

● PSF

War Department

1938

THE WHITE HOUSE
WASHINGTON

January 7, 1938.

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MEMORANDUM FOR THE PRESIDENT:

I am attaching herewith all pertinent data concerning the Mobile Divisional Field Artillery and Anti-aircraft. It is on one sheet and I thought perhaps you would find it interesting and available in this form.

Very respectfully,

Edwin Watson

EDWIN WATSON
Colonel, F. A.
Military Aide to The President.

DATA ON INFANTRY DIVISIONAL WEAPONS
and
MOBILE ANTI-AIRCRAFT
January 3, 1936.

*This is our new 75mm. Please note
its increased range to 13,500 yds
Longest range mobile gun that
we have. Div. Officer*

Item	Type	Maximum Range Yards	Maximum aimed Shots per minute	Method of Transportation	Types of Ammunition	War Reserve Requirements	Number Available			Shortage	Notes
							On Hand	On Order	Total		
INFANTRY DIVISIONAL WEAPONS											
1	75 m/m Gun M-2 (HI-Speed towage)	13,500	15	Horse or Truck Drawn	H.E.; Chem; Shrap.	()	65	28	113		Standard
2	75 m/m Gun, World War Types (Modified for HI-Speed towage)	9,900	15	Same	Same	1,477	1416	410	1826	0	Sub.-Std.
3	75 m/m Gun, World War Types (Unmodified)	9,900	15	Horse Drawn	Same	()	2622	0	2622		Sub.-Std.
4	155 m/m Howitzer (HI-Speed towage)	12,400	5	Tractor or Truck Drawn	H.E.; Chemical	821	302	0	302	0	Standard
	155 m/m Howitzer (Unmodified for HI-Speed)	12,400	5	Horse Drawn	Same	()	1532	0	1532		Sub.-Std.
5	37 m/m Gun - Anti-tank	5,000	20	Truck; Tractor; Horse	Armor Piercing; Tracer	1,795	0	0	0	1,795	To be Std.
6	Machine Gun Cal..50 Anti-tank.	7,500	500	Hand or Mule Cart	Same	0	322	0	322		Sub.-Std.
7	81 m/m Mortars	3,300	20	Hand or Mule Cart	H.E.; Chemical	435	66	33	119	0	Standard
8	3" Stokes Mortar	2,500	20	Same	Same	()	1200	0	1200		Sub.-Std.
9	Light Tank	---	---	Self Propelled	---	957	246	73	319	636	Standard
10	Machine Gun Cal..50 - Tank	7,500	500	Tank	Ball; Armor Piercing;	1,631	435	171	624	1,007	Standard
11	Machine Gun Cal..30 - Tank	5,000	500	Tank	Tracer	4,731	1039	374	1413	3,318	Standard
12	Machine Gun Cal..30 Heavy Ground	5,000	600	Hand or Mule Cart	Same	6,706	63,839	0	63,839	0	Standard
13	Machine Gun Cal..30 Light (Mod.Auto.Rifle)	5,000	80	Hand	Same	12,299	2,810	0	2,810	9,489	Std. for Infantry.
14	Automatic Rifle Cal..30	5,000	80	Same	Same	16,275	82,381	0	82,381	0	Std. for other arms.
15	Rifle, Cal..30, Semi-automatic	5,000	40	Same	Same	133,178	1,000	5,540	7,540	125,638	Standard
16	Rifle, Cal..30	5,000	15	Same	Same	210,095	2,856,000	0	2,856,000	0	Sub.-Std. for Infantry
17	Pistol, Cal..45 - Automatic	1,600	21	Same	Ball	406,854	272,119	0	272,119	29,831	Standard
	Revolver, Cal..45	1,600	10	Same	Ball	()	194,904	0	194,904		Sub.-Std.
MOBILE ANTI-AIRCRAFT MATERIAL											
18	3" A.A. Gun	(:14,200-Hor. : 9,700-Vert.)	30	Truck Drawn	H.E.	660	106	38	144	516	Standard
19	Machine Gun Cal..50 A.A.	(: 7,500-Hor. : 2,000-Vert.)	550	Same	Ball; Tracer	4,321	452	37	489	3,832	Standard
20	37 m/m Gun A.A.	(: 7,300-Hor. : 5,000-Vert.)	100	Same	H.E.; Tracer	1,800	0	0	0	1,800	Under Development.
21	Directors	---	---	Same	---	229	17	27	44	185	Standard
22	Height Finders	---	---	Same	---	242	8	63	71	141	Standard
23	Searchlights 60" Mobile	---	---	Same	---	1,339	260	0	260	1,079	Standard

REMARKS

- War Reserve Requirements include equipment for approximately 1,000,000 men and for Harbor Defenses and Overseas garrisons.
- Number available includes equipment appropriated for F.Y. 1936. Does not include Estimates for F.Y. 1939.

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Date- 3-25-59

Signature- Carl J. Spicer

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BE
War Dept

To President
From Sumner Welles

March 4, 1938.

Letter in re-Pres. desire to obtain information as to the nature and amount of supplies of arms and ammunition which were at present being received by the Chinese Gov. The War Dept. is trying to obtain the information with regard to the amounts of arms and ammunition coming to China from Russian sources in the north.

Returns conf. map to Pres.---attached

SEE--China folder-Drawer 2--1938

THE WHITE HOUSE
WASHINGTON

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March 9, 1938.

MEMORANDUM FOR

MAJOR GENERAL THOMAS HOLCOMB

The President has asked
me to send you the enclosed
letter. He thinks you will be
interested in reading it.

M. A. Le Hand
PRIVATE SECRETARY

(Enclosure)

Letter from Col. Joseph C. Fegan
in re manoeuvres.

PSE
Man Report

March 12, 1938.

Memo from Johnson, Acting Sec. of War
attaches memo sent to Chief of Staff
in re-Rumored attempts by German and Italian
Nationals to Obtain Certain Concessions in Mexico.

SEE--Louis Johnson folder-Drawer 1--1938

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War Dept
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~~Radio~~ from Pres. Quezon -Mar. 16, 1938

To War Dept. for McNutt

SEE--State Dept. folder-Drawer 1--1938

PSF
War Dept

April 4, 1938.

Memo for Sec. of State

In re- setting up standing liaison comm. of the
State, War and Navy Depts.

See--Hull folder-Drawer 1--1938

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copy - confidential*

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WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
WASHINGTON, D. C.

CONFIDENTIAL

May 13, 1938.

MEMORANDUM for Mr. Johnson:

Information from a source which has heretofore not been at fault indicates that the impressing of a large number of coolies by the Japanese in a general movement from Manchuria toward the eastward indicates the early intention of the part of Japan to insure a cutting off of the Russian Maritime provinces. The information states that the initiative will be made by Japan and that war between Russian and Japan is nearer than it has ever been in the past two years.



Chief of Staff.

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Date- 11-8-63

Signature- Carl L. Spicer.

PSF War

VIA CLIPPER MAIL

July 3, 1938

Dear Mr. President:

I have just completed a memorandum on the report of the Joint Preparatory Committee on Philippine Affairs. The original is being mailed to you through channels with a covering letter, but I feel it my duty to bring the enclosed copy to your attention before the report is published, the message transmitting it to Congress prepared, and public statements issued.

I realize that the Philippine problem is of minor importance when compared to the vital domestic and international matters which engage your attention, but the fact remains that its solution will be charged to your administration and will be weighed carefully when historians appraise America's one great colonial experiment. I am particularly anxious that it reflect credit. Therefore I have been absolutely frank (at times brutally so) in preparing the memorandum. With few exceptions, I am in accord with the program for correction of the Tydings-McDuffie Act but I have grave doubts as to the program for special United States-Philippine trade relations after independence.

There is one other matter which deserves attention. The recommendations in the report have to do with the economic provisions of the Tydings-McDuffie Act and require amendments for effectuation. If the Act is to be amended, certain changes in administrative provisions are indicated by experience. If you desire, I shall be happy to prepare suitable recommendations supported by a memorandum.

In these days, purely personal considerations are of little weight. When in Washington this spring, I spoke of my desire to come home as soon as circumstances permitted because of Kathleen's health and the offer of the place as President of Indiana University. As I told you before leaving, I declined the offer from the University, which would have required my presence in Bloomington by September, for the primary reason that I sincerely desired to prevent any semblance of politics in University affairs. You were more than generous in suggesting a trip by naval vessel through the Southern Islands to

The President
The White House
Washington, D. C.

Singapore, completing the trip home via Europe by commercial transportation.

When I returned to the Islands I found that Kathleen had been desperately ill during my absence. Her improvement since my return has been slow but constant and I now feel certain of her complete recovery. However, her condition precluded any thought of an early return through Europe because of the physical exertion required by such a trip. Furthermore, Quezon requested that I remain in the Islands until after the special session of the General Assembly to be called this month to consider tax legislation. The repeal of the cedula tax, the proposals of the Assembly to throw the great weight of insular taxation on American and foreign interests and the apparent tendency to use the proceeds of the excise and processing taxes for purposes other than economic adjustment have given me great concern and I feel that I may be of service in guiding a proper program behind the scenes.

Under these circumstances, if you approve, I think it wise to stay here until October, then, if a naval vessel is available (the Commander in Chief of the Asiatic Fleet thinks one will be), take the trip which you suggested, using a commercial vessel from Singapore, arriving home in time to be of any service you desire in connection with the consideration of the Philippine problem by Congress.

I have no desire to desert an assignment and shall be more than glad to do my part during the present phase of Philippine-American relations if you wish. However, I realize that you may have other plans in connection with this post, in which event I shall conform with pleasure.

If it is your wish that I continue to serve until after consideration of the problem by Congress there are certain questions of staff personnel which must be settled. The senior legal adviser, Leo M. Gardner, left for the States on the May Transport and will resign at the expiration of his leave in August. Gardner did an outstanding piece of work and his resignation means a distinct loss to the service. I cannot say that I blame him, however. He gave up eighteen thousand a year to come to the Philippines only to have Congress cut his salary from twelve to ten thousand one month after his arrival. Since his departure I have had to act as my own legal adviser. The assistant legal adviser was inherited. He was formerly judge of the Philippine Supreme Court and cannot forget that fact. He is still a judge and not a counsellor. He is persona non grata in official Commonwealth circles, which is another of several good reasons he should not be promoted.

The vacancy should be filled by a first rate man from home. Local connections preclude the appointment of a member of

the Philippine bar. I know of two men, who are thoroughly competent and who might be available for a year's service. They are Fowler V. Harper, Professor of Law in Indiana University, and Roger Branigin, until recently General Counsel for the Farm Credit Administration at Louisville, now in private practice in Lafayette.

As you know, Wayne Coy came with me as administrative assistant, giving up eight thousand a year to accept six here. To the Filipinos an administrative assistant is nothing but a chief clerk, but the position is actually that of an executive secretary who deals directly with Commonwealth officials up to and including cabinet officers. He should have the rank and pay of a senior adviser on the staff and I earnestly recommend that his title be changed to Executive Secretary and his salary raised to nine thousand dollars. You know of his work at home as field representative of the W.P.A. for Indiana, Kentucky, Ohio, West Virginia, Pennsylvania and New Jersey, as state administrator W.P.A., as state director of the Governor's Committee on Unemployment Relief and as state administrator Department of Public Welfare. His work here has been of the same high standard and deserves recognition. Furthermore, such a promotion would make him eligible for appointment as Acting High Commissioner from the time of my departure until the return of J. Weldon Jones, former Acting High Commissioner, from leave.

Jones' leave of absence is long overdue. He came to the Philippines as Insular Auditor in 1933 and became the senior financial adviser upon the organization of this office. He is a public servant of the highest type and his work as Acting High Commissioner under most trying circumstances deserves commendation it has not received. He plans to go on leave the latter part of August, returning in January or February.

I had hoped that circumstances would permit you to come to the Philippines this summer. A welcome born of the greatest respect and deepest affection awaits you. But I realize that conditions at home and abroad make the trip impossible at this time.

With every good wish that your journey along the West Coast will bring you the rest, recreation and enjoyment which a session of Congress seems to preclude, I am

Faithfully yours,

Paul V. McNutt,
United States High Commissioner
to the Philippine Islands

THE WHITE HOUSE
WASHINGTON

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July 5, 1938.

EXCERPT FROM MEMORANDUM TO THE
PRESIDENT FROM THE ASSISTANT
SECRETARY OF WAR AND COMMISSIONER
MANLY

We submit herewith, thirty days ahead of schedule, a preliminary report covering the peace-time and war-time needs for electric power in fifteen principal war material centers, together with estimates of the investment necessary to meet these needs and an appraisal of the capacity of the steam turbine manufacturers to produce the required equipment.

RECORDS
OFFICE OF
THE PRESIDENT
EXCERPTS

THE WHITE HOUSE
WASHINGTON

July 5, 1938.

MEMORANDUM FOR

THE ASSISTANT SECRETARY OF WAR
HON. BASIL MANLY

I have read this report with much interest. It seems to me that in the absence of government appropriations, except RFC loans, we might call a meeting of a few power company executives when I get back, about the middle of August, and ask them to study the subject from the point of view of the power companies.

Then if there is any encouraging response, we can get Jesse Jones to do what he can by way of loans.

Just now I do not see that any other plan is practical -- do you?

Please keep this report until I get back and talk with me about it then.

F. D. R.

P.S. Will you take this up with Commissioner Manly?

War
8-1-1938
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WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
WASHINGTON, D. C.

~~CONFIDENTIAL~~

August 16, 1938.

MEMORANDUM for The President:

Subject: Possibility of useful employment for
Major General Frank Parker.

My dear Mr. President:

General Parker has constantly sought some form of duty ever since he was placed on the retired list. I know this officer well and intimately and there is no question that in the field in time of war he is without a superior as a gallant leader and soldier. However, as an executive or commander in time of peace, he has been a serious problem to the War Department ever since he was promoted to the grade of General officer, and there is no duty that I know of that he is capable of performing, except perhaps translating French, and we have ample ability in that line.

Malin Gray
Chief of Staff.

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Date- 2-17-59

Signature- *Carl L. Spicer*

*PSF
War 2*

TO INSURE PROMPT ATTENTION
IN REPLYING REFER TO

WAR DEPARTMENT
OFFICE OF THE CHIEF OF ORDNANCE
WASHINGTON

00 No. 400.12

ATTENTION OF

4849

August 24, 1938.

SUBJECT: Status of Ordnance Procurement from
Industry -- Fiscal Year 1939 Program.

TO: The Assistant Secretary of War.

The Status of Procurement from Industry of principal items of ordnance, including principal items of material and components procured by arsenals in connection with manufacturing projects assigned them, is as follows:

1. 3" Antiaircraft Materiel:

Estimated total cost of finished items of ordnance to be procured from industry under the 3" A.A. program \$ 7,375,000.00

Awards made or authorized to date .. \$ 4,572,727.88

Award pending decision of Comptroller General 1,769,298.00

Awards made, authorized or pending 6,342,025.88

For details pertaining to awards see Inclosure.

2. Special Machinery:

a. Special machinery to expedite smokeless powder production and for equipping ammunition loading plants 3,230,000.00
(\$1,055,000.00 of \$3,230,000.00 appropriated for this purpose held in Administrative Reserve.)

Awards made or authorized to date 1,190,505.30

b. Total program for special machinery for production of small arms ammunition 1,000,000.00

Bids have been received for entire program.
Awards made to date 244,308.96

c. Total program for special machinery and tooling for production of cal. .30 M1 rifle and cal. .50 machine guns 2,300,000.00

Awards to date 161,871.00

d. Program for centrifugal casting equipment and turning and boring machinery, for Watertown Arsenal	\$	300,000.00
Awarded to date		138,700.00
e. Program for special machinery for turning and boring cannon, for Watervliet Arsenal		200,000.00
Awards made and authorized		133,996.50

For details pertaining to awards see Inclosure.

