lend-lease from our English ally. Mr. Roosevelt's report does not take into account many services and materials made available to our forces by the British in North Africa.

Some criticizing of the senatorial quintet may prove to have been quite accurate. Perhaps certain phases of lend-lease need review and correction. A sanely handled study of the whole lend-lease picture, such as Congress assumes to make, may not be without benefit.

But the overall picture of lend-lease looks healthy. It will frankly astonish many of our armchair statesmen to realize how much reverse lend-lease the United States has received from Britain. These two reports ought to have the effect of general renaissance in America. There is no evidence we are being made a financial goat in the matter of war costs.

After all, the purpose of lend-lease contemplates use of America's vast resources to the utmost. There was never any idea we would not contribute more in supplies and finances to defeat of Hitler than would the United Kingdom. This is all-out war. We fight to the maximum with what instruments we have. Our nation's most important contribution so far has been lend-lease material. There is no evidence that Britain is not holding up its end of a two-way lend-lease to the extent of British capacity.

Nashville, Tenn., THE NEWSBEE  
November 14, 1943

### Fair Exchange Is No Robbery

At any rate the Truman Committee is entitled to a vote of thanks for the public education which has resulted from its inquiry into the lend-lease program. Whatever the purpose that prompted the lid-lifting, the exposure of the kettle's contents can have nothing but a good effect. The facts appearing must aid sound thinking in the United States and international concord among the Allies.

To fit the purposes of the McCormick-Patterson Asia there were many things about lend-lease which made it look like a natural. No one had ever thought that the plan was one for commercial profit so it was assumed that by undertaking to evaluate it in terms of dollars and cents, the discrepancy between put and take would furnish the material for a good bugaboo. Because there is no very accurate way to balance blood against money or to compare the effort of the soldier shooting bullets with that of the mechanic molding them, a mathematical analysis of lend-lease, it was thought, would be the best sort of method to prove how we were being gypped by our allies.

Besides this, the matter concerns something about which the public was profoundly ignorant. This ignorance had been proved by a Gallup poll which had asked the public whether it thought that England was supposed to pay us back in some way for the aid rendered or whether we were supposed to furnish her the lend-lease material gratis. Of those who responded to the question, 57 per cent thought that England would be supposed to pay us something or other for the aid she was receiving, 13 per cent thought that the aid was supposed to be given gratis, and 30 per cent answered that they just didn't know anything about it.

Those who seem to desire above all things to engender distrust among the United Nations could not have been expected to overlook such an opportunity, but they are thoroughly confound-

ed by the figures which the President of this country and the British chancellor of the exchequer have furnished in response to inquiry.

It turns out that the machinery has been working both ways. Sometimes the dynamo has been running the motor and sometimes the motor has been running the dynamo. Ships that have carried lend-lease aid to Britain have been bringing back lease-lend aid to America. It falls out that the British mutual aid program to its allies has been consuming 10 per cent of all British war expenditures as compared with 12 per cent of the United States war outlays similarly used under the terms of lend-lease.

Britain's cash expenditures for the support of United States forces have been more than one billion dollars, which is in addition to the billion and a half which it has expended for Russia and the other allies. Altogether, it is stated, the United Kingdom has spent nine billion dollars for overseas military support and has spent six billion dollars in cash in the United States. Where the United States' effort excels is in planes, tanks and guns, but for transportation, accommodation, supplies and facilities, the balance is on the side of Great Britain. The actual aid from Great Britain the President estimates to run at about a billion and a quarter annually, excluding the anticipated exports of raw materials, commodities and foodstuffs for the United States' account. Exclusive of the supplies transferred to Americans in colonial theaters of war it is figured that the United Kingdom has spent \$331,000,000 for goods and services, \$169,000,000 for shipping, \$371,000,000 for airports, barracks, hospitals, etc.

Thus it appears that our British allies have been carrying their end of the plank, and that if distrust is to be engendered by McCormick-Patterson & Company, it must be on some other ground than the operation of lend-lease.

Chattanooga, Tenn., NEWS-FREE PRESS  
November 12, 1943

### Lend-Lease Works Both Ways

Elsewhere on this page an article by George Lait, International News Service correspondent, who was in London during the blitz and after, tells how Britain gave life-saving service to the United States by trying out Flying Fortresses and General Sherman tanks. The writer says that many Britons lost their lives in the first Fortresses that were sent over and the first Sherman tanks were worthless. The Britons made the sacrifices of testing out the equipment and today the Fortresses and the Shermans are winning the war.

The story amplifies and emphasizes President Roosevelt's report to Congress yesterday of lend-lease "in reverse." The President told how Britain, Australia and New Zealand are furnishing food and supplies for the American armies, especially how British manufacturers made garments of special cloth to protect the American aviators from intense cold at high altitudes. He praised the spirit of cooperation between the Allies and how each was helping the other.

Critics of lend-lease who have been envisioning it as a one-way affair need to revise their thinking. When the story of the war is told, lend-lease will be given much of the credit for the victory, but the story is far different from the way the French charged the American armies rent for barracks, actually made them pay for cemeteries in which to bury their dead in World War I. This war, both Mr. Lait's article and Mr. Roosevelt's report show, is truly an allied war in which the finances can be counted and worried over when the victory has been safely won.

The President's report serves as a swift answer to the globe-trotting senator who charged that Britain was holding its own oil in reserve and permitting the United States to drain all American reserves. The senator did a distinct disservice to his country in his criticism of its democratic ally and it is time to cease serving Hitler with such carping to foment discord between the two nations who are fighting for their lives side by side on the battlefields and on the home fronts.

Chattanooga, Tenn., NEWS-FREE PRESS  
November 17, 1943

### Mutual Aid

One of the most interesting official documents of last week was the "white paper" presented the British Parliament by Sir John Anderson, chancellor of the exchequer. The paper gave some significant statistics of British contributions to the United States war effort as well as stressing the value of other support which cannot be measured in money. One comment made by the chancellor deserves to be filed for permanent record:

Lend-lease has ceased to flow in one direction only; it has become a system of mutual aid. We ourselves are now furnishing huge supplies without payment, and indeed without calculation, to the United States, to Russia and to our European Allies.

The paper, with the report made by the President to Congress on the same day, should be sufficient to silence the anti-John Bull critics of this country. "Without calculation" has scarcely a parallel of its type in history.

Louisville, Ky., COURIER JOURNAL  
November 13, 1943

## Hatred Playing Upon Misunderstanding

The President's statement on reverse lend-lease, taken in conjunction with the British white paper on the same subject, serves largely to point up the enormous difficulty involved in trying to evaluate the wholesale pooling of resources among the allies in orthodox debit and credit terms. The British Isles have received from us up to June of this year, supplies totalling in monetary value \$4,458,000,000. They have put into the pool, including their American and Russian commitments, \$2,640,000,000, or more than half of what they have received.

But the population of Great Britain is 44,000,000, a little more than one-third that of the United States. The size of the country is roughly that of Kentucky, and its productive capacity has been slowed down and injured by repeated bombing raids. Its per capita national debt is \$1,846, and 82 per cent of its annual income goes into war expenditure. Taking all these facts into consideration, there is no reason why the British should feel apologetic.

But there seem to be two widely differing viewpoints upon the objectives and achievements of lend-lease. The one subscribed to by Senators NYE, ELLENBOR and REED sees it as purely a cash transaction from which we may legitimately enrich ourselves. In Senator ELLENBOR's mind, airports on British territory, built by the British and turned over to our forces, are there solely for the defense of Britain. Our concern with the war, according to Senator ELLENBOR, is purely a commercial one, to be measured wholly in terms of whether we get back the exact equivalent of what we put in.

The other viewpoint is more vague, more what the President had in mind when he said that "there is, of course, no physical or financial standard of value by which we can measure the military contribution to the war on land or sea or in the air which has been made by our allies and ourselves." It is what Sir JOHN ANSONSON meant by saying, in his report to the Commons on Thursday: "I think we may claim that the use we made of the help from the great democratic arsenal fulfilled the one purpose of the Lend-Lease Act whose official title was 'An Act to Promote the Defense of the United States.'"

Lend-lease according to this interpreta-

tion becomes a pool into which each ally pours what he has, each according to his ability. The returns on such a transaction are as difficult to gauge as the value of individual contributions. Could the British set a monetary value on their lonely year's stand, which bought us the time to build our factories and arm our men? Could the Russians send us a bill in rubles for the millions slain in their epic struggle, on the ground that these Russian lives have saved countless Americans in the battles still to come? Who should be charged for an American tank which, manned by an American crew, is blown to pieces and listed as an American loss; or which, manned by Cockneys or Australians or Frenchmen, becomes a British, an Australian or a French loss?