3. Inspection Gages:

Procurement of inspection gages for standard items of ordnance, total program for procurement of new gages		500,000.00
Awards reported to date		72,665.10

4. Ammunition Items:

The principal items of ammunition to be procured from industry are:

a. 7,351,667 lbs. of smokeless powder. Proposals will be opened on September 15th and 16th. Estimated cost		3,680,000.00
b. 1,835,000 lbs. of TNT and 1,525,000 lbs. of ammonium nitrate. Proposals opened August 10th. No award to date. Estimated cost		428,000.00
c. 200,000 cases, cartridge, for 75 mm. field gun. Circular proposal will be opened September 20th. Estimated cost		260,000.00
d. 95,600 bombs from 100-lb. to 2,000-lb. Proposals will open September 7th and 8th for bomb bodies and fin assemblies. Total estimated cost		1,000,000.00
e. 31,000 forgings for 75 mm. shell M48. Awarded to Bethlehem Steel Co. @ \$1.10 ea.		34,100.00
f. 35,000 cartridges, signal, for M10 and M11 and 4,000 M9 flares. Award authorized to the International Flare and Signal Division of Kilgore Manufacturing Company. Total cost		105,500.00

5. Artillery Items:

- a. 156 sets of high speed adapters for 75 mm. gun carriages, M1897. Awarded Martin-Parry Corporation @ \$269.00 each. Total cost\$ 41,964.00
- b. 84 sets of high speed adapters for 75 mm. gun carriage, M1917. Award will be made to Martin-Parry Corporation contingent on satisfactory test of pilot, @ \$298.93 each. Total cost 25,110.12
- c. 39 ea. 37 mm. aircraft cannon. Procurement will be made from the Colt Company. Estimated cost 385,000.00
- d. 25 ea. scout cars. Procurement will be made after test of modified scout car now under way. Estimated cost 162,500.00
- e. Included in the appropriations is an item of approximately \$4,000,000.00 for cal. .50 A.A. machine guns or 37 mm. automatic A.A. guns, together with mounts and fire control equipment therefor. Estimated procurement from industry of 37 mm. materiel..... 787,500.00
Cal. .50 materiel included under Small Arms Items.
- f. Armor plate for 18 medium tanks. Estimated cost.... 162,000.00
Award made to Henry Dinwiddie Sons. Exact cost will not be known until final delivery is made, as price is on a poundage basis.
- g. 18 ea. transmissions and 18 engines for medium tanks. Circulars open August 23rd and September 9th. Estimated cost 171,000.00
- h. 279 ea. forgings for 3" antiaircraft guns. Awards as follows:
- | | | |
|--|------------------|------------|
| 100 to Pennsylvania Forge Corp. @ \$581.70 | \$ 58,170.00 | |
| 100 to Camden Forge Company @ 607.46 | 60,746.00 | |
| 79 to National Forge Company @ 623.25 | <u>49,236.75</u> | 168,152.75 |
- i. Copper nickel alloy forgings for 3" antiaircraft recoil mechanisms. Estimated cost 307,247.52
- Awarded to International Nickel Company and American Hollow Boring Company. Estimated cost 152,779.68
Exact cost will not be known until final delivery as price is on a poundage basis.

6. Small Arms Items:

- a. 3,008 each Browning machine guns, cal. .30 and cal. .50, will be awarded to the Colt Company. Estimated total cost \$ 2,011,668.00
- b. 24 each pyrotechnic pistols. Award authorized to the International Flare & Signal Division of Kilgore Manufacturing Company. Total cost 6,000.00
- c. 100,000 pounds powder for cal. .50 ammunition. Award not yet made. Estimated cost 70,000.00
- d. 110,000,000 ea. cal. 22 ball cartridges awarded to Remington Arms Company. Total cost 361,000.00
- e. 1,490,000 shotgun shells. Awarded to:
 Winchester Repeating Arms Co..... \$ 29,500.00
 Western Cartridge Company 2,500.00 32,000.00

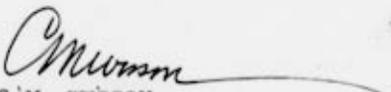
SUMMARY

Ordinance Procurement Program, 1939.

	<u>Estimated Total</u> <u>from Industry</u>	<u>Awarded or Author-</u> <u>ized to 8/23/38</u>
3" A.A. Materiel	\$ 7,575,000.00.	(\$ 4,572,727.00
Special Machinery	7,080,000.00	(1,769,298.00 *
Inspection Gages	500,000.00	1,869,581.76
Ammunition Items	5,507,600.00	72,665.10
Artillery Items	2,210,474.39	139,600.00
Small Arms Items	<u>2,480,668.00</u>	524,896.43
		<u>399,000.00</u>
TOTAL	<u>\$25,153,742.39</u>	<u>\$ 9,347,568.23</u>

* Award pending decision of Comptroller General.

While the above summary shows that nearly 40% of the program has awards made or authorized, another 11% is held up temporarily pending decisions as to standardisation, test of pilot, or because funds are held in Administrative Reserve; the remainder is in process and within a month or six weeks most of it should be awarded.


C.M. WESSON

Major General, Chief of Ordnance

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Inclosure to Letter August 24, 1938,
"Status of Ordnance Procurement from Industry --
Fiscal Year 1939 Program".

1. The principal items awarded under the 3" antisircraft material program, with costs thereof, are as follows:

200,000 ea.	Mechanical time fuze M43, awarded Eclipse Machine Co., Elmira, New York, @ \$5.13 $\frac{1}{2}$	\$ 1,027,000.00
72 ea.	Height finders M1, awarded Keuffel & Esser, @ \$15,400	1,108,800.00
12 ea.	Height finders M1, awarded Bausch & Lomb, @ \$19,950	239,400.00
91 ea.	Directors M4, awarded Sperry Co. @ \$20,800...	1,892,800.00
404 ea.	Instruments, observation, A.A., B.C., Bausch & Lomb, @ \$ 739.37	298,705.48
	Award pending decision by the Comptroller General:	
138 ea.	A.A. Gun Mounts. Split award probable:	
	92 ea. to York Safe & Lock Co. Total cost...	1,067,200.00
	46 ea. to General Electric Co. Total cost...	702,098.00

2. The principal items awarded under the special machinery program, with costs thereof, are as follows:

55 ea.	Mixers, smokeless powder, to the Read Machinery Co., York, Pa. total cost	98,890.00
6 ea.	Mixers, amatol, Struthers-Wells-Titusville Corp., total cost	3,954.00
5 ea.	Machines, screening ammonium nitrate, to Strout, Waldron & Co., total cost	4,210.30
11 ea.	Machines, assembly and crimping, to Canister Co., total cost	9,482.00
6 ea.	Presses, detonator, to Canister Co., total cost	4,455.00

3 ea. Driers, rotary, ammonium nitrate, to Harding Co., York, Pa., total cost	\$	6,990.00
15 ea. Presses, pelleting, to F.J. Stokes Machine Co., total cost		25,690.00
15 ea. Machines, drilling, TNT, Buffalo Forge Company, total cost		4,575.00
30 ea. Jordan engines, Shartle Bros. Machine Company, total cost		107,870.00
20 ea. Macerating machines, Read Machinery Co., York, Pa., total cost		34,420.00
60 ea. Cutting machines, types A and B, McKiernan, Terry Corp., total cost		64,500.00
196 ea. Smokeless powder presses as follows:		
Dehydrating presses, type A, Baldwin Southworth Co., 36 ea. at \$5,800., total cost		208,800.00
Presses, vertical finishing, A.B. Farquhar Co., York, Pa., 48 ea., at \$4,241., total cost		205,568.00
Presses, blocking, A.B. Farquhar Co., York, Pa. 64 ea. at \$2,200., total cost		140,800.00
Presses, macaroni and finishing, type A, Watson, Stillman Co., 16 ea., at \$4,950., total cost		79,200.00
Presses, macaroni and finishing, type B, A.B. Farquhar Co., York, Pa., 32 ea. at \$5,038., total cost		161,216.00

PSF War Dept

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August 25, 1938

The President,
The White House.

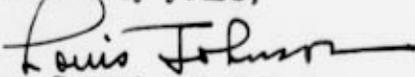
My dear Mr. President:

I think you will be interested in the attached report from Major General C. M. Wesson, Chief of Ordnance, to me, under date of August 24th, with reference to the status of the Ordnance Procurement Program from Industry for the fiscal year 1939.

It shows that awards have been made or authorized for nearly forty per cent. of the program, and that the remaining eleven per cent. is held up temporarily "pending decisions as to standardization, test of pilot, or because funds are held in Administrative Reserve", and that "the remainder is in process and within a month or six weeks most of it should be awarded".

General Wesson and his staff are doing a fine job in speeding up these awards to give to heavy and semi-heavy industries an economic boost at this time.

Sincerely yours,


Acting Secretary of War

Enclosure

PSF: War

DEPARTMENT OF COMMERCE

BUREAU OF FOREIGN AND DOMESTIC COMMERCE

WASHINGTON

September 17, 1938.

MEMORANDUM RE. PRICE MOVEMENTS.

IN REPLY REFER TO _____

This portion of the report is addressed to the problem of price controls, with particular reference to the trend of prices and foreign trade during the world war period, and the question of the extent to which conditions differ today from those of 1914.

The attached charts and tables present a summary of the movement of the general price level during the war period, and the changes in the prices of about 30 individual commodities or commodity groups. It will be noted that the general price level did not advance with the outbreak of the war in 1914, and that the combined indexes of the prices of farm products and raw materials actually declined during the final six months of 1914. It was not until the latter part of 1915 — more than a year after the outbreak of hostilities — that the broad forward movement in prices was inaugurated. This upward trend extended through the period of the war and, after some hesitancy in 1919, there was a further substantial, though uneven, rise which culminated in the 1920 boom and subsequent collapse which reduced the general price level by nearly one-half.

Since certain controls were instituted during the war period, Table No. 1 has been included in order to indicate the varying fluctuations of controlled and uncontrolled prices. Commodities ultimately brought under government price control advanced more rapidly from the middle of 1915 until the severance of diplomatic relations with Germany than did the uncontrolled group; also they rose much more rapidly from that time until the declaration of war. After the controls were made effective the controlled prices declined, while the uncontrolled prices continued to rise. In the armistice month (November 1918) the indexes of controlled and uncontrolled prices both stood at 200 (July 1913-June 1914 = 100). In April 1917, the indexes were 183 and 146, respectively.

Foreign Trade.

From Table No. 3 it will be seen that in August 1914 there was an abrupt drop in our exports, and that during the latter half of 1914, exports to Europe were smaller in value than in the latter half of 1915. By the end of the later year, however, there was a marked acceleration of the export trade movement. Exports to Europe during the year 1915 were 92 percent higher than in the preceding year and 72 percent above the 1913 total.

Shortly after the disruption incident to the outbreak of war in 1914, demands for war materials increased at the same time that there was a downward shift in the demand for many other commodities. Exports of unmanufactured cotton to Europe during the fiscal years 1915 and 1916 were reduced by about 40 percent in value, as compared with the shipments in the fiscal year 1913. The quantity data should also be examined in a study of the shifts which occurred in our trade at that time, since price changes in individual commodities were of major importance. Germany was a more important market for cotton and other products in pre-war than in recent years.

The enclosed Table No. 5 shows the changes that occurred in our exports of selected materials for the first two years of the war in comparison with our pre-war trade. Of the total value of our exports in 1913-14, one-fifth was represented by the commodities included in this list (exclusive of cotton). In the fiscal year 1916, exports of these same commodities comprised more than half of the value of our exports. The table (together with Table No. 4) and the accompanying charts, give a comprehensive picture of the value of our export trade movement.

Shipments of cereals increased very rapidly in value in 1914-15 and declined somewhat in the following year. In this latter period shipments of such products as explosives, sugar, shoes, aeroplanes, iron and steel products, machinery and locomotives, and nonferrous metals and chemicals rose more rapidly than in the first year of the war. (See table No. 5)

Fiscal Operations and Production Trends.

In order to bring out the shifts in production and prices, and their relation to fiscal operations, Chart No. 1 has been prepared. As this chart indicates, the country was experiencing sub-normal activity in 1914, and prices were under pressure, but conditions at that time were not so depressed as at present. It was not until the latter part of 1915 that the index of industrial activity recovered to the normal trend line; in the final quarter of 1915 when the index went 10 percent above normal the rise in prices got under way. After December 1916, the index of industrial production did not rise further; from this point forward, the rapidly rising dollar totals of business represented mainly the declining purchasing power of the dollar. With our resources fully employed, increased demands were reflected in price rises. Nevertheless, there was a considerable achievement in maintaining production at a relatively high rate during the war period when it was necessary to revise the structure of production to a major degree. But even the rapid price advances after 1916 failed to bring out an enlarged volume of production. For raw materials alone, the War Industries Board calculated that production was increased about 3 percent in 1917 and a further 2 percent in 1918.

The methods of financing the war were a factor in this price situation. The extent of the government deficit during this period is shown on Chart No. 1, while the amount of the United States Government advances to European governments is presented in Chart No. 2. This is a broad subject which can only be mentioned here.

In this connection, the extent of the loans raised in the United States prior to our entrance into the war provides an essential background for the study of price and export movements. The volume of these loans is set forth in Chart No. 1. Such advances, plus the liquidation of foreign holdings, and subsequently the advances made by the United States Government were instrumental in financing the enlarged volume of goods moving to Europe.

Wherein Does The Existing Situation Differ From That In 1914?

It is not the intention to review this situation in detail, but rather to list a few of the major points of difference.

1. In 1914, the country was experiencing a business recession, but with industrial output only moderately below normal; unemployment, though increasing, was not a major problem. Today, our industrial plant is operating at no more than two-thirds of its capacity, with about 10,000,000 persons unemployed. It is possible at present to expand the output of industrial commodities very materially without causing a sharp rise in prices. Some advance from current price levels would be constructive rather than otherwise. There is no assurance that the outbreak of war would act as a stimulus to the general price level; it would necessitate a considerable readjustment which might well have a deflationary effect.

2. Our transportation facilities are only partly employed at present. Car loadings are about 40 percent below the 1929 level. Expansion is possible with the existing equipment, but with full utilization of our productive resources the railroads would require a considerable volume of additional rolling stock.

3. The general trend of prices has been downward in recent years, with the wholesale price index currently about one-fifth below the pre-depression average. In 1914, prices were at a relatively high level, having moved upward over the preceding two decades. The wholesale price index of the Bureau of Labor Statistics was more than 40 percent higher in 1913 than in 1896.

4. European nations have been preparing for war for a considerable period, and stocks of essential materials held are probably larger than in 1914. The facilities for the manufacture of war supplies are greater in Europe today than in 1914, and demands are likely to run more heavily in terms of raw materials than in finished commodities.

At present, stocks of raw materials are relatively high (see Table No. 6) and tend to act as a brake on prices, notwithstanding the controls that have been exercised throughout the world during recent years. The Bureau's index of world stocks of seven foodstuffs and raw materials is currently around 200 (1923-25 = 100). The agricultural situation (covered in a separate report by the Department of Agriculture) is also quite different today from that of 1914.

5. A smaller part of this country's output of movable goods has been exported in recent years than in the pre-war period; hence, the dependence upon foreign markets at the moment, while important, is not so great relatively as in 1914. In the pre-war period we exported about 10 percent of our output of movable goods. In recent years, the proportion has been 7 - $7\frac{1}{2}$ percent. (See Chart No. 5)

6. The situation with regard to the dollar purchasing power of foreign countries differs today from that of 1914. This subject is covered by a separate memorandum of the Finance Division, which is enclosed. It appears from this memorandum that the immediately realizable assets of foreign countries in the form of short-term credits or investments, and in the form of earmarked gold, are considerably larger than were available in 1914. On the other hand, long-term foreign investments in this country were in the aggregate larger in 1914 than at the end of 1937, and the composition of the total was significantly different.

7. The technical resources of this country are vastly superior to those available in 1914, a fact which should be considered in connection with the existence of idle resources.

8. The banking situation today is much stronger than that existing in 1914. The reserve banks are now firmly established, and in a position, with the cooperation of the Treasury, to exercise considerable control over the general financial and monetary situation; excess reserves are at or near record heights, and the financial resources are available to foster and sustain a considerable expansion of business activity.

9. Existing controls are more numerous and far-reaching. (This subject is covered by another part of the report.)

The accompanying supporting data are listed on the following pages for ready reference.

Division of Business Review,
Bureau of Foreign and Domestic Commerce,
U. S. Department of Commerce.

September 17, 1938.



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

September 20, 1938

PSF: War

Mr. Alexander Holtzhoff

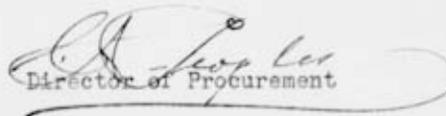
Department of Justice

My dear Mr. Holtzhoff:

The accompanying memorandum sets forth the result of our conference which you were kind enough to attend last Friday.

This contains my ideas exactly.

Very truly yours,


Director of Procurement

A. The Objective: The objective is the question of price control through indirect methods or directed methods. Price control for peace time application aimed to prevent the skyrocketing of prices.

The necessity for drafting such a plan immediately arises by reason of the present critical European situation. Should war break out in Europe, European belligerents would undoubtedly endeavor to obtain in large quantities a great variety of products from this country. These products would comprise not only items required directly and indirectly for war purposes, but also a great many that they normally produce themselves but which they would cease to produce because of the diversion of normal producing capacity to the manufacture of munitions indispensable to their war efforts. Such a situation developed rapidly during the period, 1914 to 1916. The resulting expansion of our foreign market caused violent increases in demand for our products, a skyrocketing of prices, and a disruption of not only our price structure, but of our entire national economy. The international situation now may prove to be identical to that of the summer of 1914.

The orders of European belligerents, as well as of those who normally are supplied by those belligerents, may again flood this country to such an extent as to exceed our present normal capacity to produce. In any such eventuality we must be prepared to avert a disruption of our national price structure, with its inevitable ill effects upon our whole national economy. The plan below is an attempt to suggest a means to this end.

B. Postulates:

1. In the event of immediate war in Europe, this country will assume a status of neutrality.
2. Any system of price control which may now be installed must be of such a character to be sufficiently flexible for immediate and smooth conversion to wartime application.
3. Any system of price control imposed must be such as to merit the whole-hearted cooperation of industry, labor, and the public.

C. Principles:

1. When inventories and capacity to produce exceed demand, a system of minimum price control is applicable, i.e., a figure below which the price of a given commodity is not permitted to fall. The application of this principle is suited to periods of depression. Outstanding examples of it are embodied in the functioning of the N.R.A. and of the administration of the present agricultural surpluses. This principle is not applicable to the present problem, as it pertains to the control of skyrocketing of prices with its attendant disruption of the national economy.
2. When demand exceeds inventories and capacity to produce, price control of another nature is required. Under these conditions one of at least two means of control are available. First, for a given commodity, a definite fixed price may be set, or second, a maximum price may be established above which the price of that commodity would not be permitted to climb. This is the objective with which the present problem is concerned.

(a) The second of the alternatives just cited, namely, the maximum price beyond which the price of a given commodity would not be permitted to rise, is to be preferred for the following reasons:

(1) A definite fixed price is in effect a minimum as well as a maximum price and, as shown above, the minimum price principle is not applicable to the problem before us.

(2) Fixation of definite fixed prices presumes a fineness or perfection of administration not practically attainable.

(3) The establishment of workable fixed prices would require an army of administrative accountants, which in turn would make the method too unwieldy for prompt and effective administration.

(4) Lack of flexibility in price range below an upper limit would favor the low-cost, large-scale producer, and would tend to prevent the full cooperation of the small and marginal producers.

(5) Any tendency toward discouraging the small-volume producer would make the Government's position in peacetime extremely vulnerable to attack by unsympathetic elements - which in turn would tend to impair the effectiveness of the means of attaining the prescribed objective.

On the other hand, a system of maximum price control:

(1) allows the forces of supply and demand to function elastically below upper limits.

(2) provides elastic means of control with upper limits established through trial and error, bringing in all production considered desirable and consistent with the prescribed objective, i.e., the prevention of skyrocketing of prices.

(3) was tried and found effective during the World War.

D. Scope of application:

The volume of work necessary and the staff required to extend price control to all materials and commodities make such a plan impracticable of application. For this reason alone price control should be restricted as much as possible. It is likely that control of the prices of basic materials and commodities at source of production will suffice. In any case, unnecessary control must be avoided.

It is believed that peacetime price control, at least initially, should be further restricted to items involved in foreign trade. If sufficient control can be exercised by our Government over the volume and distribution to American producers of foreign orders, it may be practicable to permit an upward price differential for foreign orders over and above that prescribed for domestic consumption. With property vested authorily, this may even comprise a strong weapon for keeping prices in proper bounds. In any case, however, large volumes of foreign orders would make mandatory the imposition of price control over the items they involve. Large foreign demand for these items would create domestic scarcity, and if uncontrolled, prices would rise rapidly.

It may be necessary soon to extend price control to items other than those involved in foreign trade. The effect of large volume foreign business would soon be reflected in increased public purchasing power, which of itself would create additional demand and hence tend to raise the general level of prices.

Incidentally, it must be borne in mind that the existing neutrality legislation limits the scope of products that may be exported to nations at war or to nations declared by the President to be belligerents. A further limiting factor is the prohibition against credit or loans which may be granted domestically to finance sales to nations now in debt to the United States.

The extent to which foreign orders should be encouraged by price differentials or otherwise is debatable. Rapid productive expansion beyond domestic peacetime needs would be desirable if we were drawn into the conflict; World War experience has proved that it would have disastrous repercussions if we were not.

As has already been indicated, one of the sources of foreign orders may be expected to be those for whom belligerents or potential belligerents have acted as suppliers, but whose productive capacity is now or may be preempted for war production.

Expansion of our own productive capacity over and above our normal peacetime ability to consume should be gauged to a considerable degree by our probable ability to hold a substantial amount of this newly acquired foreign trade with neutrals.

Some measure of aggressive action might even be desirable as a means of utilizing present idle capacity and of furnishing useful work for the present millions of our unemployed.

It must be borne in mind, however, that the peacetime mission of price control is the maintenance of stable domestic prices and that only in war time or when war is imminent does the paramount consideration become one of bringing into production the last indispensable unit required for the war effort and for essential civilian consumption. Until it is evident that we will ourselves become a belligerent, and subject to the above reference to increased foreign trade possibilities, production to meet maximum peacetime requirements should be the happy medium for which to strive in the system of price control adopted.

E. Type of Control:

Price control should be constructed primarily upon the principle of voluntary cooperation of all concerned. Arbitrary measures of duress normally are distasteful to American standards. In view of the limited direct means of enforcement at present available, control of a voluntary cooperative nature is mandatory in peacetime. In wartime, such cooperation is indispensable for the maintenance of public support of the war effort, without which maximum prosecution thereof cannot be attained.

F. Means of Control:

1. Agricultural Products: Governmental agencies now in being are, in effect, at the present time controlling the prices of a number of agricultural products. This control is of the minimum price type, since supply of these products considerably exceeds the demand for them. War abroad undoubtedly would create a market for the present surpluses; would likely eliminate these surpluses, and render unnecessary the type of control now exercised. The Government thereupon would be relieved of the necessity of acting in its present capacity as a corporation to buy and sell these products, but might continue to utilize its existing machinery to set upper limits of agricultural prices as the emphasis is shifted from minimum to maximum price control.

2. Industrial Control: Control of the prices of industrial output, both extractive and manufacturing, is quite another matter. It is believed that the

normal means of doing business should here also be adhered to as closely as possible. The setting up of a governmental corporation to buy industrial products from the producer and to sell them to a foreign belligerent, however, is not recommended. Such a departure from the normal means of conducting international trade appears entirely unnecessary and, in all likelihood, would entail most undesirable repercussions. It would set up an expensive temporary bureaucracy difficult subsequently to eliminate, and its administration might involve us politically from an international standpoint.

Here again it is believed desirable to utilize for price control purposes the framework which is now actually in existence, augmented as may be found necessary - such augmentations being made in a manner to fit into the projected wartime organization for the mobilization of American Industry.

Here also must be considered the fact that at present, compulsory means of enforcement are now largely non-existent, and that voluntary cooperation of industry must be relied upon.

The following means of price control in peacetime is therefore suggested:

(a) Direct Means:

(1) Trade Associations: We have at present trade associations for nearly all industries. The potential value of these associations in policing the members within their own organizations was demonstrated during the World War. It was again demonstrated during the days of the NRA, which, incidentally, served to revitalize and expand these associations as component parts of our industrial structure. Their framework is now available for peacetime and wartime application of price control.

(2) Commodity Committees: Commodity Committees composed of representatives of industry, of the Government, and of the public, could be set up in each industry to parallel trade association alignments. These Commodity Committees could be used to determine fair maximum prices for the voluntary application of the trade associations. One policy forming Price Control Authority to coordinate the work of the commodity committees could be established in Washington.

(3) Foreign Purchasing Agents: It is believed that the State Department through diplomatic negotiations could induce each foreign belligerent to establish within the United States a centralized purchasing agent. The J. P. Morgan Company acted in this capacity before we entered the World War. The desire of foreign belligerents to obtain and maintain the good-will of our National Administration, and the fact that otherwise inevitable high prices and other ill effects of unrestricted competition could thereby be avoided, should furnish the incentive to accomplish this end. Our Government could appoint advisor-observers to act as liaison agents among the foreign belligerent purchasing agents, our own government, commodity committees and trade associations, thus making available full information to the policy forming committee in Washington and to the Administration for the determination of price control policies. Any additional administrative or legislative measures necessary to make price control measures more effective would thereby be brought to light.

(4) Export Quotas: Export quotas could be used as a brake by the Administration on excessive exports. The records of our various fact-finding agencies, such as embodied in the Departments of Commerce, Labor and Interior, could be used to determine when the brakes should be applied.

(b) Indirect Means:

(1) Financial: It is a well recognized economic fact that the contraction and expansion of credit have a very definite indirect effect upon business activity, and hence upon the national price structure. Such a means of control is now exercised by such Government or Government controlled agencies as the Securities and Exchange Commission, the Reconstruction Finance Corporation, the Federal Reserve System and even the Treasury Department itself. The Securities and Exchange Commission, for example, controls the issuance of commercial securities; the Federal Reserve System sets rediscount rates, prescribes reserve balance requirements of member banks, and enters into open market transactions to stabilize credit; the structure of the Reconstruction Finance Corporation is available to make loans to prevent undesirable business failures; and the Treasury Department regulates the issuance of long and short term public securities. All of the functions of these agencies can be coordinated indirectly to support the direct means of controlling prices.

(2) Numerous other indirect but nevertheless powerful means of enlisting the cooperation of industry in a price control program are available. Wages of labor, for instance, constitute a great portion of the costs of production, which, together with a reasonable profit, comprise the base upon which the price structure must be constructed. The Government has assumed an important position in the determination of labor wages. The determination of export quotas by the Government, previously mentioned, comprise another indirect method of enlisting the cooperation of industry in price control matters. Excess profit taxes now imposed and the threat of increasing them could also be employed for this purpose. The power of the purse in public grants of money is still another potent weapon for obtaining industrial cooperation. In fact, the Government now has so much of our national economy under review and so many indirect means of compelling the cooperation of industry with its policies that it can exercise powers tantamount to coercive action in making price control measures effective.

G. Application of the Means of Control:

The fact that the Government has adequate direct and indirect means of enlisting national compliance in a system of peacetime price control is of little consequence if a proper organization is not set up for the timely application of control. Only when such powers are at the disposal of one authority can control become effective. It is for this reason that the above organization, with the central Price Control Code Authority superimposed upon all of the organization's component parts, is suggested.

It can be safely forecasted that the proposed organization will prove to be imperfect, and that mistakes will be made in constructing and in administering it. This is the price one must pay for any new undertaking. The really important consideration, however, if disturbed conditions abroad should culminate in a European war, is to get this price control mechanism functioning, and, through trial and error during the initial period of peacetime experimentation, discover its weaknesses and take remedial action to correct them. The remedial

action required may prove to be either administrative or legislative in nature, but if the organization is non-existent when prices begin to skyrocket, the damage to our national economy will be incurred before the mechanism to control it can be made operative. To maintain the stability of our price structure, timely action by a control agency is imperative. Almost anyone knows when prices get out of line. The important factor is to have the organization to control them ready to function before prices become exorbitant.

In placing any price control mechanism in operation, we must not lose sight of the force of public opinion. The temper of the people is in times of peace different from the attitude of the public in times of war. In wartime emergency measures are expected. In peacetime the people must be educated to recognize the necessity for such measures as price control. To this end appropriate publicity must be used to explain the necessity for price control measures, and the people must understand that price control, in the event of European war, is not only necessary to maintain our own economic stability, but may even be a means, properly controlled, for helping us to avoid being drawn into the conflict.

H. Transition from Peace to War: This organization suggested can be readily adapted to wartime use. The Trade associations can be used as war service committees now projected in the Industrial Mobilization Plan; the Commodity Committees can be employed in identical capacities as a part of the projected War Resources Administration; the Advisor-Observers to the foreign belligerent purchasing agents can form the nucleus of the projected War Trade Board; export quotas can be supplemented by export licenses, and the Federal Reserve System, the R.F.C. and the S.E.C. can continue to perform in wartime the identical functions they perform in times of peace.

E. H. Tepler
Rear Admiral, U.S. Navy
Director of Procurement

DECLASSIFIED

DOD DIR. 5200.9 (9/27/59)

Date- 1-17-59

Signature- *Carl L. Spica*~~CONFIDENTIAL~~

WAR DEPARTMENT

OFFICE OF THE ASSISTANT SECRETARY

WASHINGTON, D. C.

September 29, 1938.

*PSF: War
Mary - file
War*

MEMORANDUM FOR THE PRESIDENT.

Subject: Munitions Shortage under Protective Mobilization Plan.

1. In preparing for national defense, the War Department has developed the Protective Mobilization Plan which, in the first month, mobilizes a force of 400,000 men made up of the Regular Army and National Guard. Although these trained men would be immediately available for service in the field, shortages in equipment are apparent which, unless remedied, would seriously interfere with their effectiveness. The money value of the shortages in munitions for this initial force of 400,000 men may be summarized as follows:

- | | |
|---|-------------------|
| (1) Shortage in critical items only, after utilizing older existing types as substitutes where usable | \$131,000,000 |
| (2) Shortage using standard equipment only | \$213,000,000 |
| (3) Shortage in aircraft | Under computation |

2. In 4 months, the Protective Mobilization Plan contemplates a total of approximately 1,000,000 men under arms. This is the force visualized by Congress in 1924 as the proper basis for retention of war reserves. In the present condition of reserves of munitions, the following shortages would be found were this force to be called into being:

- | | |
|---|-------------------|
| (1) Shortage in critical items only, after utilizing older existing types as substitutes where usable | \$402,000,000 |
| (2) Shortage using standard equipment only | \$507,000,000 |
| (3) Shortage in aircraft | Under computation |

3. A reasonable war reserve objective would be to provide the latest standard equipment for the initial force of 400,000 men and for the remainder of the one million man program to utilize older existing types as substitutes wherever practicable. It has been determined that the shortage in equipment for an army of 1,000,000 men on the above basis would be \$484,000,000, exclusive of aircraft.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

4. With respect to aircraft, the present objective is 2320 planes in service, which objective it is not expected to reach in the present year. The requirements in aircraft are extremely difficult to compute because of the rapid developments in airplane tactics. Judging by European experience, however, it would appear that considerably more planes than now in prospect will eventually be needed. Since at least a year will be required to deliver planes in large numbers, a reserve of aircraft may eventually have to be established, in addition to the reserves already mentioned. As an indication of its cost, it is estimated that a reserve of 1000 planes would involve an expenditure of approximately \$100,000,000.

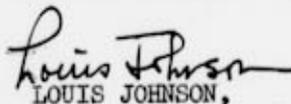
5. The Protective Mobilization Plan visualizes a possible eventual expansion to a maximum effort of 4 million or more men under arms. With the mobilization of such a force, the problem of munitions supply becomes one largely of new production, since the cost of reserves would be prohibitive. To carry out a reasonable program of industrial preparedness to meet this situation, it is estimated that the following funds will be required:

(1) Production studies, gages, jigs and other aids to manufacture	\$20,000,000
(2) Special machinery for the manufacture of munitions	\$10,700,000
(3) Machine tools and equipment to rehabilitate and round out Government establishments	<u>\$11,300,000</u>
Total	\$42,000,000

6. In any program of industrial preparedness, supplies of strategic raw materials are essential. Stock piles totalling in value 100 million dollars, distributed over a number of items, are the eventual objectives. The present international situation would appear to justify the expenditure of at least 25 millions for this purpose.