The misunderstanding of the real issues involved in lend-lease transactions displayed both in Congress, and, according to the GALLUP Poll, by Americans generally, has ominous implications for the future. Because we insisted upon an utterly unrealistic approach to the debt payments of the last war, a war which enriched us alone of the nations which participated in it, we built up an issue of abiding bitterness between us and our Allies. Lend-lease is a masterly means by which that unrealism and the subsequent misunderstandings need never again endanger world trade or provide the cause of an insoluble quarrel.

But now lend-lease in its turn is being subjected to misinterpretation. Some of it is malicious and inspired by the same malignant ROOSEVELT-hatred which has not scrupled to impugn other war measures because the President has inspired them. Some is inspired by an ancient Anglophobia, and some is simply the result of ignorance. Ignorance can be enlightened, and much of it undoubtedly has been by the President's figures on the reciprocal aid we are receiving. But hatred of ROOSEVELT and of the British, a hatred which does not scruple to impair the war effort and cast a cloud over the peace, is something else again. If we are not careful to disavow the haters and to expose their innuendo they will succeed in making even of the tremendously successful experiment of lend-lease, an instrument of poisonous diunity for the years to come.

MID-WESTERN STATES

Cincinnati, Ohio, VI—REDACTED  
 November 17, 1943

### Two-Way Lend-Lease

The Washington and London reports on reverse lend-lease were given out just the day before today's publication of the Gallup finding that less than a third of the American people knew of the flow of supplies to America from her allies.

The facts have often been published, but evidently there was a need for the exhaustive reports given out yesterday. Article II of the lend-lease agreement with Britain provides that the British government "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." Yesterday's reports showed how much the United States had obtained under this pledge.

Even if lend-lease were only a one-way traffic it would still represent the wisest course America could take. When we can give Britons, Frenchmen, Indians, Poles, and others the weapons to fight for us, we should be foolish to insist on doing all the fighting ourselves.

From another viewpoint the war is a mutual struggle, and there should be no question about "mutual aid"—to use the happier term that the British apply to what we call lend-lease. If a frontier community is attacked by savages, all the weapons in the place are distributed to whoever can wield them, with no questions about paying for the cartridges that are fired or for any damage to the guns. So the British recall that up to the middle of 1943 they had advanced approximately \$9,000,000,000 to other members of the United Nations, in excess of sums received by them.

Nonetheless it is necessary that careful accounts should be kept of what America gives and gets, and that full information should be published from time to time—as indeed the lend-lease act itself requires. The goods and services involved are given or received by America's citizens. They have a right to know all about the transactions. Moreover full knowledge contributes to international unity by avoiding baseless suspicions.

Accounting and publicity are especially desirable because a considerable section of the American public believes that its government is not careful enough with money. This group particularly should be fully and honestly informed, for lend-lease is an American program, not a Democratic or New Deal affair.

As the British white paper observes, mutual aid is "a necessary part of the efficient planning of the war from the point of view of strategy and the economical use of manpower and shipping." It would be folly to send building materials and clothing to our flyers in England when the British can supply them on the spot, or to ship ammunition from London to the Australians in New Guinea when America can send it from San Francisco.

So lend-lease has been a mighty weapon, and it is not too much to say that the war could not be won without it. That would be true, if it were one-way; the demonstration that it is two-way, that America is getting as well as giving, is a bonus or extra dividend which should add to the country's satisfaction in it.

Cincinnati, Ohio, TIMES-STAR  
 November 17, 1943

### In Both Directions

What the President calls reverse lend-lease and the British call mutual aid is the subject at once of a British white paper and of Mr. Roosevelt's twelfth report to Congress. The joint showing is of peculiar interest because there has been inadequate popular information in this country, and some complaint in the Senate, as to the extent of British participation in a two-way program. That it has become really such a program, and that lend-lease, as the British Chancellor puts it, "has ceased to flow in one direction only" is the outstanding feature of both reports.

From the President comes this all-embracing and greatly significant statement: "Australia and New Zealand have supplied American forces in the South and Southwest Pacific with the bulk of their foodstuff requirements on a ration scale comparable to the basic allowance of the American Army"—from little New Zealand alone, with a population of only 1,700,000, food supplies during the year ending June 30, 1943, of 170,000,000 pounds, or 100 pounds per person. Canada has paid for everything she obtained from us. The other dominions and the United Kingdom have made comparable advances: In Britain, goods and services, shipping, airports, barracks, hospitals and other constructions in the total sum of \$871,000,000; for the entire empire up to June 30, about \$1,174,900,000.

America has made more advances than she has received—or about \$5,500,000,000. Entering the war with a disabled fleet and an Army comparatively small and not yet trained, it is fortunate that she had both the will and the means to make her farms and her factories count on the side of Allies whose fighting forces were bearing the brunt of battle while she equipped herself for equal services beside them. What it all amounts to, as the President says, is that her resources are being so pooled with the British "that the needed weapon may be in the hands of that soldier, whatever his nationality, who can at the proper moment use it most effectively to defeat our common enemies."

### Lend-Lease

In the period when Great Britain and Russia were leading the line against the axis for themselves, and for America, the idea of lend-lease came. The idea was simply this: The United States would back up the anti-axis nations with such supplies as they most needed and we could spare. These supplies would be furnished on lease or lend, to be repaid if and when possible. We were not too particular about repayment, for were not such supplies battling for us bloodlessly?

Our supplies went to China, Great Britain, Russia, France. Wherever food or munitions could be used against the axis powers, there we "lend-leased" munitions and food. The lend-lease bill passed the house by 260 votes to 165. Twenty-four Republicans voted for it, 135 against. In the senate such Republicans as Hall and Bridges, McNary and White voted for the bill.

It was one of the great saving measures of the time. It was a means of getting ourselves ready for the blow when the Japanese struck us two years ago next month. It is doubtful whether one member of congress in 20 would now disapprove the act. What brings lend-lease to notice now is stories started impugning the fairness of the operation of the lend-lease act. Certain senators gave vent to opinions that Great Britain was abusing our generosity and taking advantage of us. Plans were made for a senatorial investigation of the operation of lend-lease.

This is war, the most difficult and delicate kind of war, where allies must be kept harmonious while the war goes on. Even if one of our allies were getting the best of lend-lease, as dollars and cents measure it, it was not a thing to write upon the skies. It would be a matter, rather, for the quiet negotiation by which the military operations of the war are coordinated and carried on. Herr Hitler would have spent millions of marks to secure the planting of such seeds of discord among our allies. Our brand of politics did here Hitler's work without a cent of expense to him. A senate investigation, based on the theory that an ally is taking advantage of us, will be of as much help to Hitler as 10 divisions of soldiers could be.

It is this miserable state of affairs which brings forth the white paper of the British government and the message of the president to congress on the subject of lend-lease. These statements show that lend-lease has been operating in both directions to the advantage of all the allies. Even had this not been so the working of lend-lease would have been to the advantage of all the allies.

It would be pleasant now if congress would turn its attention away from matters calculated to alienate allies and embarrass the conduct of the war and devote itself to the desperately pressing, waiting problem of defeating inflation and financing the war.

### LEND - LEASE

A Republic Thunderbolt, sent to Britain with an American pilot and serviced by American ground crews, is not Lend-Lease. It is part of the direct American military effort against Germany.

But the same Republic Thunderbolt, sent to Britain to be flown into action by a British pilot, is Lend-Lease and the cost of the plane is added to the sum of America's financial contribution.

In each case the product of our American factories is used effectively. In each case the United Nations are using the most effective means to defeat their common enemy.

If it is Lend-Lease, a British pilot may lose his life in the plane. If it is not Lend-Lease the sacrifice may be made by an American pilot.

This is just one illustration of difficulties involved in evaluating the war contributions of the two nations. How is it possible to balance the value of a life against the value of an airplane, or guns, or tanks, or ammunition?

Who would sacrifice a thousand American lives to save Lend-Lease dollars? Or one American life?

The war against Nazi Germany requires the all-out effort of both nations. We are more concerned with expenditure of lives than with expenditure of money. We would not squander either, but if we were forced to choose one extravagance or the other, certainly no one would hesitate an instant in the decision.

Victory is the important thing and to this end each nation should do its utmost.

### SHOE ON THE OTHER FOOT

Those critics who take pleasure in describing lease-lend, especially to Britain, as "the most colossal dose of all time," are given some hard figures to ponder in the report on the reciprocal extent of this aid issued yesterday in London and Washington.

Contrary to the impression spread by the critics that lease-lend is a one-way affair, the report shows that the British Commonwealth has assisted the United States to the extent of \$1,174,900,000. By the end of June Britain alone had given aid amounting to \$871,000,000, a figure which has now passed the billion-dollar mark according to the statement yesterday in the House of Commons by Sir John Anderson, chancellor of the exchequer.

This total does not yet match the \$5,500,000,000 in aid which the United States has sent to the commonwealth. But despite the ideas of the dollar-for-dollar advocates, mutual aid in this war of survival cannot be placed wholly on a hard and fast fiscal basis.

The financial consideration can be fairly judged only on the basis of percentages. Last May President Roosevelt reported that 12 per cent of the nation's war expenditures went into lease-lend. This was for all countries, not just those of the British Commonwealth. Britain, for her part, has put 10 per cent of her total war expenditure into reciprocal lease-lend.

Have the too volatile critics of this policy weighed the cost in lives that were saved the United States while Britain alone held the line against the common enemy? Is this to be discounted entirely just because those who today are the most unfair snipers at lease-lend were not aware then that this war was America's war, too?

The British are not stopping with the kinds of reciprocal aid already functioning such as housing and foodstuffs for American troops in Europe. They constantly are enlarging on their assistance. Raw materials, rubber, sisal, pyrethrum, asbestos, chrome, coconut oil, benzol and scores of other items from the commonwealth for which this nation formerly paid cash, are now being shipped to us free by the British.

This should effectively halt the unwarranted demand in the latest Truman report that Britain turn over to this country the sources of raw materials. Such a demand is unjustified by the facts in the first place. In the second place this nation—with the exception of the American Century crowd of embryo imperialists—has no desire to acquire title deed to the British Empire.

The British White Paper on lease-lend and the president's simultaneous report were needed at this time to quiet what appears to be an enemy-inspired campaign to discredit our greatest ally. America is fully cognizant of the great role that Britain has played and is playing in this war. The United States today, through lease-lend and with her man power, is standing shoulder to shoulder with Britain. This co-operation, the basis of so much promise after the war, cannot be measured in columns of figures under either the sign of the dollar or the pound sterling.

Indianapolis, Ind., NEWS  
November 13, 1943

### ALLIED MUTUAL AID

The concerted effort of the United Nations to reveal the aid which they have rendered to other countries that are at war against the Axis powers is a timely clearing of the air. The agreement to make a public accounting was inspired by a movement in congress to investigate lend-lease. Congressional discussion of the plan indicated resentment over the administration's policy and some suspicion of design to create ill will in this country against the British and Russians.

Secrecy during the early days of lend-lease is responsible for much of the American people's misunderstanding. The lend-lease act was signed March 11, 1941. This country immediately began the construction of vast munitions works. Some of them were in production during the fall of that year. That put the United States into the war. The American people knew of American participation, however, only when the United States navy destroyer Kearny was torpedoed while on North Atlantic patrol. This was October 17, 1941. Thirteen days later the United States navy destroyer Reuben James was sunk by a German torpedo. The administration admitted that it was defending lend-lease shipments against German attacks in the Atlantic. That was the undeclared war that the United States was waging prior to Pearl Harbor. The administration's explanation left a deep impression that lend-lease was all one way—from this country to the Axis enemies.

The fact that this country has run up a war debt greater than the combined war debts of all the warring countries, both friend and enemy, further confirmed the belief of the American people that as taxpayers they were being gouged. Lend-lease was again pointed out by the administration as the reason. Frank reports to the American people would have prevented the disquieting suspicions which have now been fortunately dispelled by belated reports from Britain, Russia and Washington.

Chicago, Ill., SUN  
November 13, 1943

### Balancing Lend-Lease

Books must be kept on lend-lease, but in keeping them we need to avoid attempts to measure the immeasurable. All the statistics of the President's November report and the British White Paper on reverse lend-lease emphasize that.

It is easy enough to set down the cost of the Sherman tanks which enabled the British 8th Army to march across the rim of Africa. But if that is a credit, it must be balanced against an offsetting debt of courage, experience, brains, organization and sinewy manpower. We supplied the tanks; these other co-equal elements of victory came from the 8th Army. For us to claim dollar payment for the tanks would be as meaningless as it would be for the 8th Army to send in a bill, at so much per mile, for moving those tanks with Rommel in front of them from Mersa Matruh to Tunis.

From the beginning, lend-lease has meant, not a system of American gratuities, but a pooling of United Nations resources. With the highest industrial potential and a land untouched by actual battle, our material contribution was bound to be the greatest. This will astonish only the little minds which have not even yet grasped the nature of the struggle in which we are engaged.

Every strategic item in the catalogue of total war has value only as it helps bring the enemy to his knees. The value is the same to us, and its effectiveness in saving American lives is the same, whether particular resources be used by Americans, by Britons, by Russians, or by any other of the 44 United Nations. All that matters, in the end, is that each nation contribute to the common cause the maximum of which it is capable.

The senators who are about to investigate lend-lease should bear these facts in mind. By exclusive attention to statistics they will learn, as the President's report showed, that we have spent some \$14 billion on lend-lease, and "got back," in dollar values, about two billion. Other figures will tell them that the British have had a similar experience; they have spent abroad \$9 billion more than they have received. We are devoting 12 per cent of our total war outlay to aiding our allies; Britain, though bombed and harried and having lived long in imminent peril of invasion, devotes 10 per cent of hers to similar purposes.

But this is not the whole story. What is the monetary worth of Britain's holding out during a year of desperate isolation? How much to assess Russia's magnificent refusal to be conquered? Unless the senators can devise a magic formula for measuring the value of a thousand such imponderables, the books will never balance, and it is foolish to expect them to.

### Lend-Lease Messages

The simultaneous release of the President's lend-lease message to Congress and the British White Paper on lend-lease, was done presumably to get both sides of the story before the American public at once. What facts do these two documents reveal?

The President tells us that the British Commonwealth of Nations has furnished us with \$1,171,000,000 worth of lend-lease aid through June 30, 1943. Britain alone accounts for \$871,000,000 of that total, while Australia, New Zealand and the other British dominions (except Canada) make up for the remainder. In return, we have given the United Kingdom lend-lease aid to the extent of \$4,430,000,000 up until the end of last June.

The President also pointed out that these bare money figures alone tell only part of the story. To begin with, United States lend-lease is mainly in the form of contracts placed in bulk, whereas Britain's reciprocal aid, in contrast, is mainly in the provision of services large and small and a wide variety of items transferred in the daily course of the war, such as transport services, accommodations, airfields, facilities. Hence they are harder to keep track of.

Moreover, the British lend-lease figures are given in British currency which, when translated into American dollars, distort the comparison. British prices are lower than American prices, and hence a given sum would purchase more in England or the dominions than in the United States. Merely stressing the money figures in comparisons, therefore, does not give a complete picture of reciprocal lend-lease.

What does the British statement add to all this? The British point out that while they have not reciprocated American lend-lease aid to an amount equal to our shipments

they have supplied lend-lease materials to Russia to the tune of \$716,000,000 up through June 30, 1943, and have received nothing in return—in fact asked nothing, except for some minor items too small to be counted. That is a significant fact, for to the extent that the British help supply the Russians, the demand upon us is decreased.

Whether lend-lease ought to be exactly equal on every side, is something for Congress to decide. Up until the present, we have operated on the theory that we would help any country fighting the Axis, and not quibble at the costs. Perhaps that is the wrong philosophy upon which to proceed, but nevertheless, Congress upheld that point of view in its reappropriation of lend-lease funds. Whether that viewpoint is sound is something that the senators might consider now that the Senate appropriations committee has voted to look into the entire lend-lease business.

After the settlement was cleared of Injuns, bad men and varmints, the crude communism of the frontier dissolved into the fierce higgling of the horse-trader, the fevered town-lot speculation around the land office, and the bombast of the canal and railroad boomer, out for the coin.

So we can expect the final casting up of lend-lease accounts to be "strictly business." Up to now it's been strictly fight, and that is as it should be.

### LEND-LEASE AS A FOLKWAY.

President Roosevelt's message to Congress giving more information on the "reverse lend-lease" aid received by American forces in many parts of the world from the United Kingdom, the Commonwealth of Australia, the Commonwealth of New Zealand and the Empire of India is enlightening and timely, but neither the message nor the British White Paper given simultaneously to Parliament can be rated as startling revelations.