7. Summary of estimated costs.

(1) Minimum reserves for 400,000 men	\$131,000,000
(2) Standard critical equipment 400,000 men	\$213,000,000
(3) Minimum reserves for 1 million men	\$402,000,000
(4) Standard critical equipment 1 million men	\$507,000,000
(5) All essential equipment 1 million men	\$966,000,000
(6) War reserve objective 1 million men	\$484,000,000
(7) Program of Industrial Preparedness	\$ 42,000,000
(8) Strategic materials - partial supply	\$ 25,000,000
(9) Aircraft	Under consideration


LOUIS JOHNSON,

The Assistant Secretary of War.

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

*PSF
War*

Sent to Leon Henderson, by
direction of the President, on
September 30, 1938.

Taken from "Raw File"

1. Memorandum from the Attorney General - "The President's Power in the Field of Foreign Relations."
2. Confidential memorandum to the President from the Assistant Secretary of War - Subject: "Advisory Board for Industrial Mobilization.", etc.
3. Memorandum from the Attorney General - Subject: "Control of Commodity Prices by the Federal Government during Wars not Involving the United States as a Belligerent".

ADMINISTRATIVE
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PSF
War

A SUGGESTED PROCEDURE
FOR THE
CREATION OF AN ADVISORY BOARD TO THE ASSISTANT
SECRETARY OF WAR ON INDUSTRIAL MOBILIZATION

OUTLINE
OF
PROCEDURE

1937.

OUTLINE OF PROCEDURE

1. In the preparation of the attached drafts of the directive and letters necessary for the organization of the Advisory Board for the Mobilization of Industry, the methods of creation of the War Department Special Committee on Army Air Corps, July, 1934; the War Industries Board; the President's Aircraft Board of September, 1925; and a number of the boards and councils of the present administration were carefully examined with a view to determining the best procedure.

2. The following plan is suggested:

- a. Executive Order creating the Advisory Board for Industrial Mobilization.
- b. Selection of Board membership. (A tentative list is inclosed.)
- c. Letter of inquiry from The Assistant Secretary of War to the selected members asking whether or not they will be willing to serve on the Board.
- d. Upon signification by the Board Member that he will serve, letter of appointment from the President.
- e. At the first meeting of the Board, directive and orientation talk by The Assistant Secretary of War.

3. A discussion of methods of payment is included. It will be noted that the Executive Order in a, above, is not included under alternative reimbursement program.

EXECUTIVE
ORDER

EXECUTIVE ORDER

Creation of The Advisory Board for Industrial Mobilization.

WHEREAS, the most effective means of insuring peace is to be prepared against war, and

WHEREAS, the successful prosecution of modern warfare, should the defense of the nation require it, is directly dependent upon the ability of the nation to produce the requisite munitions and supplies, and

WHEREAS, under Section 5a of the National Defense Act The Assistant Secretary of War, under the direction of the Secretary of War, is charged specifically with the assurance of adequate provision for the mobilization of materiel and industrial organizations essential to war-time needs, and

WHEREAS, the War and Navy Departments, in accordance with the provisions of the National Defense Act, have, in September, 1936, completed the Industrial Mobilization Plan, and

WHEREAS, the burden of producing munitions of war will fall upon private industry and the people, and the hardships incident thereto reach every citizen of the nation,

NOW THEREFORE, it is highly advisable that plans for the mobilization of the industrial resources of the nation be dispassionately reviewed by an authoritative group of civilians and accordingly there is hereby created an organization that shall be known as the ADVISORY BOARD FOR INDUSTRIAL MOBILIZATION, which shall examine the plans for the

mobilization of material resources prepared under the National Defense Act and shall determine whether they are sound, practical, adequate and in accord with American principles and shall make recommendations of measures that will improve the readiness of the economic structure of the nation to assume the burdens of the national defense.

Such rules and regulations as may be necessary to execute the purposes of the Board created shall be outlined by The Assistant Secretary of War.

The members of the Board shall be compensated for their services and expenses as prescribed by the President.

The facilities of the War Department will be made available to the Board in the prosecution of its functions.

For the purposes of this Order the sum of ten thousand dollars (\$10,000) is hereby allocated to the Advisory Board for Industrial Mobilization from the appropriation authorized by

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE

1937.

SUGGESTED
MEMBER-
SHIP

PERSONNEL SUGGESTED FOR MEMBERSHIP
ON
"ADVISORY BOARD FOR INDUSTRIAL MOBILIZATION"

1. "Elder Statesmen" with experience gained in the World War. (Three to be selected):

	<u>Age</u>
Bernard M. Baruch, Chairman, War Industries Board, 1918.	67
Benedict Crowell, Assistant Secretary of War and Director of Munitions in World War.	68
Frank A. Scott, Former President, now Chairman of Board, Warner and Swasey Co., Cleveland, Ohio; Chairman, General Munitions Board and of War Industries Board, 1917.	64
General James G. Harbord, Chairman of Board, Radio Corp. of America; Chief, Service of Supply A.E.F., 1918.	71
Walter S. Gifford, President, American Tel. and Tel. Co.; Council of National Defense, 1916-18.	52

2. Men qualified to pass upon the effect of the plan on the economic activities of the nation. (Two to be selected):

Harold G. Moulton, Economist, President of Brookings Institution since organization in 1928.	53
Virgil D. Jordan, Economist, National Industrial Conference Board, 1920-29; President, National Industrial Conference Board since 1932.	45

3. Industrialists qualified to examine the plans with reference to their effectiveness in industry. (Three to be selected):

	<u>Age</u>
Kenneth R. Kingsbury, President, Standard Oil of California.	61
Donaldson Brown, Vice President, General Motors.	52
William F. Barrett, Vice President, Union Carbide and Carbon Corp.	51
William G. Marshall, Vice President, Westinghouse Electric and Manufacturing Co.	49
Lewis H. Brown, President, Johns-Mansville Corp.	43
Edward R. Stettinius, Jr., Chairman, Finance Committee, U. S. Steel Corp.	37
Andrew W. Robertson, Chairman Board, Westinghouse Electric and Manufacturing Co.	57
Calvin Verity, Executive Vice President, American Rolling Mills.	48

4. Members to consider the plans from the viewpoint of labor. (Four to be selected):

Edward McGrady.

1 Representative from A.F.L.

1 Representative from C.I.O.

1 Representative from Railway Brotherhoods.

5. Members to review the plans from the standpoint of the civilian population. (Three to be selected; of group in parentheses, one only to be selected):

	<u>Age</u>
Colonel Leonard P. Ayres, Director of Statistics, War Industries Board, Priorities Board, Council of National Defense, and Allies Purchasing Commission in World War. Chief Statistical Officer, U.S. Army and A.E.F., as Colonel, G.S. Vice President, Cleveland Trust Co.	58
James O. Adler, Vice President, New York Times.	45
(Harry Emerson Fosdick, Rector, Riverside Church.)	58
(Rabbi Stephen S. Wise, Free Synagogue, New York.)	63
(Bishop James Edward Freeman, Bishop of Washington, D.C.)	71
(Mgr. Joseph M. Corrigan, Rector, Catholic University.)	58

INVITATION
TO
SERVE
ON
BOARD

Dear Mr. _____:

Will you please examine the inclosed Executive Order.

As you see, a board is being organized to report upon the soundness and feasibility of our plans for the mobilization of industry in the unfortunate event of war.

As Assistant Secretary of War, I am charged by the National Defense Act with the assurance of adequate provision for the mobilization of matériel and industrial organizations essential to war-time needs. In the prosecution of this duty I am forcibly impressed with the burden which war, if such should be forced upon us, will place on the entire industrial structure and the people of the nation. War is no longer simply a battle between armed forces in the field—it is a struggle in which each side strives to bring to bear against the enemy the coordinated power of every individual and every material resource at its command. The conflict extends from the soldier in the most forward line to the humblest citizen in the remotest hamlet in the rear.

Accordingly, since the burden of war must fall so drastically upon the people and private industry of the nation, it seems highly advisable to obtain a nonmilitary review of the plans which have been made for the mobilization of industry to determine whether they are sound, adequate, and in accord with American principles. Our aim in

creating the Board, therefore, is to organize a group of qualified representatives of industry, labor, and of social and humanitarian interests, to scrutinize as authoritative civilians the Industrial War Plans of the military establishment.

The President has asked me to inquire if you will consent to serve on this Board. The final appointment, should you acquiesce, will, of course, come from the President.

Unfortunately, our appropriation does not permit us to compensate you in a manner at all commensurate with the value of your services. These services must be, therefore, to a large extent voluntary, although all your expenses will be covered.

It is expected to call the first meeting of the Board on or about _____ and it is believed that thorough examination of all of the elements of the Industrial Mobilization Plans can be effected in several sittings of the Board, with intervening recesses for examination and analysis.

Will you kindly let me know at your earliest convenience whether you will be able to serve on the Board?

As the organization is still in the formative state, it is requested that you consider this letter as confidential.

Sincerely yours,

LOUIS JOHNSON,
The Assistant Secretary of War.

Incl.

PRESIDENT'S
LETTER.
TO
MEMBERS

My dear Mr. _____:

Inclosed is a copy of the Executive Order creating the Advisory Board for Industrial Mobilization with which you are already familiar. I request that you serve as a Member of this Board and I would like you to meet at _____ on _____. I feel that your efforts will be exceptionally valuable in assuring that Plans for the Mobilization of the Nation's Industry in event of war are sound and practical.

Very sincerely,

FRANKLIN D. ROOSEVELT.

ORAL
DIRECTIVE
OF
ASSISTANT
SECRETARY

ORAL DIRECTIVE

To be given by The Assistant Secretary of War at the first meeting of the Advisory Board for Industrial Mobilization.

Gentlemen:

I am going to read from the National Defense Act.

"Sec. 5a. Hereafter, in addition to such other duties as may be assigned him by the Secretary of War, the Assistant Secretary of War, under the direction of the Secretary of War, shall be charged with supervision of the procurement of all military supplies and other business of the War Department pertaining thereto and the assurance of adequate provision for the mobilization of materiel and industrial organizations essential to war-time needs."

In accordance with this mandate the Planning Branch of my office has, since its organization in 1921, devoted every effort to the preparation of sound and adequate plans for the mobilization of the industrial resources of the nation and the minimization of hardship and social and economic distress in event of war. Coordination with the Navy has been secured by means of the Army and Navy Munitions Board and the joint efforts of the War and Navy Departments have resulted in the Industrial Mobilization Plan of 1936, which lays down the basic principles and policies for the mobilization of industrial resources of the nation in event of war.

In accord with these basic principles, specific plans have been made for the procurement of military supplies and for each of the elements of the industrial mobilization program--commodities, power, fuel, transportation, etc.

I am going to read from the introduction to the Industrial Mobilization Plan, Paragraph 1, Page VII.

"Complicated weapons and machines are used up rapidly in war. Armies and navies must not only be well supplied initially but maintenance must be adequate and continuous. Thus, the success of a modern fighting force is directly and immediately dependent upon the ability of the nation's resources to satisfy promptly its requirements in munitions. In addition, throughout the duration of the war the nation must continue to provide all the material things upon which the health and well-being of its population depend. War is no longer simply a battle between armed forces in the field-- it is a struggle in which each side strives to bring to bear against the enemy the coordinated power of every individual and every material resource at its command. The conflict extends from the soldier in the most forward line to the humblest citizen in the remotest hamlet in the rear."

It is for this reason that this Board has been created. It is felt, since the burden of war will reach every individual in the nation, that the opinion of a nonmilitary body should be obtained to assure us that the plans will be effective and that they are in accord with social, humanitarian and industrial principles, as well as with American tradition.

The following approach to the problem is suggested:

1.
 - a. Examination of the 1936 Mobilization Plan.
 - b. Examination of each of the subsidiary plans prepared thereunder.
 - c. Examination of the agencies for coordination by the Army and Navy.
2. Answers to the following specific questions:
 - a. Are the basic policies set forth in the Industrial Mobilization Plan sound? If not, why not?

- b. Are the organizations created in the plan adequate?
- c. Are the methods for the utilization and coordination of the industrial war effort practical?
- d. Are the essential needs of the civilian population sufficiently cared for?
- e. Is there adequate provision for transition from peace to war?
- f. Is the allocation system sound?
- g. Is there sufficient coordination between the Army and the Navy?
- h. Are the plans and proposals set forth in accord with the principles of Americanism?
- i. Will the plans work?

3. Such recommendation as the Board may see fit to make as to measures which would improve the ability of the nation's industrial and social structures to assume the burdens of the national defense.

METHODS
OF
REIM-
BURSEMENT

DISCUSSION OF METHODS OF REIMBURSEMENT OF ADVISORY BOARD FOR
INDUSTRIAL MOBILIZATION

The services and expenses of members of the Advisory Board for Industrial Mobilization may be reimbursed by either of two methods:

1. By allocation of emergency funds under control of the President. Routine is as follows, -

a. Secretary will make request to the President for allocation from emergency funds.

b. This request is turned over to the Bureau of the Budget which prepares a directive to itself for the President's signature authorizing allocation.

Note: It should be noted that, normally, under Executive Order 7298, February 18, 1936, the Executive Order creating the Advisory Board for Industrial Mobilization would be cleared by the Bureau of the Budget and the Attorney General before submission to the President. Under such conditions clearance of allocation of funds by the Bureau of the Budget would be automatic. In the present instance, should the Executive Order be taken up directly with the President, the opinion of the Bureau of the Budget as to practicability of obtaining necessary money from Emergency funds will be rendered at b. above.

c. Bureau of the Budget submits this directive to the Treasury, which issues warrant sending same through the Comptroller General for countersignature.

d. Accounts Division of the Treasury submits warrant and allocation number to the Chief of Finance, who may then make payment upon voucher from Chairman or Recorder of the Board.

2. By employing members as expert advisers to the Secretary of War, reimbursing them from current Army appropriations.

a. Under this method no Executive Order creating a board or council may be issued. Each member will receive a letter of appointment from the Secretary of War, which letter is filed with payroll signed by Chairman or Recorder.

b. The Adjutant General instructs the branches to allocate pro rata sums from their appropriations.

c. Branches then set up an allotment for this amount with the Chief of Finance who will make payment on voucher from Chairman or Recorder of the Board.

The majority of the members of the Board should be content to serve with reimbursement of their expenses. Certain members may, however, require additional payment. No additional procedure is required in such event. Voucher from Chairman of the Board will specify amount to be paid each member.

P
Y

October 14, 1938

MEMORANDUM FOR THE SECRETARY:

Re: Aviation Procurement

On October 25, 1934, the Director of Procurement, in accordance with the provisions of Executive Order 6166, issued an order establishing in the Procurement Division an Aviation Procurement Committee for the purpose of studying and recommending to the Director of Procurement uniform policies and methods of procuring air-craft, air-craft parts and aeronautical accessories for the various Government Agencies handling air-craft. The plan in general contemplated that this Committee would be a "Clearing House" where policies and methods might be coordinated for the various Government Agencies procuring air-craft and after approval such policies and methods would be carried out under the terms prescribed in Executive Order 6166.

In accordance with the terms of this order, the organization meeting of the Committee was held in the Procurement Division on November 5, 1934. At this meeting the Director of Procurement indicated that the Committee was (A) an agent of the Procurement Division of the Treasury; (B) that it was to study and recommend uniform policies and methods for procuring air-craft for the Government Agencies; (C) that the policies and methods were to be those best for the Federal Government; and (D) that members of the Committee are to act as liaison between the Director of Procurement and the Agencies concerned.

After the organization meeting, meetings were held at various intervals during the next fifteen months.

It was early evident in the proceedings that there was a wide divergence of opinion as to technical features between the Army, Navy and Commerce as to technical designs, types, instruments, materials to be used, experimental competitions and conditions of purchase, each service firmly entrenched in its position because of certain fundamental conditions which were:

A. That the Army and the Navy obtain their appropriations from separate committees of Congress; that each service must justify these appropriations and as the funds are made available direct to each service, each such service should have control over the military features of each set of planes and the procurement program for obtaining them.

B. That each service was separately responsible for its efficiency as a fighting arm and hence should have control over its own program.

C. That the mission in each instance was essentially different; on the one hand planes were designed for service over the land or for patrolling coasts

or a short distance at sea; on the other hand, for sea planes to be catapulted from aboard ship and to land alongside or of a type suitable for taking off from or landing on board of an airplane carrier. In other words, the Army problem is one thing; the Navy problem another; the Coast Guard still another.

Aviation has been and is expected to be in a constant state of flux of evolution, and it is recognized that the competitive spirit to obtain the best type of plane to perform a particular mission is one which under the constant processes of change should be encouraged so that in the long run each service may gain from the experience of the other.

However, much constructive work resulted through these meetings of the Procurement Aviation Committee. Different statutes being applicable, no general method of procurement can lay down identical procedures to be followed in each case by each branch of the Service. A general method of procurement was agreed to, which permitted the respective Services the rights to make exceptions therefrom in proper cases countenanced by law. The military services were brought closer together, and there was a frank expression of opinions as to experience with and types of plans and methods, and there was developed a necessity for each service working with the other insofar as practicable as to the times of going into the market, - this to their own mutual benefit.

Director of Procurement

TREASURY DEPARTMENT
Washington

October 25, 1934

TREASURY DEPARTMENT ORDER

1. In accordance with the provisions of Executive Order 6166, there will be established in the Procurement Division an "Aviation Procurement Committee" for the purpose of studying and recommending to the Director of Procurement uniform policies and methods of procuring aircraft, aircraft parts, and aeronautical accessories for the various Government agencies handling aircraft.

2. The plan, in general, contemplates that this Committee will be a "Clearing House" where policies and methods may be coordinated for the various Government agencies procuring aircraft; and, after approval, will be carried out under the terms prescribed in Executive Order #6166.

3. This aeronautical procurement function will be directly administered by the Chairman of the Procurement Committee for Aviation, who will receive orders to report to the Director of Procurement for this purpose.

4. The membership of the "Aviation Procurement Committee" is to be composed of six representatives to be selected from agencies purchasing aircraft, consisting of two from the Navy Department, two from the War Department, one from the Department of Commerce, and one from the Coast Guard, Treasury Department. In addition, there will be a Secretary provided for the Committee.

5. The "Aviation Procurement Committee" will convene upon order of the Director of Procurement.

(Signed) C. J. Peoples
Director of Procurement.

APPROVED: Oct. 26, 1934
(Signed) H. Morgenthau,
Secretary of the Treasury.

C
O
P
Y

Executive Order

ORGANIZATION OF EXECUTIVE AGENCIES

WHEREAS section 16 of the act of March 3, 1933 (Public, No. 428, 47 Stat. 1517), provides for reorganizations within the executive branch of the Government; requires the President to investigate and determine what reorganizations are necessary to effectuate the purposes of the statute; and authorizes the President to make such reorganizations by Executive order; and

WHEREAS I have investigated the organization of all executive and administrative agencies of the Government and have determined that certain regroupings, consolidations, transfers, and abolitions of executive agencies and functions thereof are necessary to accomplish the purposes of section 16;

NOW, THEREFORE, by virtue of the aforesaid authority, I do hereby order that:

SECTION 1.—*Procurement*

The function of determination of policies and methods of procurement, warehousing, and distribution of property, facilities, structures, improvements, machinery, equipment, stores, and supplies exercised by any agency is transferred to a Procurement Division in the Treasury Department, at the head of which shall be a Director of Procurement.

The Office of the Supervising Architect of the Treasury Department is transferred to the Procurement Division, except that the buildings of the Treasury Department shall be administered by the Treasury Department and the administration of post office buildings is transferred to the Post Office Department. The General Supply Committee of the Treasury Department is abolished.

In respect of any kind of procurement, warehousing, or distribution for any agency the Procurement Division may, with the approval of the President, (a) undertake the performance of such procurement, warehousing, or distribution itself, or (b) permit such agency to perform such procurement, warehousing, or distribution, or (c) entrust such performance to some other agency, or (d) avail itself in part of any of these recourses, according as it may deem desirable in the interest of economy and efficiency. When the Procurement Division has prescribed the manner of procurement, warehousing, or distribution of any thing, no agency shall thereafter procure, warehouse, or distribute such thing in any manner other than so prescribed.

The execution of work now performed by the Corps of Engineers of the Army shall remain with said corps, subject to the responsibilities herein vested in the Procurement Division.

The Procurement Division shall also have control of all property, facilities, structures, machinery, equipment, stores, and supplies not necessary to the work of any agency; may have custody thereof or entrust custody to any other agency; and shall furnish the same to agencies as need therefor may arise.

The Fuel Yards of the Bureau of Mines of the Department of Commerce are transferred to the Procurement Office.

The Federal Employment Stabilization Board is abolished, and its records are transferred to the Federal Emergency Administration of Public Works if and when said administration is authorized and established.

SECTION 2.—*National Parks, Buildings, and Reservations*

All functions of administration of public buildings, reservations, national parks, national monuments, and national cemeteries are consolidated in an Office of National Parks, Buildings, and Reservations in the Department of the Interior, at the head of which shall be a Director of National Parks, Buildings, and Reservations; except that where deemed desirable there may be excluded from this provision any public building or reservation which is chiefly employed as a facility in the work of a particular agency. This transfer and consolidation of functions shall include, among others, those of the National Park Service of the Department of the Interior and the National Cemeteries and Parks of the War Department which are located within the continental limits of the United States. National cemeteries located in foreign countries shall be transferred to the Department of State, and those located in insular possessions under the jurisdiction of the War Department shall be administered by the Bureau of Insular Affairs of the War Department.

The functions of the following agencies are transferred to the Office of National Parks, Buildings, and Reservations of the Department of the Interior, and the agencies are abolished:

- Arlington Memorial Bridge Commission
- Public Buildings Commission
- Public Buildings and Public Parks of the National Capital
- National Memorial Commission
- Rock Creek and Potomac Parkway Commission

Expenditures by the Federal Government for the purposes of the Commission of Fine Arts, the George Rogers Clark Sesquicentennial Commission, and the Rushmore National Commission shall be administered by the Department of the Interior.

SECTION 3.—*Investigations*

All functions now exercised by the Bureau of Prohibition of the Department of Justice with respect to the granting of permits under the national prohibition laws are transferred to the Division of Internal Revenue in the Treasury Department.

All functions now exercised by the Bureau of Prohibition with respect to investigations and all the functions now performed by the Bureau of Investigation of the Department of Justice are transferred to and consolidated in a Division of Investigation in the Department of Justice, at the head of which shall be a Director of Investigation.

All other functions now performed by the Bureau of Prohibition are transferred to such divisions in the Department of Justice as in the judgment of the Attorney General may be desirable.

SECTION 4.—*Disbursement*

The function of disbursement of moneys of the United States exercised by any agency is transferred to the Treasury Department and, together with the Office of Disbursing Clerk of that Department, is consolidated in a Division of Disbursement, at the head of which shall be a Chief Disbursing Officer.

The Division of Disbursement of the Treasury Department is authorized to establish local offices, or to delegate the exercise of its functions locally to officers or employees of other agencies, according as the interests of efficiency and economy may require.

The Division of Disbursement shall disburse moneys only upon the certification of persons by law duly authorized to incur obligations upon behalf of the United States. The function of accountability for improper certification shall be transferred to such persons, and no disbursing officer shall be held accountable therefor.

SECTION 5.—*Claims by or against the United States*

The functions of prosecuting in the courts of the United States claims and demands by, and offenses against, the Government of the United States, and of defending claims and demands against the Government, and of supervising the work of United States attorneys, marshals, and clerks in connection therewith, now exercised by any agency or officer, are transferred to the Department of Justice.

As to any case referred to the Department of Justice for prosecution or defense in the courts, the function of decision whether and in what manner to prosecute, or to defend, or to compromise, or to appeal, or to abandon prosecution or defense, now exercised by any agency or officer, is transferred to the Department of Justice.

For the exercise of such of his functions as are not transferred to the Department of Justice by the foregoing two paragraphs, the Solicitor of the Treasury is transferred from the Department of Justice to the Treasury Department.

Nothing in this section shall be construed to affect the function of any agency or officer with respect to cases at any stage prior to reference to the Department of Justice for prosecution or defense.

SECTION 6.—*Insular Courts*

The United States Court for China, the District Court of the United States for the Panama Canal Zone, and the District Court of the Virgin Islands of the United States are transferred to the Department of Justice.

SECTION 7.—*Solicitors*

The Solicitor for the Department of Commerce is transferred from the Department of Justice to the Department of Commerce.

The Solicitor for the Department of Labor is transferred from the Department of Justice to the Department of Labor.

SECTION 8.—*Internal Revenue*

The Bureaus of Internal Revenue and of Industrial Alcohol of the Treasury Department are consolidated in a Division of Internal Revenue, at the head of which shall be a Commissioner of Internal Revenue.

SECTION 9.—*Assistant Secretary of Commerce*

The Assistant Secretary of Commerce for Aeronautics shall be an Assistant Secretary of Commerce and shall perform such functions as the Secretary of Commerce may designate.

SECTION 10.—*Official Register*

The function of preparation of the Official Register is transferred from the Bureau of the Census to the Civil Service Commission.

SECTION 11.—*Statistics of Cities*

The function of the Bureau of the Census of the Department of Commerce of compiling statistics of cities under 100,000 population is abolished for the period ending June 30, 1935.

SECTION 12.—*Shipping Board*

The functions of the United States Shipping Board including those over and in respect to the United States Shipping Board Merchant Fleet Corporation are transferred to the Department of Commerce, and the United States Shipping Board is abolished.

SECTION 13.—*National Screw Thread Commission*

The National Screw Thread Commission is abolished, and its records, property, facilities, equipment, and supplies are transferred to the Department of Commerce.

SECTION 14.—*Immigration and Naturalization*

The Bureaus of Immigration and of Naturalization of the Department of Labor are consolidated as an Immigration and Naturalization Service of the Department of Labor, at the head of which shall be a Commissioner of Immigration and Naturalization.

SECTION 15.—*Vocational Education*

The functions of the Federal Board for Vocational Education are transferred to the Department of the Interior, and the Board shall act in an advisory capacity without compensation.

SECTION 16.—*Apportionment of Appropriations*

The functions of making, waiving, and modifying apportionments of appropriations are transferred to the Director of the Bureau of the Budget.

SECTION 17.—*Coordinating Service*

The Federal Coordinating Service is abolished.

SECTION 18.

The following functions are abolished in part:

- Cooperative vocational education and rehabilitation, 25 percent thereof.
- Payments for agricultural experiment stations, 25 percent thereof.
- Cooperative agricultural extension work, 25 percent thereof.
- Endowment and maintenance of colleges for the benefit of agriculture and the mechanic arts, 25 percent thereof.

SECTION 19.—*General Provisions*

Each agency, all the functions of which are transferred to or consolidated with another agency, is abolished.

The records pertaining to an abolished agency or a function disposed of, disposition of which is not elsewhere herein provided for, shall be transferred to the

require that any
this order become
be may for like c

successor. If there be no successor agency, and such abolished agency be within a department, said records shall be disposed of as the head of such department may direct.

The property, facilities, equipment, and supplies employed in the work of an abolished agency or the exercise of a function disposed of, disposition of which is not elsewhere herein provided for, shall, to the extent required, be transferred to the successor agency. Other such property, facilities, equipment, and supplies shall be transferred to the Procurement Division.

All personnel employed in connection with the work of an abolished agency or function disposed of shall be separated from the service of the United States, except that the head of any successor agency, subject to my approval, may, within a period of four months after transfer or consolidation, reappoint any of such personnel required for the work of the successor agency without reexamination or loss of civil-service status.

SECTION 20.—*Appropriations*

Such portions of the unexpended balances of appropriations for any abolished agency or function disposed of shall be transferred to the successor agency as the Director of the Budget shall deem necessary.

Unexpended balances of appropriations for an abolished agency or function disposed of, not so transferred by the Director of the Budget, shall, in accordance with law, be impounded and returned to the Treasury.

SECTION 21.—*Definitions*

As used in this order—

“Agency” means any commission, independent establishment, board, bureau, division, service, or office in the executive branch of the Government.

“Abolished agency” means any agency which is abolished, transferred, or consolidated.

“Successor agency” means any agency to which is transferred some other agency or function, or which results from the consolidation of other agencies or functions.

“Function disposed of” means any function eliminated or transferred.

SECTION 22.—*Effective Date*

In accordance with law, this order shall become effective 61 days from its date; *Provided*, That in case it shall appear to the President that the interests of economy

in the work of an
agency be within a
department may

require that any transfer, consolidation, or elimination be delayed beyond the date this order becomes effective, he may, in his discretion, fix a later date therefor, and he may for like cause further defer such date from time to time.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,
June 10, 1933.

To Secy of Treas: *Amation file*

ADDITIONAL MEASURES FOR CONTROLLING COSTS, SOME OR ALL OF WHICH MIGHT BE USED

Note: For administering these measures, whether a Central Price Board, or other existing or new administrative agency should be used, will be the subject of a separate outline.

1. Bigger buying power and hence greater bargaining power through centralized Government purchasing of materials, parts and supplies.
2. Put a condition in Government supply contracts that the successful bidder will supply the article in question at the same price to companies involved in the airplane program.
3. The use of cost plus fixed fee contracts in proper cases.
4. Give the President ^{broad} power by proclamation to suspend the Buy America Act in particular cases.
5. Provision for lowering tariff rates on articles subject to excessive prices.
6. Develop Government plants, not merely to provide stand-by capacity, but also to serve as potential price control.
7. Power in particular cases to take over material or parts on payment of 75 per cent of their estimated worth with procedure in the court of claims to determine how much of the balance should be paid.
8. Revise present provisions for spot-check cost studies and possible publication if necessary for control.
9. Hearings by the Temporary National Economic Committee on articles subject to run-up prices, and such specific changes in the anti-monopoly law as the immediate situation may require.
10. Cheap credit and technical assistance to new and financially weak plants needed to provide competitive capacity.

11. Reexamine present provisions for awarding contracts to companies other than those submitting successful designs, with particular reference to cases where excessive prices are encountered.

Herman Oliphant
Nov 14 38

INDEX OF TABLES

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- Table 3 -- Exports from the United States to All Countries and to Europe, 1913-18.
- Table 4 -- Exports from the United States, by Continents, for the Fiscal Years, 1914-16.
- Table 5 -- Exports of Selected Commodities to All Countries and Specified European Countries for the Fiscal Years 1914-16.
- Table 6 -- Comparative Data on Domestic Stocks of Important Raw Materials and Dollar Inventories of All Manufacturing Corporations, 1929, 1933, and 1936-38.

HISTORY OF PRICES DURING THE WAR

War Industries Board

TABLE I
15.—INDEX NUMBERS OF CONTROLLED AND OF UNCONTROLLED PRICES.

(Five hundred and seventy-three commodities brought under formal or informal Government price control at some time during the war, compared with 793 commodities whose prices were left uncontrolled.)

[Average prices in July, 1913-June, 1914=100.]