What has been going on everywhere is a common-sense process of mutual aid in a common fight, a process bound by no rigid plans or red tape, but responsive to the changing tides of time and battle.

Whichever fighter needs the stuff at any time or place gets it; the bookkeeping will largely come later, and the terms of eventual settlement will be determined when the time comes for settlement.

Stripped of all financial language and put "back to date," the lend-lease policies in action could be presented to Americans as a 20th century global extension of the folkways of our pioneer ancestors on their ever-moving frontier from Jamestown and Plymouth Rock to the Golden Gate, when Manifest Destiny laid that golden egg a little less than a century ago.

We have joined in barn-raising, we have shared our coonskins and buffalo robes, we have borrowed from each other's powder horns, we have lent each other horses, wagons, canoes, keel boats, we have cut timber together, barbecued bear hams together. We have killed savages together, and we are going to kill some more. That is lend-lease translated into the folklore of our people. The principle is roughly, "My pard is my pard, and he can have anything I've got as long as he's my pard."

Any American who is all-out for this war will indorse lend-lease and "reverse lend-lease" to date. While the accounting has been as strict as possible, it is not possible to carry on a world war with the minute itemization and the beautiful balance sheets of the American Telegraph & Telephone Co. When Sam Houston and Davy Crockett went out after the scalps of bad Indians, horse thieves or Mexican bandits, they swapped and shared as the occasion demanded. That didn't mean that any pioneer was either a Good Time Charlie or a panhandler.

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Chicago, Ill., TRIBUNE  
November 13, 1943

### LEND-LEASE ACCOUNTS.

Mr. Roosevelt is required by law to make a quarterly report to congress on the operations of lend-lease. His September accounting carries the subtitle, "Reverse Lend-Lease Operations from the British Commonwealth of Nations." There is little doubt that it was intended to answer the criticisms of the five senators who toured the battle fronts and reported we were being gyped.

It wasn't much of an answer. The senators had said, for example, that a wholly disproportionate share of the petroleum being consumed by the allied armies and navies comes from the wells of this country. Sen. Brewster of Maine reported that 80 per cent of the contribution is ours and only 8 per cent Britain's, and that, at this rate of consumption, our oil resources will be exhausted in 15 years while the British reserves will last for a century. Mr. Roosevelt had nothing to say in direct reply. He could point merely to the fact that we have received a little over a billion dollars' worth of goods and services from the British commonwealth in return for our contribution to them of 6½ billions.

There was little effort to break down the figures for further analysis, but it is clear that we can salvage almost nothing in goods from our contribution while the British will obtain some very considerable permanent improvements from the facilities they have built in their territory for our use. For example, a picture was published in this country some time ago showing a large, modern hospital that had been erected for the American army in an Australian city. That item is charged to reverse lend-lease, but when the war is over Australia will have the hospital and its equipment.

A breakdown of the figures might have thrown light on a good many hidden transactions, such as the one concerning the Icelandic fish catch, mentioned in an obscure note on Oct. 2 in the London Economist. We are spending something like \$25,000,000 a year to buy all the product of the Icelandic fisheries, which is then shipped to Britain for sale to consumers by the British government. The deal is probably inexplicable in terms that make sense; it

has certainly not been explained in any terms, sensible or otherwise, and it is only by chance that Americans have learned about it.

Mr. Roosevelt's troubles about lend-lease are of his own making. The phrase itself is one of those euphemisms that he invents with great skill to conceal his true intent, which in this instance was to place the whole financial and economic power of our country behind Britain in a war in which we were not engaged when lend-lease was instituted.

The effects of this evasion have been most unfortunate. Our allies have always understood that what they received was not a loan but a gift and accordingly their requisitions have not been checked by any thought of repayment. On the other hand, Americans have been given every reason to expect repayment. The word "lend" implies repayment and the word "lease" implies retention of title in the original owner. Expecting to be repaid, the American taxpayers were slow to express alarm over the extent of the drain and only now are becoming sufficiently aroused to ask of the administration a forthright and detailed accounting of the transactions.

Mr. Roosevelt introduced one new note in his report. We are told that the contributions made to us in the blood and battle experience of our allies have been of incalculable value to us. The argument is weak because it invites the rejoinder that, without our help, the allies would have been defeated at incalculably greater loss to them.

In truth, all such arguments are irrelevant, at least for the present. The question that the American people as citizens and as taxpayers want answered is the simple one: Are we giving away more than we need to give away to win the war? To that might be added the question: Are our allies contributing as freely to the common cause as they should to assure a victory? To these questions the President's quarterly report offers no answers.

Some things, however, we do know. One of them is that we have sent Russia 2½ billion dollars' worth of weapons and supplies and in return have not been given any bases from which to bomb Japan.

Peoria, Ill., JOURNAL-TRANSCRIPT  
November 12, 1943

### Worth 20 Billion

There is far more to the concurrent report of President Roosevelt and the British government regarding "reverse lend-lease" than merely the news implicit in announcement of figures and facts regarding the procedure.

There is also an investment in mutual good will and tolerance between British and American peoples to be discerned in the careful explanation of what the British have done to help us win the war, as well as what we have done to help them. The latter aspect of our war effort is pretty generally understood. "Reverse lend-lease"

which the British call "mutual aid" is not nearly so well understood. The British white paper on the subject and the President's detailed accounting, added up not merely to further the task of winning the war, but also to provide a sound mutual understanding for steps to achieve a just and durable peace.

We have received over a billion in reverse lend-lease, Britain says. The President specifies it as \$1,174,900,000, through last June.

The dollar symbol is deceptive, if not futile. We have received far more than a billion in British aid. We received a year's grace before Japan and Germany decided upon their mad course of attacking us.

That year's grace is worth 20 billion.

Evansville, Ill., COURIER  
November 16, 1943

AND

Davenport, Iowa, DEMOCRAT  
November 21, 1943

### Mutual Aid

The British have a good name for the process we call "lease-lend." They call it "mutual aid." That is what it is. Great Britain has even now given almost as much in proportion to her own wealth as we in proportion to ours. Among other items, she furnishes food, shelter and other things to our soldiers abroad, no small affair.

Many matters of mutual assistance cannot be figured in terms of money.

Britain's dogged resistance in that terrible winter of 1940-1 is one. Without it, where would the United States of America be—all of the Americas? Russia's slaying of thousands of Germans, her wearing down of great German armies — can that be measured in money? What about China's resistance for five long years? America does what she can. Britain, China, Russia, and other nations give and do according to their powers. Working together, they will win. But none of them should let Hitler's last desperate attempts through propaganda weaving in and around the Allied nations get them down.

It would be well for Americans of today to keep firmly in mind that little interchange between two of the Founding Fathers.

"Gentlemen," one said as he signed the Declaration, "we must all hang together."

"Yes," replied another. "If we don't, we shall all hang separately!"

Detroit, Mich., FREE PRESS  
November 13, 1943

AND

Akron, Ohio, BEACON JOURNAL  
November 15, 1943

### The Truth About Lease-Lend

The president's report to congress on reverse lease-lend is an important document in spite of the fact that it does not cover China, Russia and several other countries which we are aiding, and is necessarily incomplete even in regard to the British Commonwealth of Nations, with which it deals exclusively.

Administration critics, for political reasons, are saying that Mr. Roosevelt is not properly protecting our interests. Other persons, apparently hoping to sow discord among the United Nations, are representing lease-lend as a one-way transaction in which we are being gypped by our British friends, who "will fight to the last American dollar." The facts laid before congress in the president's message should nail these efforts toward disunity.

As of June 30, 1943, Great Britain, Australia, New Zealand and India had offset their lease-lend obligations to us by contributions valued at approximately \$1,171,000,000. Canada has paid cash for everything it has gotten from us and, therefore, does not come under this mutual aid agreement.

Actual exports of lease-lend goods from the United States to the United Kingdom alone amounted on June 30 to approximately \$4,500,000,000. While the value of what we have received in return is barely a quarter of that sum, at least it represents, when the resources of the British nations are considered, a sufficiently substantial amount to give the lie to claims that we are getting nothing.

The origin and purpose of lease-lend should be borne in mind. At the outbreak of war in Europe, we were confronted with the fundamental, vital problem of keeping hostilities as far as possible from our own shores. We knew that if England were beaten down, we would be attacked.