	1913		1914		1915		1916		1917		1918	
	Controlled prices.	Un-controlled prices.										
Year.....	100	102	100	97	102	102	125	124	188	156	197	191
Quarters:												
First.....	97	103	99	99	101	97	115	119	157	141	197	180
Second.....	98	101	98	99	101	101	120	123	194	149	192	189
Third.....	101	101	102	97	102	103	124	124	206	162	199	196
Fourth.....	102	101	100	94	104	109	141	131	196	171	201	199
Months:												
January....	98	103	99	99	101	97	113	116	151	140	195	178
February....	97	103	99	99	102	97	115	119	155	142	198	180
March.....	98	103	99	99	101	98	117	121	164	142	197	182
April.....	99	102	99	99	101	99	120	123	183	146	196	187
May.....	98	101	99	98	101	101	121	123	192	149	192	189
June.....	98	101	98	99	100	102	120	124	201	152	189	191
July.....	98	101	98	98	103	103	121	124	209	160	195	194
August.....	102	101	104	98	103	102	125	124	204	162	199	195
September..	103	102	105	96	101	103	127	125	205	163	204	199
October....	102	102	101	95	101	106	134	127	198	167	201	201
November..	102	102	99	94	103	109	143	131	200	172	200	200
December..	101	100	99	94	107	111	146	135	193	174	204	197

Table 2

 DEPARTMENT OF COMMERCE
 BUREAU OF FOREIGN AND DOMESTIC COMMERCE

RELATIVE CHANGE IN COMMODITY PRICE SERIES DURING THE WORLD WAR AND IMMEDIATE POST-WAR PERIOD

	Percentage change from						
	July 1914 to Dec. 1914	July 1914 to Mar. 1917	July 1914 to Nov. 1918	Mar. 1917 to Nov. 1918	Nov. 1918 to Nov. 1919	Nov. 1919 to May 1920	May 1920 to Dec. 1921
Composite - Indexes -	0	+ 60.0	+102.5	+ 26.6	+ 6.0	+ 15.7	- 44.4
Raw materials -	- 2.2	+ 67.9	+106.2	+ 22.8	+ 8.2	+ 8.8	- 45.3
Semimanufactured articles -	+ .9	+119.0	+140.0	+ 9.6	+ 9.3	+ 42.3	- 64.3
Finished products -	+ 1.3	+ 46.8	+ 94.9	+ 32.8	+ 4.1	+ 16.2	- 39.7
All commodities other than farm products and foods -	- 1.1	+ 68.0	+ 97.7	+ 17.7	+ 7.9	+ 21.7	- 41.3
Nonagricultural -	+ 1.1	+ 60.3	+ 99.4	+ 24.4	+ 6.0	+ 19.2	- 43.0
Farm products -	- 3.4	+ 58.7	+110.5	+ 32.7	+ 6.1	+ 6.5	- 48.2
Foods -	+ 6.0	+ 46.4	+104.5	+ 39.6	+ 1.7	+ 12.6	- 41.1
Hides and leather products -	+ 6.6	+ 83.4	+ 88.8	+ 3.0	+ 53.3	- 4.3	- 45.0
Textile products -	- 8.0	+ 53.2	+157.9	+ 68.4	+ 9.8	+ 20.2	- 48.2
Fuel and lighting -	- 6.5	+ 94.4	+105.2	+ 5.5	- 6.6	+ 49.8	- 39.4
Metals and metal products -	- 1.0	+ 82.7	+ 81.4	- .7	- 5.2	+ 14.3	- 31.8
Nonferrous metals -	- 2.5	+152.6	+100.1	- 20.8	- 15.1	- 3.1	- 34.9
Building materials -	- 4.5	+ 52.0	+ 92.4	+ 26.6	+ 29.6	+ 24.6	- 44.2
Cement, Portland -	- 9.6	+ 38.7	+ 79.9	+ 29.7	+ 3.2	+ 11.8	- 12.2
Lumber, composite -	- 5.4	+ 28.5	+ 66.7	+ 29.8	+ 66.9	+ 33.9	- 51.9
Chemicals and Drugs -	+ 11.2	+ 98.6	+128.5	+ 15.1	- 10.1	+ 8.6	- 38.0
Chemicals -	+ 15.6	+107.3	+110.1	+ 1.3	- 14.2	+ 17.8	- 43.9
House furnishing goods -	- 1.1	+ 22.2	+ 75.0	+ 43.1	+ 20.9	+ 19.5	- 26.2
Miscellaneous -	+ 6.4	+ 37.6	+ 61.5	+ 17.4	+ .8	+ 23.0	- 45.3
Commodities:	+ 24.0	+128.0	+ 79.7	- 21.2	+ 46.6	+ 22.9	- 68.2
Barley, fair to good -	- 9.9	+ 58.8	+ 80.1	+ 13.4	+ 17.4	+ 33.3	- 76.4
Corn #3 mixed -	+ 46.4	+140.9	+172.6	+ 13.1	+ 2.2	+ 30.0	- 60.4
Wheat #2 red, Chicago -	+ 31.2	+ 57.5	+ 99.5	+ 26.7	- 1.1	+ 50.4	- 66.8
Oats, cash -	- 42.0	+ 42.0	+125.2	+ 58.6	+ 33.9	+ 4.6	- 55.7
Cotton, New York -	+ 7.3	+ 96.5	+215.0	+ 60.3	+ 10.4	+ 9.5	- 63.0
Wool, Ohio, fine -	- 3.3	+ 28.7	+ 96.9	+ 53.0	- 3.6	- 28.0	- 34.8
Cattle, steers, good to choice -	- 18.0	+ 68.7	+103.1	+ 20.4	- 17.8	- 4.6	- 51.7
Hogs, heavy -	+ 20.0	+100.0	+ 95.0	- 2.5	+ 97.9	- 41.7	- 68.9
Hides, calfskins, country #1 -	+ 49.3	+162.1	+205.9	+ 16.7	+ 9.7	+ 19.4	- 56.4
Flour, wheat, winter straights, Kansas City -	+ 1.0	+ 96.1	+166.7	+ 36.0	- 4.8	- 19.7	- 54.8
Lard, prime contract -	- 13.5	+ 39.0	+102.1	+ 45.4	- 18.6	- 6.0	- 47.7
Beacon, short clear sides -	+ 5.9	+ 10.4	+ 81.5	+ 64.4	- 4.1	- 17.0	- 15.9
Beef, fresh, carcass, good native steers, Chicago -	- 14.3	+ 50.0	+ 87.3	+ 24.9	+ 5.5	- 9.5	- 41.7
Pork, salt, mess -	+ 21.2	+ 66.7	+121.2	+ 32.7	0	+186.3	- 82.3
Sugar 96° centrifugal -	0	+127.3	+ 86.4	- 18.0	0	+ 46.3	- 35.8
Coal, bituminous, Pittsburgh -	- 17.2	+ 74.3	+128.6	+ 31.1	+ 11.0	+ 37.4	- 34.4
Petroleum, crude, Pennsylvania -	0	0	+ 45.8	+ 45.8	+ 25.7	+ 18.2	- 7.7
Petroleum, refined 150° water white -	- 2.6	+143.6	+107.7	- 14.7	- 16.1	+ 26.5	- 45.4
Lead, pig -	- 1.4	+171.2	+154.7	- 6.1	- 7.1	+ 38.8	- 51.9
Pig iron, foundry #2 northern -	0	+248.7	+150.0	- 28.3	- 12.9	+ 45.0	- 51.7
Steel billets, Bessemer -	+ 6.8	+ 65.6	+137.9	+ 43.7	- 26.5	+ 2.2	- 41.4
Tin pig -	+ 2.8	+103.8	+122.1	+ 9.0	- 2.2	+ 4.4	- 21.2
Wire fence, barbed, galvanized, f.o.b. Chicago -	- 4.5	+170.9	+ 94.0	- 28.4	- 21.5	- 6.4	- 28.8
Copper, ingot, electrolytic -	- 5.4	+148.6	+ 95.9	- 21.2	- 14.5	- 7.3	- 32.6
Wire, copper, bare -	0	+ 80.0	+ 30.0	- 27.8	- 15.4	+ 9.1	- 25.0
Sulphuric acid 66° -	0	+ 38.5	+ 61.5	+ 16.7	- 19.1	+ 35.3	- 39.1
Muriatic acid 20° -	0	+122.2	+103.3	- 8.5	+ 50.8	+ 92.0	- 78.1
Alcohol, wood refined 95 percent -	0	+ 34.4	+112.5	+ 58.1	- 14.7	+ 42.8	- 39.6
Lubricating oil, paraffin -	0	+116.3	+155.1	+ 17.9	- 5.6	+ 18.6	- 37.2
Wrapping paper, manila -							

Source: Computed from original data from the Bureau of Labor Statistics, United States Department of Labor, Washington, D.C.

Table 3

Bureau of Foreign & Domestic Commerce

UNITED STATES EXPORTS* BY MONTHS
(1,000 dollars)

MONTH	1913		1914	
	Total	To Europe	Total	To Europe
January	227,033	143,281	204,067	140,321
February	193,997	113,957	173,920	113,467
March	187,427	106,145	187,499	117,609
April	199,813	114,077	162,553	93,197
May	194,607	102,881	161,733	94,451
June	163,405	82,089	157,072	90,311
July	160,991	83,145	154,139	85,691
August	187,909	107,196	110,367	48,875
September	218,240	142,312	156,052	89,978
October	271,861	181,658	194,711	130,415
November	245,539	166,164	205,878	144,780
December	<u>233,196</u>	<u>156,668</u>	<u>245,633</u>	<u>190,201</u>
TOTAL	2,484,018	1,499,573	2,113,624	1,339,296
	1915		1916	
January	267,879	211,827	330,036	228,449
February	299,806	237,897	401,784	284,437
March	296,612	231,649	410,742	291,007
April	294,746	217,492	398,569	259,784
May	274,218	201,143	474,804	330,487
June	268,547	181,487	464,686	313,227
July	268,469	180,071	444,714	313,089
August	260,610	172,073	510,167	359,354
September	300,655	211,759	514,924	379,823
October	336,152	240,105	492,814	350,352
November	327,670	231,484	516,167	353,709
December	<u>359,306</u>	<u>256,423</u>	<u>523,234</u>	<u>349,559</u>
TOTAL	3,554,671	2,573,408	5,482,641	3,813,278

* Reexports are included.

Bureau of Foreign & Domestic Commerce

UNITED STATES EXPORTS BY MONTHS - (Continued)
(1,000 dollars)

MONTH	1917		1918	
	Total	To Europe	Total	To Europe
January	613,325	444,300	504,797	334,027
February	467,648	327,373	411,362	259,017
March	553,986	354,202	522,900	349,654
April	529,928	365,801	500,443	308,351
May	549,674	361,419	550,925	338,554
June	573,468	365,534	483,799	298,743
July	372,758	242,564	507,468	319,597
August	488,656	310,375	527,014	327,252
September	454,507	291,958	550,396	348,532
October	542,101	358,378	501,861	315,440
November	487,328	308,921	522,237	297,357
December	<u>600,135</u>	<u>330,903</u>	<u>565,886</u>	<u>362,174</u>
TOTAL	6,233,513	4,061,729	6,149,088	3,858,698

Table 4

UNITED STATES DEPARTMENT OF COMMERCE
Bureau of Foreign and Domestic CommerceTotal Exports of United States Merchandise by ContinentsYears ended June 30
(1000 dollars)

	1914	1915	1916
Total	2,329,684	2,716,178	4,272,178
Europe	1,471,266	1,944,327	2,972,350
North America	509,948	455,185	702,706
South America	124,061	97,565	177,629
Asia	113,190	113,242	277,850
Oceania	83,331	77,448	98,263
Africa	27,887	28,410	43,380

Table 5

UNITED STATES DEPARTMENT OF COMMERCE
Bureau of Foreign and Domestic Commerce

United States Exports of Explosives, Firearms, Principal
Foodstuffs, Wearing Apparel, Unmanufactured Cotton, and Various
Miscellaneous Articles, by Leading Countries of Destination,
Fiscal Years Ended June 30.

Note: - Principal Commodities which increased substantially during the period from 1914 to 1916 in the United States Exports to the World, as a whole, and to Leading Belligerent Nations, are shown separately in the Table.

* * * * *

Explosives and Firearms -

		1914	1915	1916
<u>Explosives</u>				
<u>Cartridges, total</u>	dol.	3,521,533	17,714,205	37,083,488
France	"	6,093	4,926,294	6,786,591
England	"	70,353	7,697,865	23,523,125
Spain	"	1,050	9,675	1,958,484
<u>Gunpowder, total</u>	dol.	247,200	5,091,542	173,736,374
France	"	---	2,501,833	47,514,775
Italy	"	---	---	7,053,240
Russia in Europe	"	---	923,571	26,228,417
England	"	12,350	732,692	57,107,391
Canada	"	46,628	157,814	1,852,435
Russia in Asia	"	237	487,118	15,500,912
<u>"All other" explosives (excl. dynamite)</u>				
total	dol.	916,280	17,746,362	252,605,413
France	"	26	6,644,347	25,654,526
Italy	"	---	25,681	1,834,227
Russia in Europe	"	552	754,591	18,619,411
England	"	56	6,914,670	179,854,441
Canada	"	183,064	1,722,475	7,241,683
Russia in Asia	"	846	552,098	15,500,912
<u>Firearms, total</u>				
France	dol.	3,442,297	9,474,947	18,065,485
France	"	24,745	1,253,318	3,192,414
Russia in Europe	"	180,120	231,218	3,893,437
England	"	95,408	944,998	3,933,064
Canada	"	529,528	823,404	3,019,690
Russia in Asia	"	14,245	1,755,328	1,505,536
<u>Foodstuffs -</u>				
<u>Barley, total</u>				
England	dol.	4,523,129	18,184,079	20,663,533
Scotland	"	3,064,028	5,316,565	9,915,842
Ireland	"	83,545	997,542	2,073,992
Ireland	"	286,330	3,580,001	1,981,129
<u>Corn, total</u>				
Denmark	dol.	7,008,028	39,339,064	30,780,887
Denmark	"	95	9,052,044	7,764,187
France	"	43,783	3,022,399	2,113,714
Netherlands	"	287,417	12,969,647	4,699,487
England	"	65,224	1,393,457	2,946,855
Canada	"	3,328,785	6,154,904	4,969,459

<u>Foodstuffs</u> (Continued)		1914	1915	1916
<u>Cats, total</u>	dol.	757,527	57,469,964	47,985,790
France	"	----	28,098,093	20,977,863
Italy	"	---	7,731,674	13,819,165
England	"	395,850	15,071,263	8,751,512
Canada	"	8,792	1,430,763	1,072,101
<u>Wheat, total</u>	dol.	87,953,456	333,552,226	215,532,681
France	"	5,384,663	66,352,832	27,898,643
Greece	"	----	12,234,412	15,421,880
Italy	"	1,789,400	66,538,785	38,191,428
Netherlands	"	19,380,347	42,070,210	26,224,787
England	"	21,878,800	68,017,326	56,019,319
Canada	"	3,831,719	19,941,388	7,430,824
<u>Wheat flour, total</u>	dol.	54,454,175	94,869,343	87,337,805
Belgium	"	67,584	4,600,767	565,924
France	"	63,866	14,222,838	16,642,736
England	"	6,952,632	16,017,723	9,957,534
Greece	"	851	2,278,168	2,455,490
Netherlands	"	4,669,565	10,553,446	1,318,349
<u>Hay, total</u>	dol.	827,205	1,980,297	3,267,028
France	"	----	687,161	1,862,352
England	"	6,739	239,936	198,969
<u>Canned beef, total</u>	dol.	461,901	11,973,530	9,439,066
France	"	5,447	1,386,430	861,964
England	"	129,913	9,871,355	7,445,609
<u>Fresh beef, total</u>	dol.	788,793	21,731,633	28,885,999
France	"	----	12,931,138	5,436,020
Italy	"	----	1,270,444	6,340,028
England	"	----	6,783,152	15,048,346
<u>Bacon, total</u>	dol.	25,879,056	47,326,129	78,615,616
Denmark	"	---	3,964,743	945,743
France	"	25,416	5,766,832	6,442,595
England	"	17,230,389	27,230,091	46,601,723
<u>Hams and shoulders, total</u>	dol.	23,767,447	29,049,931	40,803,022
England	"	16,171,292	21,887,769	31,564,186
<u>Butter, total</u>	dol.	877,453	2,392,480	3,590,105
England	"	146,456	741,526	1,434,039
Canada	"	62,914	641,108	503,696
<u>Cheese, total</u>	dol.	414,124	8,463,174	7,430,089
England	"	66,180	7,358,630	5,920,167

Foodstuffs (Continued)

		<u>1914</u>	<u>1915</u>	<u>1916</u>
<u>Refined sugar, total</u>	dol.	1,839,983	25,615,016	79,390,147
France	"	35	9,718,974	17,234,827
Greece	"	—	473,600	1,714,270
Italy	"	—	—	1,350,285
Norway	"	—	80,956	5,919,376
England	"	42,150	9,775,906	19,188,885
Scotland	"	—	1,412,593	157,472
Ireland	"	—	2,457,606	23,824,848

Wearing Apparel and Unmanufactured Cotton

<u>Cotton Knit Goods, total</u>	dol.	2,546,822	13,080,445	20,894,098
France	"	30,892	1,179,364	254,805
England	"	911,886	9,030,468	11,436,065

All other cotton wearing apparel, total

	dol.	5,999,887	14,743,148	11,213,181
France	"	29,237	1,116,852	1,155,540
England	"	102,224	7,450,951	599,513

Wool wearing apparel, total

	dol.	2,148,235	9,108,900	19,368,501
France	"	15,140	5,235,029	1,034,468
Italy	"	4,741	4,639	8,529,351
Russia in Europe	"	421	770	3,207,092
England	"	50,639	1,631,376	719,010

Leather shoes for men, total

	dol.	10,117,965	17,679,931	36,959,966
France	"	252,188	5,007,340	1,175,194
Greece	"	364	1,542,661	121,568
Russia in Europe	"	158,539	2,863,466	9,249,523
England	"	512,349	666,461	1,171,913
Russia in Asia	"	271	1,631	2,797,594

Rubber shoes, total

	dol.	834,289	2,053,560	1,046,102
France	"	22,579	1,254,228	71,448

Cotton, Unmanufactured

<u>(upland and other), total</u>	dol.	608,855,454	372,068,490	364,710,378
Belgium	"	13,282,325	114,987	—
France	"	73,497,783	26,747,704	42,321,349
Germany	"	181,866,179	15,356,470	—
Italy	"	34,248,922	47,110,932	49,975,067
Netherlands	"	1,679,042	22,155,607	5,356,030
Sweden	"	3,392,854	31,333,389	3,873,935
England	"	226,719,114	162,661,637	169,494,746

Various Miscellaneous Commodities -

<u>Horses, total</u>	dol.	3,388,819	64,046,534	73,531,146
France	"	800	31,809,515	43,995,577
Italy	"	—	4,906,520	6,752,590
England	"	346,976	18,805,456	10,661,440
Scotland	"	7,350	1,980,990	—
Canada	"	2,394,402	5,982,887	11,448,925

Miscellaneous Commodities (Continued)

		<u>1914</u>	<u>1915</u>	<u>1916</u>
<u>Mules, total</u>	dol.	690,974	12,726,143	22,960,312
France	"	—	—	3,716,945
England	"	24,400	11,836,825	12,875,210
Italy	"	—	—	545,482
Egypt	"	—	178,000	3,435,850
 <u>Commercial automobiles, total</u>	dol.	 1,181,611	 39,140,682	 56,805,548
France	"	5,070	13,523,843	17,709,579
Russia in Europe	"	5,322	7,666,883	12,544,258
England	"	189,099	14,042,325	18,723,403
Russia in Asia	"	—	1,903,221	3,546,435
 <u>Aeroplanes and parts, total</u>	dol.	 226,149	 1,541,446	 7,002,005
England	"	30,088	724,555	6,325,794
 <u>Iron and Steel</u>				
<u>Pig iron, total</u>	dol.	2,859,830	2,071,308	5,846,989
France	"	8,805	818	374,251
Italy	"	261,832	629,171	2,093,823
England	"	267,830	595,133	957,591
 <u>Bars or rods of steel, total</u>	dol.	 7,392,163	 10,829,699	 37,693,359
France	"	673	2,158,111	13,092,375
England	"	436,130	2,318,201	5,961,769
 <u>Billets, ingots, etc. total</u>	dol.	 1,042,854	 4,815,233	 42,409,704
France	"	—	51,165	30,079,143
Italy	"	—	—	1,857,420
England	"	549,885	3,824,775	5,924,919
 <u>Horseshoes, total</u>	dol.	 98,835	 2,001,258	 2,135,079
France	"	—	884,543	232,432
Russia in Europe	"	—	41,581	738,376
England	"	—	308,970	725,821
Russia in Asia	"	—	696,547	227,812
 <u>Barbed wire, total</u>	dol.	 4,039,590	 7,416,389	 23,909,209
France	"	—	1,470,471	4,024,596
Russia in Europe	"	—	923,452	9,273,640
England	"	33,954	663,199	1,033,755
Russia in Asia	"	—	1,093,656	3,832,155
 <u>All other wire, total</u>	dol.	 3,799,561	 6,948,938	 16,076,532
France	"	—	324,549	2,227,414
Russia in Europe	"	1,057	18,395	1,136,628
England	"	135,643	526,111	1,277,925
Japan	"	34,448	942,514	1,799,082
Russia in Asia	"	28	121,557	311,702

Miscellaneous Commodities (Continued)

		<u>1914</u>	<u>1915</u>	<u>1916</u>
<u>Manufactures of wire except</u>				
<u>woven fencing, total</u>	dol.	1,740,622	2,473,614	7,692,198
France	"	7,231	290,163	1,361,059
England	"	262,168	656,815	1,448,384
Russia in Europe	"	746	49,252	854,599
Russia in Asia	"	1,482	16,028	230,132
<u>"Other" manufactures of iron</u>				
<u>and steel, total</u>	dol.	18,230,560	20,397,835	138,916,816
France	"	217,695	803,911	7,021,618
England	"	898,484	4,201,015	94,585,346
Scotland	"	313,170	810,575	2,560,227
Russia in Asia	"	6,814	514,039	4,180,263
<u>Machinery -</u>				
<u>Traction engines, gasoline,</u>				
<u>total</u>	dol.	1,416,294	983,198	3,726,496
France	"	4,986	100,500	744,240
England	"	—	343,922	1,843,229
<u>Steam locomotives, total</u>	dol.	3,692,225	2,115,866	12,665,877
France	"	—	218,474	425,408
Russia in Europe	"	—	30,890	2,796,979
England	"	—	—	146,899
Russia in Asia	"	—	310,000	6,700,000
<u>Metal-working machinery, total</u>	dol.	14,011,359	28,162,968	61,315,032
France	"	1,771,525	8,695,826	13,316,702
Russia in Europe	"	1,333,644	2,123,195	10,280,566
England	"	2,988,684	11,842,842	19,925,934
Italy	"	421,603	511,134	4,779,178
Russia in Asia	"	1,381	365,389	2,052,170
Canada	"	1,199,356	1,813,188	6,464,332
<u>"Other" machinery and parts,</u>				
<u>total</u>	dol.	21,750,386	17,773,245	31,971,774
France	"	676,172	702,409	2,563,881
Italy	"	139,532	230,534	1,728,669
Russia in Europe	"	186,106	158,737	1,577,589
England	"	2,071,178	3,453,684	6,154,535
Russia in Asia	"	40,496	227,436	1,338,673
<u>Nonferrous Metals -</u>				
<u>Brass, bars, plates, sheets</u>				
<u>total</u>	dol.	791,629	6,149,183	35,669,599
France	"	—	1,852,297	6,849,466
England	"	17,017	2,115,296	13,415,840
Canada	"	724,253	2,096,053	13,459,808

Non-ferrous
Metals (Continued)

		1914	1915	1916
<u>Articles made from brass,</u>				
total	dol.	3,966,645	12,819,373	128,331,820
France	"	53,230	2,176,258	13,585,518
Italy	"	17,569	54,317	2,358,203
England	"	596,787	5,591,655	93,453,896
Canada	"	2,066,660	3,227,559	12,773,842
<u>Copper ingots, bars, rods, sheets and wire, total</u>				
France	dol.	144,126,597	95,054,928	158,284,260
England	"	25,446,692	24,816,989	72,154,467
	"	21,314,090	32,379,578	32,636,450
<u>Manufactures of copper, total</u>				
France	dol.	1,327,037	3,319,230	14,458,176
Italy	"	3,450	68,869	1,706,225
England	"	2,581	718,863	609,720
Canada	"	124,651	946,851	4,130,800
	"	610,031	963,372	5,799,935
<u>Zinc in pigs, bars, plates and sheets, total</u>				
France	dol.	247,864	20,067,306	44,658,730
Russia in Europe	"	---	4,025,449	12,284,299
England	"	---	1,272,246	2,358,494
Russia in Asia	"	5,700	9,625,423	16,089,452
Italy	"	---	866,756	978,016
	"	---	806,309	5,412,539
<u>Automobile tires, total</u>				
Russia in Europe	dol.	3,505,267	4,963,270	17,936,227
England	"	1,168	6,480	1,125,733
Italy	"	1,503,440	2,655,099	9,175,248
	"	915	11,740	333,437
<u>Instruments:</u>				
<u>Medical and surgical, total</u>				
France	dol.	206,421	560,471	355,170
Russia in Europe	"	1,771	330,430	14,187
England	"	---	11,991	47,693
	"	6,651	12,185	51,074
<u>Optical instruments, total</u>				
France	dol.	865,074	1,018,016	2,593,509
Russia in Europe	"	4,692	3,559	112,401
England	"	1,423	19,975	120,072
Italy	"	472,202	583,400	1,318,486
	"	639	582	48,968

Instruments (Continued)

		<u>1914</u>	<u>1915</u>	<u>1916</u>
<u>Other scientific instruments,</u>				
Total	dol.	689,366	852,647	2,919,476
France	"	8,644	39,643	198,194
Italy	"	3,828	11,564	308,198
Russia in Europe	"	9,166	98,349	297,336
England	"	47,371	179,493	843,292
Russia in Asia	"	149	389	521,001
<u>Surgical appliances, total</u>				
France	dol.	1,288,467	4,418,303	3,166,718
France	"	2,910	1,678,109	47,693
Italy	"	559	46,823	409,830
England	"	313,655	945,834	783,310
Russia in Europe	"	735	104,115	40,766
<u>Chemicals:</u>				
<u>Sulphuric acid, total</u>				
France	dol.	125,892	516,436	1,990,532
France	"	---	99,190	110,898
England	"	---	205,392	819,041
Canada	"	2,963	2,953	557,535
Scotland & Ireland	"	---	102,796	183,214
<u>Other acids, total</u>				
France	dol.	357,035	2,611,741	22,717,335
France	"	---	734,931	13,790,937
Italy	"	---	3,333	1,299,592
Russia in Europe	"	---	1,830	1,014,256
England	"	71,588	1,200,584	3,249,236
Japan	"	---	70,672	1,078,233
<u>Dyes and dyestuffs, total</u>				
France	dol.	356,919	1,177,925	5,102,002
France	"	2,228	47,263	246,884
Italy	"	11,012	51,731	904,792
Russia in Europe	"	3,366	72	290,240
England	"	57,061	409,504	646,263
Canada	"	128,879	354,111	1,813,220
Japan	"	---	72,048	166,574
<u>"Other" chemicals, total</u>				
France	dol.	9,019,582	22,476,269	56,222,337
France	"	165,179	2,722,008	10,579,428
Italy	"	40,515	506,811	4,105,029
Russia in Europe	"	15,432	814,460	2,920,609
England	"	904,861	4,953,656	11,536,135
Canada	"	3,296,384	3,619,843	8,648,364
Russia in Asia	"	2,941	1,336,051	507,684
Japan	"	210,549	2,065,757	4,194,277

UNITED STATES DEPARTMENT OF COMMERCE
Bureau of Foreign and Domestic Commerce

Table 6

STOCKS OF IMPORTANT RAW MATERIALS
(As of June 30)

<u>Commodities</u>		<u>1929</u>	<u>1933</u>	<u>1936</u>	<u>1937</u>	<u>1938</u>
Minerals:						
Anthracite, in producers storage yards -	thous. short tons	3,496	533	1,240	1,483	1,757
Bituminous coal, industrial and retail dealers -	do.	33,100	22,472	28,753	43,936	33,452
Copper, refined -	short tons	—	—	228,817	111,020	358,971
Lead, refined -	do.	—	193,005	230,481	113,370	163,346
Petroleum, crude ^{1/} -	thous. bbl.	564,497	498,279	410,755	410,965	411,511
Zinc, at refineries -	short tons	38,832	122,891	84,855	14,081	149,671
Other commodities:						
Cotton, domestic -	thous. bales	2,664	7,708	5,514	4,640	11,113
Cottonseed -	short tons	65,091	317,623	36,049	45,841	391,367
Rubber, crude, total -	long tons	289,084	613,055	520,255	434,250	585,952
United States only -	do.	96,347	341,213	245,544	172,193	305,612
Silk, total visible supply -	bales	85,625	187,733	135,609	130,256	133,157
Vegetable oils:						
Crude -	thous. lb.	481,446	478,142	630,110	587,563	738,102
Refined -	do.	483,112	784,932	491,893	617,942	661,879
Wood pulp -	short tons	—	—	140,061	164,619	249,784
Wool, scoured basis -	thous. lb.	—	—	147,057	142,554	139,423
Index of 19 commodities (volume) -	1923-25=100	119	160	102	91	146

INVENTORIES OF MANUFACTURING CORPORATIONS (Based on dollar figures)

Index of inventories of all manufacturing Corporations (value) ^{2/} -	1929=100	^{3/} 100	^{3/} 64	^{3/} 79	^{3/} 95	89
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^{1/} Comprises heavy crude oil and fuel oil in California, and refinery and tank farm supplies (including oil in pipe lines) east of California.

^{2/} Data for 1929 and 1933 reported by U.S. Treasury; figures for 1936-38 projected on basis of data supplied by Dun and Bradstreet.

^{3/} End of year.

(COPY)

MALACAÑAN PALACE

Manila

*PSF
War*

~~Confidential~~

October 16th
1938

My dear Mr. High Commissioner:

I take pleasure in sending you a copy of my instructions to the Vice-President who is going to the United States as my special representative to confer with the President on the contemplated legislation amending the economic provisions of the Independence Act. I am sure you will agree with me that the recommendations of the Joint Preparatory Committee do not offer reasonable opportunity to insure the future economic stability of the Philippines, nor, indeed, do they fairly safeguard the interests of the United States.

The Filipino members of the Joint Preparatory Committee for a long time declined to join the American members of the said committee in their recommendations, and with my approval they had announced their intention to submit a separate report containing what they felt was the proper solution to the problem which they were asked to study. When the President of the United States sent me a message urging me to join him in efforts to secure an early agreement along the lines proposed by the American members, realizing that my refusal to yield to the President's request might be misinterpreted both in America and in the Philippines with harmful consequences, I felt it my duty to defer to his wishes, and so I instructed the Filipino members of the Committee to give their assent to the proposals of their American colleagues.

In the conference we had yesterday, I expressed to you my fear that the President may misunderstand me and think that I am trying to break away from my commitments. I request you, therefore, to state to the President that if after due consideration of the representations that the Vice-President will make in accordance with my instructions, he should still feel that he has to indorse favorably to Congress the recommendations of the Joint Preparatory Committee, I shall abide by his decision and will offer no objection to the legislation that may be enacted in accordance with those recommendations.

In the instructions that I have given to the Vice-President, I have stated frankly my views on the whole Philippine question. I want it clearly understood, however, that, notwithstanding my views, I am willing to follow the decision of the President without mental reservations, confident that he has the interest of my people at heart no less than the interest of the American people; and that being in a better position to know world conditions, I consider his judgment better than mine.

You have been in the Philippines long enough to be intimately familiar with the situation here and desirous as I know you are to find a just and intelligent solution of the problems confronting our two countries, I trust that you will do your part in securing the best legislation possible, bearing in mind both the interests and rights of your country and mine.

Very sincerely yours,

(Sgd.) MANUEL L. QUEZON

His Excellency
Paul V. McNutt
United States High Commissioner
Manila

MALACAÑAN PALACE
MANILA

PSF War

October 16, 1938

~~CONFIDENTIAL~~
My dear Mr. Vice-President:

I have decided to request you to go to the United States and to present to the President my views not only on the report and recommendations of the Joint Preparatory Committee on Philippine Affairs, but also on the whole question of the future of the Philippines regarding both its political and economic aspects. The present condition of the world is such that no responsible Filipino leader can fail to have serious misgivings, because of the effect which the trend of international events may have on the future well-being and security of our people. It is my desire, therefore, that you present to the President, fully and candidly, my apprehensions concerning the fate of our people if the provisions of the Independence Act were allowed to take effect without revision.