The protection of our own cities from the fate which English cities could not escape demanded that we put into the hands of the indomitable British people every weapon we could spare. We "scraped the bottom" of our military stocks, as Secretary Morgenthau put it. When Great Britain said it was running out of dollar exchange to pay for all it needed, a new basis of exchange had to be devised. That was the genesis of lease-lend.

After we got into the fighting, and American lives were directly involved, we had another motive for pooling our resources with our Allies: to shorten the war and keep down our own casualty lists. The maximum results could be obtained only by each of the cooperating nations putting into the struggle for survival all it could, where and when its contribution would have the most telling effect. They have loyally done this.

American blood cannot be appraised in dollars and cents. The number of American lives saved by the aid we have received from other countries cannot be calculated. Those are imponderables. There can be no book-keeping on those who gave their lives in a common cause.

\* \* \*

When the last Jap and Nazi have thrown up their hands in unconditional surrender, and lease-lend accounts are balanced, Americans need not fear that their British friends will default on a just settlement. After the last war, with its legacy of debts, Great Britain was the only one of all our associates in that cataclysm which paid off a substantial portion of its original borrowings from this country.

The facts congress and the public now have ought to put an end to talk about the British wishing to cheat us and of Mr. Roosevelt having sold us down the Thames.

Milwaukee, Wis., JOURNAL  
November 12, 1943

### Lend-Lease Is Cheap for Us

The most amazing thing about the president's report to congress on lend-lease and reverse lend-lease is how small the total figures are compared to the total United States war expenditures.

The total of lend-lease materials sent to all our friends and allies since the lend-lease program started in 1941 amounts to only about 14 billion dollars. We say "only," because our total war budget is running 100 billion dollars a year. It can be seen that only a small percentage goes for lend-lease.

We have received in return about one billion dollars' worth of reverse lend-lease; and the British reverse lend-lease is stepping up to the rate of about one and a quarter billion dollars a year. As the president points out, it is difficult to measure reverse lend-lease, because the items must be gathered from all over the world and tabulated. This help comes wherever our allies are contributing materials or services measurable in money.

The real point, as we see it, is that most of the offsets to our 14 billions of lend-lease cannot be measured in money.

They are measured in terms of blitzed London, the hundreds of cities destroyed in Russia, the thousands of British lives lost and the millions of Russian dead — both fighting men and civilians, including women and children. These are some of the things that we have been spared, because others have fought the common enemy before we were able to bring our strength to bear. We helped with food and arms and tanks and ships that our wealth and productive ability made available.

Who would pretend to measure the value of the lives lost by our allies and the value of American lives saved in terms of dollars? But it is part of the reverse lend-lease. It is part of the common struggle.

Our national income is currently running about 150 billion dollars a year. In three years, since lend-lease began, we have spent a total amount for lend-lease that is only a tenth of our national income in one year.

It does not seem too much for the richest nation on earth to contribute to the common fight.

Marquette, Mich., MINING JOURNAL  
November 13, 1943

### Lend-Lease

Simultaneous report in Washington and London on lend-lease shows the extent of reciprocal lending the British have been doing. It is, of course, far short of our lending. None in this country should have, on this account, any fault to find. In a common enterprise such as we have been engaged with the British, and the Russians, for that matter, contribution must be according to means. On the basis of report now made, our contributions and Britain's to the common war effort have been in the ratio of about five to one, a ratio that roughly accords with the productive potentials in time of war of these countries.

Lend-lease was a one way business before we got into the war. It was a brilliant improvisation to get around the statutory embargo on any lending to combatant nations that had not paid outstanding bills. Without it whether the British could have held on while they were making full scale conversion of their industry to war purposes is at least a question. This country never made better investment than lend-lease

shipments of arms, munitions and other necessities in the critical months of 1940. They gave us time to prepare, in full security, for the trials that lay ahead.

To say this is not to say that lend-lease operations should not be the object of close scrutiny, particularly by Congress. It is not at all unlikely that they have been attended by practices properly open to criticism, some of them in the forms in which aid was granted, and some of them disposition and use of the aid made by its recipients. The mistakes made at home are but another phase of domestic shortcomings in conduct of the war.

But effort to sell the idea that we have had the short end of the lend-lease program are to be deprecated. Its aggregate result will be a great decrease in the demands on us incident to winning our wars, and a much lesser toll of casualties than otherwise we would have to meet.

## A Two-way Street

THE confusion which exists with regard to obligations being incurred by Great Britain and other nations to this country under the lend-lease program undoubtedly originates in a misunderstanding of one of the basic principles of the act.

By virtue of that act Great Britain and other nations, at the discretion of the President, are held to be vital in the defense of the United States. In accepting the premise of the act that Britain and other members of the United Nations are fighting our war, we are compelled to look upon aid granted under it in a different light than we would an outright cash loan.

The British name for lend-lease, namely "mutual aid," is more accurate nomenclature and comes closer to describing its fundamental co-operative nature. The lend-lease program is a mutual effort in fighting what has become, since the bill was passed, a common war. It is not surprising, therefore, to find the Gallup poll indicating that 57 per cent of the people interviewed believe the lend-lease agreement specifically provides for repayment of all aid by the British or that more than a third of them have no opinion on the subject. Nor is it to be wondered that a large portion of the people have no idea that lend-lease also works in reverse. What they were undoubtedly expressing was their conviction that ultimately Britain should pay something.

Publication of the British white paper on their lend-lease aid to the United States and President Roosevelt's message on the same subject should serve to clarify this confusion. From these sources we learn that while we have lend-leased some \$5,500,000,000 in goods to the British, they have in turn provided us with goods and services to the extent of \$1,174,000,000. Lend-lease is not a one-way street. The aid provided by the British to us has been of vital importance, no less than ours to Great Britain.

What and how the obligations being incurred under this program of mutual aid will be written off is a matter which, under the agreement of Feb. 23, 1942, is not until the postwar period for final determination. It is this point which is now being debated and which is the source of some confusion. There is no real reason why such confusion should exist. The agreement is explicit in recognizing that there shall be a return flowing to the United States for the aid granted. The terms of return, it is specified, "shall be such as not to burden commerce between the two countries" but the actual balancing of the books is 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 and the United Kingdom and will promote the establishment and maintenance of world peace."

This is a clear statement of the broad purpose of the act, although it leaves plenty of room for negotiation in terms of dollars and cents. In a common war, this is as it should be. It is particularly valuable in that it reveals we have learned an important lesson from the last war.

## Money Well Spent

If there were no such thing as reverse lend-lease, the sixteen billions in munitions, machinery and food that we have shipped to other United Nations would still be a superlative military investment. It enabled

our Allies to man and hold war fronts that might otherwise have become our own responsibility.

Up to now, we have spent roughly ten times as much on our own war establishment as we have contributed to others under lend-lease. Yet the 10 per cent represented by lend-lease costs has supported the fighting on thousands of miles of battle line which we never could have hoped to man with our own soldiers even if we had had them ready. As the President pointed out Wednesday, it "has saved the lives of many of our own boys as well as those of our Allies".

But it is revealed now that the credit side of lend-lease represents an eminently fair exchange in dollars and cents. Reverse lend-lease has fed our forces in Australia and New Zealand, with only minor help from back home. New Zealand's contribution equals 100 pounds of food for every man, woman and child in the dominion.

Sir John Anderson disclosed Wednesday that Great Britain has expended more than a billion dollars cash for support of U. S. forces stationed there, in addition to vast sums in materiel and services. Incidentally, her gold and foreign assets have been depleted by cash purchases in this country amounting to more than six billion dollars. And Britain's lend-lease contributions to Russia, where the lion's share of the actual fighting has been done, exceed our own when computed on a per capita basis.

Lend-lease is no commercial compact, from which we should expect to emerge dollar-whole. That is not its function. It is merely one side of an arrangement to pool United Nations resources and manpower. To try to estimate the number of American lives the arrangement has saved would be the sheerest guesswork. We can only be fairly certain that it has saved hundreds of thousands, perhaps millions, and anybody who hopes to make political capital some day out of the fact that the lend-lease books don't balance in dollars and cents is welcome to the job.

In 1917-18 we loaned dollars. About all we got back was grief. This time we are lending goods and services. If we seek repayment we will have to take those payments in goods and services after the war. The lend-lease principle of mutual aid is based on the mutual exchange of goods and services in war. It points the only way in which we can find a peaceful solution to the problems of a postwar world, namely, through a continuation of a mutual exchange of goods and services among nations.

WESTERN STATES

## Lend-Lease

A REPUBLIC THUNDERBOLT, sent to Britain with an American pilot and serviced by American ground crews, is not Lend-Lease. It is part of the direct American military effort against Germany.

But the same Republic Thunderbolt, sent to Britain to be flown into action by a British pilot, is Lend-Lease and the cost of the plane is added to the sum of America's financial contribution.

In each case the product of our American factories is used effectively. In each case the United Nations are using the most effective means to defeat their common enemy.

If it is Lend-Lease, a British pilot may lose his life in the plane. If it is not Lend-Lease, the sacrifice may be made by an American pilot.

This is just one illustration of difficulties involved in evaluating the war contributions of the two nations. How is it possible to balance the value of a life against the value of an airplane, or guns, or tanks, or ammunition?

Who would sacrifice 1,000 American lives to save Lend-Lease dollars? Or one American life?

The war against Nazi Germany requires the all-out effort of both nations. We are more concerned with expenditure of lives than with expenditure of money. We would not squander either, but if we were forced to choose one extravagance or the other, certainly no one would hesitate an instant in the decision.

Victory is the important thing and to this end each nation should do its utmost.

THE NEW YORK TIMES  
NOVEMBER 22, 1943

## NOT ONE WAY



Though the outlay of the United States in lend-lease operations far exceed in dollars those of other countries comprising the United Nations this country is not putting up all the cash and materials by any means. Lend-lease is not a one-

way street as some critics of the program would have the people of the United States believe. President Roosevelt pointed this out yesterday in his message to congress and his statement was confirmed by the British chancellor of the exchequer in a white paper he presented to the house of commons.

Because the United States has certain resources and materials and has been supplying them to its Allies willingly critics of the mutual aid program intimate that Uncle Sam is being played for a sap. Such is not the case in actual practice, the President revealed, and furthermore he called the attention of congress to one pertinent thing in connection with the waging of a global war. He said: "One thing is clear, by the help which our friends and Allies have given us, and by the help which we have given them in the common cause, we have not only made progress in the war, but we have saved the lives of many of our own boys as well as those of our Allies."

No one will deny that the United States, Great Britain, Russia, China and other Allied nations have a "common cause" as the President stated. Billions upon billions of dollars in money and material is being poured into the common pot by the United States and by other countries in proportion to their ability to contribute. It makes little difference whether a bomb dropped by a British flier that knocks out a German factory was made in the United States or Great Britain and it makes little difference who paid for it. The damage is what counts.

Perhaps there has been some shuffling of credit along the line by near-sighted partisans of various countries trying to gain undue credit for themselves but it has not been great and furthermore it has not detracted from the effectiveness of the lend-lease system.

If the United States should get "gyped" for a billion dollars or more but that billion saved the lives of a few American boys it would be money well spent.

Lend-lease is not a one-way street and it is not and never was intended to be a basis for bargaining. Agreements made under it are flexible and designed to meet the every day changes of war.

The day of reconciliation will come when the war is ended in a victory to which lend-lease agreements will have contributed far more than can be measured in money as the record so far clearly defines.

## Lend-Lease to—and from—Britain

THERE WILL be general agreement with the Truman committee's concept of lend-lease, and especially with the committee's declaration that lend-lease "was never intended as a device" to shift Britain's war costs to the United States.

The Truman investigators point out that the lend-lease program was originally set up "solely because the English and others whom we desired to assist did not have sufficient American exchange to purchase materials needed by them."

If Britain can't get to her own oil reserves and can't pay cash for petroleum from us, the committee suggests:

"Consideration should be given as to whether she (Great Britain) should not pay for the petroleum obtained from us by transferring to us her ownership of an equivalent value of foreign petroleum reserves or of the English-held securities of the corporations having title to such reserves."

There has been a revival of interest in the subject of lend-lease following the statements made by the five "traveling senators" upon their return from a tour of the war fronts.

In the interests of fairness, however—and in the interests of guarding against unnecessary bitterness between Allies, arising from incomplete facts—it should be pointed out that lend-lease is not purely a one-way affair. Stung by the comments of the traveling senators, the London Daily Mail recently published a voluminous article designed to emphasize this fact. Among other things, the British newspaper stated:

"Lend-lease is becoming more and more a two-way system of war-winning every day. For example, here are some of the things Britain has given to the United States without payment—what has come to be called 'lend-lease in reverse':

"Between June, 1942, and April, 1943, the United Kingdom has provided to the American forces 1,362,681 ship-tons of articles and equipment and 2,177,384 ship-tons of constructive material.

"Our contribution has ranged from barbed wire to cooking stoves; from Nissen huts to parachutes; from Spitfires to lemon-squash; from artillery to socks.

"We have not charged for sea transport of United States troops to this country or from this country when they traveled in British ships; or for rail and road transport on military business within this country. These charges, too, go down to lend-lease in reverse.

"So do the repair and servicing of United States ships in British ports all

over the world; all official post, telephone, telegraph, light, heat, water, Red Cross clubs used by the American Red Cross, together with their servicing and maintenance, and such supplies as we have been able to give them for their canteens.

"A number varying between twelve thousand and twenty-five thousand British civilians are working every week for the United States forces over here, despite our acute manpower problem and these people are paid by the British."

"We have done not a little with regard to food for the United States troops over here. We shall have provided by the end of the year, just during 1943, 400,000,000 pounds of foodstuffs, either home-grown or imported from countries other than the United States, without payment. . . .

"Add to this the fact that all our inventions—Asdic, radiolocation, and others whose mention is still forbidden—have been made available to our Ally without either payment or hesitation; devices discovered, developed and perfected both before and after Pearl Harbor.

"It must also be said that the charge by the senators—that Britain is taking the kudos for lend-lease material received from America and transferred to other governments—is flatly untrue.

"We are expressly—and correctly—forbidden to sell lend-lease material commercially, and a stringent check is maintained to see that not an ounce of it escapes through any profit-making channel. . . .

"Not only are Britain and the Dominions and colonies repaying America, so far as it lies within their power, but we also are lend-leasing on our own account.

"Britain has sent on a mutual aid basis as many tanks and airplanes to Russia as have gone from the United States.

"And we have sent to the U.S.S.R. about one-quarter the amount of other supplies that America has shipped.

"We have similarly equipped the governments and forces of many exiled nations. We, too, are helping the Chinese free of charge. . . .

"But, historically, one thing should be made very clear indeed: Not only is lend-lease a two-way system, but even at the very beginning, lend-lease was neither solely nor primarily an entirely altruistic measure on the part of the United States."

That British statement won't, of course, answer all of the questions and charges being put by Americans concerning lend-lease. It does contain some information—such as the figures on British aid to Russia—that has not been generally known in this country.

San Francisco, California, CHRONICLE  
November 21, 1943

### Pleasant Surprise

The Senate Appropriations Committee, charging around in harness with the Truman Committee, last week assigned auditors to the job of checking the records of all Government agencies which spend money abroad. The auditors were expected to concentrate on lend-lease spending.

The move was an opening play in the anticipated congressional match on further appropriations for lend-lease aid to the United Nations, which was sparked by the charges of touring Senators that Britain has transferred to Russia and Turkey lend-lease supplies for which the U. S. was given no credit.

Simultaneously but independently Britain released a "white paper" report on "mutual aid," as reverse lend-lease is known in Britain. And President Roosevelt forwarded his report on the subject to the inquiring Congress. Main points of the reports:

U. S. lend-lease to date has totaled 14 billion dollars.\*

The British have reciprocated lend-lease help to the tune of some one billion dollars by supplying to U. S. ground and air troops such varied items as corn on the cob, socks, plane repair shops and materials, boxing gloves, airports, barracks and hospital facilities, among others.

The British mutual aid program consumes 10 per cent of all Britain's war expenditures, while lend-lease accounts for 12 per cent of U. S. war expenditures.

Australia has helped the U. S. to a total of \$196,000,000; New Zealand, \$51,000,000, and India, \$56,900,000. (Canada has paid cash for all war supplies obtained from the U. S.)

Not included in the report, said the President, were supplies and services made available to U. S. forces in North Africa, Sicily and elsewhere. Also, the

United Kingdom has agreed to put on reverse lend-lease rubber from Ceylon, sisal and pyrethrum from East Africa, asbestos and chrome from Rhodesia, cocoa, tea, coconut oil, benzol, tar acids and similar foods and raw materials from various colonies.

In presenting the British report to Parliament, Chancellor of the Exchequer Sir John Anderson pensively remarked:

"The vast extent of mutual aid which we are furnishing is not understood in this country, far less abroad. It is only in a very limited sense that this white paper introduces the money sign, and to those, if there are any, who wish to judge these matters as a business deal, the effect is to underestimate the real material cost that falls upon us."

Mr. Roosevelt reminded Congress that his report was incomplete, since it was easier to detail lend-lease, which flows from a central source, than reverse lend-lease, which is a service rendered to U. S. forces in widely scattered parts of the world.

Congressional reaction was varied. Senator Kenneth McKellar (D., Tenn.) announced himself "pleasantly surprised" by the report. House Majority Leader John W. McCormack (D., Mass.) said it answered "a lot of these lying, sniping rumors and attacks made on lend-lease. Said Senator Allen J. Ellender (D., La.):

"We want more information. Are we renting airports to help defend England? Is it true that the British charge up to reverse lend-lease the repairs of old estates, public as well as privately owned, for use as barracks for our troops?"

\*The Foreign Economic Administration announced last week that one-eighth of the U. S. food supply is shipped overseas under lend-lease. The U. S. civilian population gets approximately three-quarters of the total food supply, after deductions for lend-lease and military requirements.

San Francisco, Calif., CHRONICLE  
November 12, 1943

### Reverse Lend-Lease

In a special report to Congress on reverse lend-lease, released at the same time as a similar White Paper in London, President Roosevelt revealed yesterday that aid between the United States and the British Commonwealth has actually been mutual and not at all one-sided.

While we have spent nearly \$14,000,000,000 on lend-lease to all the others of the United Nations—about \$4,450,000,000 of this to Britain—the British have already returned to us in goods, materials and in other ways about \$1,171,000,000, and are now spending on reverse lend-lease to the United States about \$1,250,000,000 a year.

In addition, the British have given lend-lease to Russia and others amounting to \$1,500,000,000. Canada, which has had no lend-lease from the United States, has contributed \$1,000,000,000 worth of supplies to Britain and is making another \$1,000,000,000 worth available to the United Nations. Australia, New Zealand and India have spent \$304,000,000 on reverse lend-lease to the United States, and by the end of this fiscal year Australia alone will have spent \$323,000,000 for this purpose.

According to the President and the British White Paper, lend-lease has become a general pool of mutual aid to which all the Allies contribute goods, materials and services according to their capacities.

At the time the President's report came, the Senate Appropriations Committee was assigning auditors to begin checking the books of all Government agencies engaged in wartime spending abroad, especially lend-lease. An audit of all this vastly complex spending can be useful, provided it is impartial. We have amongst us some—and they are represented even in the Senate—who would like to destroy lend-lease. Some vigilance is required to make sure these or their agents do not worm their way into this audit for their disingenuous purposes.

Hollywood, California, CITIZEN NEWS  
November 12, 1943

### Maximum

PRESIDENT ROOSEVELT and the British Government, in separate reports, yesterday told of the aid that the United States has been receiving from Great Britain under lend-lease while the United States has been meeting needs of Great Britain.

The reports followed, but made no specific reference to charges in Congress that U. S. Lend-Lease constituted "the most colossal dole of all time."

The charges and the intimations probably had to be answered but it is a shame that they were ever made.

History may reveal that the most valuable action taken by this country in relation to this war was the adoption of the lend-lease program upon the recommendation of President Roosevelt. It enabled us to protect to some extent our future Allies and to get our industrial machinery partially in gear for the challenge that was later to come to us. Because of the impetus given to our facilities through the lend-lease program, we shall pay a small price compared to the price we otherwise should have paid to win this war.

Lend-lease has made it possible for this country to contribute to the cause of the United Nations far more than it would have otherwise been able to contribute. It has insured the total victory of which we all now feel confident.

Great Britain, Russia and China and others of the Allied Nations have contributed to the defeat of Hitler's schemes to rule the world far more in proportion than we shall ever contribute, regardless of what we may do from now on to the end of the war.

Our contributions to our Allies through lend-lease have saved the lives of tens of thousands of American boys who would otherwise have had to give their lives in the effort to defeat the common enemy.

In this war, there can be no theory of trying to fix the amount that any of our Allies should pay, or contribute in lives, toward the final victory. The responsibility rests upon each Ally to contribute its maximum.

With practically no trained warriors at the start of the war, this country has nonetheless been able to make an invaluable contribution with the products of its factories, farms, mines and workers and through the economies of the people.

Compared to the losses in lives and human suffering of our Allies our contribution has not been great to date but it was the most valuable we could make.

Whether British soldiers or Russian soldiers used supplies that we made hasn't been the important thing. The important thing is that they were used against the common enemy. While we were training men who some day might use all that we could produce it was the height of wisdom to see that what we could produce was used by other Allies.

Lend-lease is figured on the books in dollars but in the cause of winning this war it is figured only in war materiel. We would be most unworthy if we didn't contribute all the war materiel we could possibly produce.

Our share is the maximum we can possibly do. That's what Russia, Great Britain and China have been contributing.

San Diego, Calif., UNION  
November 12, 1943

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### • Lend-Lease in Reverse

PRESIDENT ROOSEVELT has submitted a "lend lease in reverse" report to Congress, showing that the British commonwealth of nations, which includes England, Canada, Australia, New Zealand and India, has supplied this country with more than a billion dollars worth of supplies up to last June 30.

The report was issued at the same time but independent of a similar report by the British government. It was in reply to the sharp criticism recently made of lend-lease administration by five United States senators who had recently toured the world.

The chief point made in the report was that the United Nations are pooling their resources in carrying the war against the Axis. No mention was made of lend lease aid to Russia, nor to China, nor to any of the other countries, in this report. It dealt solely with Great Britain. The pool is decidedly American, the report shows, since we have contributed about 14 billions of dollars in lend lease expenditures.

One of the points of greatest importance—in fact the only one of much importance now—revealed by the report is that an accounting is being kept of expenditures by us and receipts from other nations. Whether this accounting will do any good, whether it will result in more than a token collection, remains to be seen. Now is hardly the time to bring it up or to moan over it. We are in the war, and we are committed to the principle and practice of lend lease. To start quibbling now over the possibility of collection after the war might do irreparable harm and delay victory. Germany, for example, would like nothing better than to have the United Nations start scrapping over who is bearing the heaviest share of expenditures and who will repay whom for what after the war.

Premier Stalin has announced that Russia will repay us for food and supplies sent to the Soviet. Nothing was said about payment for the planes, the guns, the tanks and other fighting equipment. It might be well to bear this in mind, or even reach an understanding with Moscow upon what is to become of this equipment after Germany is liquidated and in the event Russia does not choose to move against Japan. Presumably, the equipment would be returned to us for use in the Pacific. Perhaps that point has been covered in some secret agreement. It doesn't make a great deal of difference how it is covered, but it certainly should not be ignored by the United States.

Some stress has been placed on British reports of lend lease expenditures, in which it is pointed out that the Britons are spending at a rate equal to or above ours based upon the relative income of the two countries. A little point of order might be raised there. The war is being fought to defend, preserve and protect that which we have—our resources. Incomes fluctuate and do not always mean what they appear to mean. The proper basis upon which to figure, if any figuring now is required, would seem to be upon the basis of the relative value of resources being protected. As an example, a highly developed nation, like the United States, might easily be producing at a rate which would be eating into its resources although the figures would be reflected as national income, while a young, undeveloped country, rich in natural resources and the protection of which would be an incentive to total defense, might reveal a comparatively low per capita income. This could be because the resources were not being developed and processed to the fullest possible extent.

Compared to the over all picture, it is a relatively minor point and it certainly is not one that should create friction between allies. But it should be considered, and there is no reason why it should not be considered dispassionately and realistically by the nations concerned.

Walla Walla, Wash., UNION BULLETIN  
November 13, 1943

### Reverse Lend-Lease

A war such as the allies are waging naturally calls for reciprocal aid, in one form or another, and while we are leaning up to break the backbone of the axis powers it is hardly necessary to go to the adding machines and put a value on the assistance given and received by the four major powers thus engaged. All Americans realize that we have been the No. 1 donor of materials both for war prosecution and for the maintenance of certain essential civilian activities in countries which are allied with us. The extent of reciprocal lend-lease is such that it can not all be evaluated in dollars and cents, although, to establish the record, Britain, through its chancellor of the exchequer, has reported that more than a billion dollars worth of assistance has been given to U. S. forces to date.

This is nothing about which our principal allies should be boastful, and their statement does not bear such a tone. It happens that there have been ways in which Great Britain, and some of its commonwealths, could provide for forces of the U. S., and have done so. Some of these services, as is the case with much of our contribution, are not easily evaluated.

We have sent food, weapons, equipment, etc., to Russia under lend-lease. We can pretty well evaluate them, but it is not easy to say what Russia's resistance to the Nazi forces might be worth in dollars and cents to us. Likewise, British activity in the Atlantic and over Europe, taking the sting out of submarine warfare and carrying the offensive to the continent, all with our very substantial cooperation, can hardly yet be set down in figures.

There is a time coming when we shall be in position to survey the lend-lease program from our own viewpoint with good reason. Just now let's rest with the knowledge that the idea is working in both directions for eventual victory for our cause.

Portland, Oregon, OREGONIAN  
November 11, 1943

### Repayment

For the benefit of the grumblers who complain that lend-lease is a one-way ride (though not even they contend that the war could be won without it), one instance of lend-lease in reverse may prove cheering. The British have built and

completely equipped a center in England for the rehabilitation of wounded American fighting men and have given it to the United States army.

The success of this camp has been such that the army will duplicate it in camps in the United States. The center cares its wounded trainees, not patients. It uses special equipment for remedial exercises, physiotherapy and massage. The wounded are graduated through four classes as they regain their strength by the treatment of their shattered bodies and shocked minds until they are ready to rejoin their outfits.

TREASURY DEPARTMENT  
OFFICE OF THE SECRETARY

December 20, 1943

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 3, 1943, 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.

*E/mb*

FEDERAL RESERVE BANK  
OF NEW YORK

December 17, 1943.

CONFIDENTIAL

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

I am enclosing our compilation for the week ended December 8, 1943, 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 25, D.C.

Enclosure

COPY

**ANALYSIS OF BRITISH AND FRENCH ACCOUNTS**  
(In Millions of Dollars)

Week Ended December 8, 1943

Strictly  
Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)						BANK OF FRANCE					Net Incr. (+) or Decr. (-) in \$ Funds (d)	
	DEBITS			CREDITS			Transfers from Official Australian Account	Other Credits (c)	Net Incr (+) or Decr. (-) in \$ Funds (d)	Total Debits (e)	Total Credits (e)		
	Total Debits	Gov't Expendi- tures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Gold							Securities (Official) (b)
First year of war for period through	1,783.2	604.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3(f)	1,095.3(f)	+299.0
Second year	2,428.3	1,401.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	878.3	1,098.4	+220.1
Third year of war	1,875.6	1,100.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	98.9	8.8	- 30.1
Total year of war	1,595.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	4.4	- 14.1
Fourth year of war	764.0	312.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3
<b>1943</b>													
Sept. 1 - Sept. 30	46.3	15.5	10.6	20.2	78.1	-	-	14.0	64.1	+ 31.8	-	-	-
Sept. 30 - Dec. 3	99.5	35.3	0.1	24.1	120.4	-	-	41.5	86.9	+ 68.9	-	-	-
Dec. 4 - Dec. 31	48.2	24.4	5.8	18.0	83.4	-	-	3.5	19.9	+ 35.2	-	-	-
<b>Bank Balances:</b>													
December 31	12.4	1.4	-	5.2	21.9	-	-	-	21.9	+ 9.3	-	-	-
November 30	6.4	2.9	0.1	3.4	26.5	-	-	2.0	24.5	+ 20.1	-	-	-
October 1	4.7	1.4	-	3.1	8.5	-	-	1.5	7.0	+ 3.8	-	-	-
September 1	12.1	1.2	-	5.5	24.8(x)	-	-	15.0	9.8(y)	+ 12.1	-	-	-

See attached sheet for footnotes.

Foreign Money Expenditures Since Outbreak of War  
France (through June 19, 1940) \$19.6 million  
England (through June 19, 1940) \$27.6 million  
France (from 20, 1940 to March 12, 1941) \$54.9 million  
England (from March 12, 1941) \$22.4 million

- (a) Includes payments for account of British Ministry of Supply Mission, 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 current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941.
- (h) For monthly breakdown see tabulations prior to October 8, 1941.
- (i) For monthly breakdown see tabulations prior to October 14, 1942.
- (j) For monthly breakdown see tabulations prior to September 29, 1943.
- (k) Includes \$ 2.3 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, and \$6.0 million to be held for credit of armed forces abroad.

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS  
(In Millions of Dollars)

Week Ended December 8, 1943

Strictly  
Confidential

PERIOD	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)							
	DEBITS				CREDITS				DEBITS				CREDITS			
	Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C	For French A/C	Other Credits	Net Incr. (+) or Decr. (-) in Funds (e)	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in Funds (e)
First year of war (a)	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
Second year of war (b)	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Third year of war (c)	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 2.0
Fourth year of war (d)	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	- 5.0
1943	723.6	-	723.6	958.8	47.1	170.4	-	741.3	+ 235.2	197.0	155.1	41.9	200.4	-	200.4	+ 3.4
Sept. 2 - Sept. 29	46.4	-	46.4	65.1	-	10.6	-	54.5	+ 18.7	15.8	14.0	1.8	4.8	-	4.8	+ 11.0
Sept. 30 - Nov. 3	31.5	-	31.5	83.9	-	0.1	-	83.8	+ 52.4	44.9	41.5	3.4	41.7	-	41.7	+ 3.2
Nov. 4 - Dec. 1	18.4	0.1	18.3	100.4	-	5.8	-	94.6	+ 82.0	5.7	3.5	2.2	18.3	-	18.3	+ 12.6
Dec. 2 - Dec. 29																
Bank Ended:																
November 17	2.9	0.1	2.8	16.1	-	-	-	16.1	+ 13.2	1.0	-	1.0	0.9	-	0.9	- 0.1
November 24	4.9	-	4.9	13.8	-	0.1	-	13.7	+ 8.9	2.0	2.0	-	0.4	-	0.4	- 1.6
December 1	5.6	-	5.6	23.3	-	-	-	23.3	+ 17.7	2.6	1.5	1.1	16.0	-	16.0	+ 13.4
December 8	10.9(f)	-	10.9	16.8(f)	-	-	-	16.8(g)	+ 5.9	16.0	15.0	1.0	5.5(h)	-	5.5(h)	- 10.5

Average Weekly Expenditures for

First year of war 6.2 million.  
 Second year of war 8.9 million.  
 Third year of war 10.1 million.  
 Fourth year of war 13.9 million.  
 Fourth year of war (through December 8, 1943) 7.7 million.

- (a) For monthly breakdown see tabulations prior to April 23, 1941.  
 (b) For monthly breakdown see tabulations prior to October 8, 1941.  
 (c) For monthly breakdown see tabulations prior to October 14, 1942.  
 (d) For monthly breakdown see tabulations prior to September 29, 1943.  
 (e) Reflects changes in all dollar holdings payable on demand or maturing in one year.  
 (f) Does not reflect transactions in short term U. S. securities.  
 (g) Includes \$ 5.7 million deposited by War Supplies, Ltd. and \$ 11.0 million received from New York accounts of Canadian Chartered Bank.

U.S. armed forces abroad.

NOT TO BE RE-TRANSMITTEDCOPY NO. 12BRITISH MOST SECRET  
U.S. SECRETOPTEL No. 414

Information received up to 10 a.m., 20th December, 1943.

1. NAVAL

On 18th one of H.M. Minesweepers was sunk by mine off northeast SARDINIA. There were no casualties.

2. MILITARY

ITALY. To noon 19th. 8th Army. In coastal sector Canadian troops made some progress against heavy opposition and an enemy position was overrun and considerable casualties inflicted. In the ORSOGNA area further progress made over very difficult country.

5th Army. U.S. troops captured SAN PIETRO and their engineers moved in to clear a passage through the town.

3. AIR OPERATIONS

WESTERN FRONT. 19th/20th. 11 aircraft dropped leaflets over Northern FRANCE and 9 Mosquitoes made Intruder patrols over airfields in FRANCE and LOW COUNTRIES. 18 enemy aircraft flew over Southeast ENGLAND, 7 of them penetrating LONDON area. One was destroyed by a Mosquito. Some bombs dropped in ESSEX, NORTHERN KENT and LONDON suburbs. No casualties reported so far.

SOUTHERN FRANCE. 18th. Marauders bombed another viaduct and a bridge over the VAR dropping a total of 108 tons.

ITALY. On 17th and 18th total of 337 light and fighter bomber sorties flown over battle area.

YUGOSLAVIA. 16th/17th. Bostons bombed SPLIT and ZARA Harbours, damaging one ship. 17th. Warhawks set fire to a small ship northwest of DUBROVNIK.