Referring to the economic provisions of the Independence Act, it is evident - as borne out by the conclusions of the Joint Preparatory Committee - that if the trade relations between the United States and the Philippines after the year 1941 are to be governed by the terms and conditions imposed in that Act, even before the date for the grant of independence shall have arrived, the whole economic structure of the Philippines would probably be so disorganized, that the new Philippine Republic would come into being in the midst of almost chaotic conditions. Such a situation would be wholly unfair to the Philippines, the responsibility for which the United States can not properly evade. I know that the President has foreseen this eventuality and for that reason he appointed the Joint Preparatory Committee, composed of Americans and Filipinos, to study and submit recommendations concerning the changes that may be found necessary in the economic provisions of the Independence Act.

I am committed to support the recommendations of the Joint Preparatory Committee, and you may assure the President that, if after giving due consideration to the representations that I am hereby instructing you to make, it should be his decision to recommend to the Congress the enactment of the law in accordance with said recommendations, I shall give them my support without any qualification. I feel it my duty, however, to lay before him frankly my

views regarding the recommendations of the said committee and to state that, in my opinion, while the said recommendations propose to continue preferential trade relations between the United States and the Philippines until the year 1961, for all practical purposes the Philippines will be unable to take advantage of these tariff preferences after we are made to pay more than 50% of that tariff. In other words, we shall entirely lose the American market, as far as our products dependent upon the protection of the American tariff are concerned, after the year 1951. It would be impossible for the Philippines to readjust its present basic industries so as to enable them to survive the proposed tariff impositions, nor to create new industries to take their place, before that time. I hope, therefore, that the President might find his way clear to recommend to Congress a plan whereby the gradual imposition of tariff duties upon Philippine products may not reach 50% of the American rates of duty, until the tenth year after the establishment of independence, and, thereafter, such trade preference to continue for five years, at the end of which time either government, upon one year's notice, may denounce that trade arrangement and thereby terminate all trade preferences between the two countries. This was the view of the Filipino members of the Joint Preparatory Committee which they maintained up to the time when, upon instructions received from me, they were compelled to agree to the proposals of the American members of the committee which are now embodied in the recommendations of the committee. The President will remember that I gave these instructions to the Filipino members of the committee only in deference to his wishes, and with great reluctance.

If the President should insist in supporting in its entirety the recommendations of the Joint Preparatory Committee, then I would ask that he consider the advisability of urging the Congress to include in the proposed legislation, or in a separate resolution, a provision authorizing the Filipino people to hold a plebiscite shortly before the date of independence, say in 1944, to give them an opportunity to express their preference either to allow the law as passed by Congress in accordance with the recommendations of the Joint Preparatory Committee to take its course, or, to maintain indefinitely trade relations with the United States on the preferential basis obtaining at the end of the transition period, that is in 1946, under such a political relationship between the two countries as the Filipino people may desire and the Congress may approve; or, that the proposed legislation provide for the creation of a non-partisan

permeable paper
action to state
and to security
ALERE LEGALITY

committee to further study the future political and economic relations which should exist between the United States and the Philippines, and to submit its report not later than 1944.

The reason for my suggestion that, if the President should insist in supporting the recommendations of the Joint Preparatory Committee, the door be left open for further discussion of the whole Philippine question, is because I fear that under the recommendations of the Joint Preparatory Committee we are not afforded a just and reasonable opportunity to prepare properly and adequately for our future security, both politically and economically. I assume that by 1944 the conditions of the world will have been sufficiently stabilized so as to enable the Filipino people, with full knowledge of actual conditions and the problems facing them at that time, to decide the best course for the Philippines with due regard for their political and economic security.

Above all, you will please make it very clear to the President of the United States that I wish to defer to his judgment on these matters and, therefore, that I am willing to abide by his decision as to the final action that should be taken on the recommendations of the Joint Preparatory Committee.

I am sending you a copy of a memorandum which ex-Secretary Yulo and ex-Speaker Roxas, **who were members of the Joint Preparatory Committee**, have submitted to me in confidence, regarding the attitude of **the Filipino members of that committee**, which you may show to the President.

Sincerely yours,

(Sgd.) MANUEL L. QUEZON

The Honorable,
The Vice-President
M a n i l a

MEMORANDUM FOR
HIS EXCELLENCY, THE PRESIDENT:

We are informed that within a few days the Vice-President of the Philippines will leave for the United States on a special mission for the purpose of presenting the view of the Commonwealth Government on any proposed legislation designed to effectuate the recommendations contained in the report of the Joint Preparatory Committee on Philippine Affairs. Not having been a member of said Committee, the Vice-President is probably unaware of many important details and incidents connected with the negotiations and discussions leading to the agreement reached by the Committee, a knowledge of which is essential to a proper appraisal of the commitments accepted by the Filipino members. Some of these incidents and details might, likewise, not have been brought to the attention of Your Excellency. In order, therefore, that there may be a clear understanding of the position taken by the Filipino members throughout the course of these negotiations, we are taking the liberty of presenting these matters for Your Excellency's consideration.

The functions of the Joint Preparatory Committee on Philippine Affairs were outlined in a Joint Statement issued by Your Excellency and Assistant Secretary of State Sayre, which read as follows:

"Arrangements are being made for the appointment shortly of a joint preparatory committee of American and Philippine experts. The committee is to study trade relations between the United States and the Philippines and to recommend a program for the adjustment of Philippine national economy. This announcement followed conferences between President Quezon of the Philippine Commonwealth and the Interdepartmental Committee on Philippine Affairs, which is acting on behalf of President Roosevelt in the preliminary discussions. Assistant Secretary of State, Francis B. Sayre, is Chairman of this Committee.

"Inasmuch as the Independence Act provides that complete political independence of the Philippines shall become effective on July 4, 1946, and inasmuch as President Quezon has suggested that the date of independence might be advanced to 1938 or 1939, it was agreed that the joint committee of experts would be expected in making its recommendations to consider the bearing which an advancement in the date of independence would have on facilitating or retarding the execution of a program of economic adjustment in the Philippines. It was further agreed that preferential trade relations between the United States and the Philippines are to be terminated at the earliest practicable date consistent with affording the Philippines a reasonable opportunity to adjust their national economy. Thereafter, it is contemplated that trade relations between the two countries will be regulated in accordance with a reciprocal trade agreement on a non-preferential basis."

It should be noted that this Joint Statement bound the Committee definitely to the instructions that "preferential trade relations between the United States and the Philippines are to be terminated at the earliest practicable date consistent with affording the Philippines a reasonable opportunity to adjust their national economy".

Early in the deliberations of the Committee, the American members interpreted this part of its terms of reference as requiring a complete termination on a fixed date of preferential trade relations between the United States and the Philippines. They also drew the conclusion that the process of elimination should proceed at a uniform rate in the shortest possible time. The Filipino members, on the other hand, maintained that this part of the Committee's instructions did not require either a uniform rate of elimination or a definite termination of trade preferences to take place automatically on a certain date. We claimed that the termination of trade preferences could as well be provided by permitting either government, by unilateral action, to denounce after a specified period of time the trade agreement that may be adopted. In consonance with this interpretation, the Filipino members proposed a plan whereby the process of elimination might

proceed at a certain progressive rate until the tenth year after the proclamation of Philippine Independence, when only 50% of the then existing tariff rates would be levied; thereafter, the duties to be imposed at the same rate for a period of five years, at the end of which time, either government, upon one year's notice, might denounce this trade arrangement and thereby terminate all trade preferences between the two countries. We propose this plan for the following reasons:

1. Philippine exports vitally dependent upon American tariff protection constitute more than 30% of the national income of the Philippines. The production of these articles, the most important of them being sugar, coconut oil, cigars, and cordage, was stimulated by the establishment of free trade between the two countries. It took about twenty years, since the establishment of free trade for these industries to reach their present level of production and efficiency, and it will require, under the most favorable conditions, many years before they could be placed on a competitive basis. Present production costs are so high that unless economic factors change materially, these industries could not be expected to withstand more than 50% of the American tariff during the next 15 years. In fact, substantial portions of the respective industries are not expected to bear the imposition of even a small fraction of the American duty, as in the case of cigars and coconut oil.

2. The imposition of a rate higher than 50% of the American duty would establish a trade preference which would be ineffective, and, based upon present conditions, it would bring about the liquidation of these industries.

3. In order to afford the Philippines a reasonable opportunity to adjust its national economy, it is necessary to grant the Philippines a sufficient period of effective preferences, so that through experimentation and improved methods of production, costs may be reduced, and in the case of products that cannot be placed on a competitive basis, substitute crops may be found. While this process takes place, it is essential that the Philippines may be able to continue to

receive the income derived from the industries that now enjoy preferences in the United States, in order to finance the readjustment in each industry and to bring about the production of substitute crops on an economic basis.

4. It is neither prudent nor wise to fix a date so far in the future for the termination of trade preferences between the United States and the Philippines, considering that some years from now, this trade may become so reciprocally beneficial that it might be to the advantage of both countries to continue that trade. Under the proposed plan, should the arrangement not prove to be mutually advantageous, after the lapse of five years, the arrangement could be terminated by ex parte action.

5. The United States now maintains preferential trade relations with Cuba. In the case of sugar, the preference granted to Cuba is in excess of 50% of the American duty. If the United States is willing to grant this preference to Cuba for an indefinite period of time, subject, of course, to the usual denunciation clause, there seems to be no reason why a similar arrangement could not be agreed upon in the case of the Philippines.

6. With regard to American products imported into the Philippines, the same considerations are applicable. American products now imported into the Philippines free of duty could no longer enter this market after the progressive rate has reached 50% of the Philippine tariff.

This proposal of the Filipino members was rejected by the American members of the Committee. We believe that we are justified in stating that, at least in the case of some of the American members, their refusal to accept this plan was prompted mainly because of the belief that our terms of reference compelled the Committee to formulate a program which should bring about the termination of trade preferences on a fixed date to be determined arbitrarily at this time, and not leave that termination to depend upon future negotiations or decisions.

The Filipino members for several months insisted in the approval of the proposed plan by them. When the American members persisted in their refusal to accept that plan, the Filipino members, in an effort to reach an agreement, modified their proposal so that the maximum rate of American duty be 60%, instead of 50%, upon the tenth year after Independence, this rate to continue for five years, and thereafter, indefinitely, until the agreement is denounced by either government. This proposal was likewise rejected by the American members. They insisted in the plan finally approved by the Committee providing for a uniform progressive elimination of trade preferences at the rate of 5% every year, so that at the end of 15 years after Independence, or on January 1, 1961, the Philippines would be placed in the same position as any other foreign country. We argued that, whereas this plan contemplated preferential trade relations between the two countries to continue for a period of 15 years after Independence, as a matter of fact, after the process had reached a point when 50% or 60% of the American tariff was to be levied upon Philippine articles exported to the United States, the preferences would become ineffective, and that as far as we could visualize the future, they would not permit the continued exportation of the most important Philippine products to the United States.

Being convinced that the American proposal did not grant the Philippines a reasonable opportunity to readjust its economy, the Filipino members felt constrained to reject the American plan. A deadlock was created in the Committee as a result of these differences of opinion. This deadlock continued for several months. In view of the necessity of presenting a report, the Filipino members advised the American members of their intention to file a minority report, or to state their reservations in a joint report concerning the program of elimination of trade preferences. The American members at first accepted the plan to permit the Filipino members to state their reservations in the body of the report. Subsequently, the American members intimated that a reservation which would directly assail the program of elimination of trade preferences would greatly weaken the report in the estimation of Congress and, therefore, they advised the Filipino members to refrain from making such reservations. The Filipino members informed their American colleagues that they could not sign a report recommending a program which

they were convinced would be inadequate to attain the objectives sought and that, therefore, they preferred either to declare a definite deadlock or to file a separate report.

At this juncture, President Roosevelt sent a message to Your Excellency dated March 22, 1938, urging that "the work of the Committee should be pressed to an early and mutually satisfactory conclusion" and suggesting that Your Excellency join with him in making public the common desire to have the Committee approve the American plan. Your Excellency replied to President Roosevelt in a message dated March 25, stating that the Filipino members were being instructed to accept the American proposal. The Department of State issued a press release dated April 5, 1938, outlining the substance of these messages, as follows:

"On March 22, President Roosevelt telegraphed to President Quezon an expression of his feeling that the work of the Committee should be pressed to an early and mutually satisfactory conclusion. The President recalled that he had already made publicly known his own readiness, with a view to affording the Philippines ample opportunity to adjust their economy to the non-preferential status of political independence, to approve of a general plan by which the elimination of trade preferences would proceed by uniform annual accretions of 5 per cent from 25 percent at the date of independence; but he indicated that, except for certain alleviations which he understood the Committee would be prepared to recommend, the export tax provisions of the Independence Act should remain substantially intact as constituting a necessary part of the program of Philippine economic adjustment. The President furthermore suggested that President Quezon join with him in making public their common desire to have the Committee proceed along these lines with a view to reaching an early agreement upon recommendations which would have the whole-hearted support of both sides.

"In a telegram dated March 25, President Quezon replied that he was sending to the Filipino members of the Joint Preparatory Committee

a radiogram to the effect that he had, after considering all the attending circumstances, come to the definite conclusion that the best interests of the Philippines would be promoted by their concurring with the American members of the Committee in the plan outlined in the President's telegram."

Upon receipt of the instructions of Your Excellency, the Filipino members of the Committee, although they were convinced and, we believe, are still convinced, that the program of elimination of trade preferences outlined in the report of the Committee is unfair, not only to the Philippines but also to the United States, and does not grant the Philippines a reasonable period to adjust its economy, accepted the American plan and signed the report.

We are constrained to bring these matters to the attention of Your Excellency in the belief that, although the Philippine Government is formally committed to the program recommended in the report, Your Excellency might perhaps feel justified in bringing these considerations to the attention of President Roosevelt before his recommendations on the report of the Committee are sent to Congress. It is the desire of President Roosevelt, we believe, to grant the Philippines every opportunity necessary to establish and maintain an economy which will be sufficient to provide our independent government with its fiscal requirements and also preserve and improve social standards now prevailing in our country. This, Your Excellency will agree, the Philippines has a right to expect from America. The United States, we are sure, will not enforce a program which will jeopardize the attainment of her noble undertaking in the Philippines by a failure to grant to us during the last stages of our relationship certain economic concessions which mean so little to America but which are so vital to our existence as a nation. The concessions required in the plan proposed by the Filipino members do not involve a sacrifice of principle on the part of the United States. They merely mean a continuation for a reasonable period, in a modified form, of our economic relationship with that country until we can adjust our economy. They mean that the economic relationships now existing between the United States and the Philippines are not to be severed merely for the sake of an arbitrary formula, but will permit the Philippines to continue what

may prove to be a reciprocally beneficial trade relationship with the country that has assisted her on the way to liberty and social and economic well-being.

Respectfully submitted,

(SGD)

JOSE YULO

(SGD)

MANUEL ROXAS

Vice-Chairman and Member
Joint Preparatory Committee on
Philippine Affairs

Manila
October 14, 1938

PST
War

CIVIL AERONAUTICS AUTHORITY

WASHINGTON

October 24, 1938

Mr. Robert H. Hinckley:

Memorandum re: Airplane production

In compliance with your recent request, there is attached a table on the number of domestic civil aircraft manufactured during the first nine months of 1938 compared with the same period of 1937.

This report shows that during the first nine months of this year there were 1,313 domestic civil airplanes manufactured, which is 508 less than were manufactured during the same period of last year. Part of the decrease is in the more expensive private owner type of planes, such as those manufactured by Stinson, Waco, Beech, etc. These planes sell in the price class of from \$7,500 to \$20,000. Piper (Cub) manufactured nearly 100 more than last year, however, Taylor-Young (Taylorcraft) and Aeronautical Corporation (Aeronca) manufactured less than the previous year. These small plane companies (\$1,600 to \$2,000) have recently released new models which use the new 50 horsepower engines (last year's engines were 40 horsepower) and the selling price of these models has been increased several hundred dollars.

Arrow Aircraft Corporation, Lincoln Nebraska, last year manufactured 102 airplanes. These planes retailed for a little over \$1,500 and were powered with a Ford V-8 type of engine converted for airplane use. This company has not, according to our records, manufactured any planes for domestic civil use this year. The Stearman-Hammond Aircraft Corporation last year manufactured 14 planes of the tricycle landing gear type, which caused considerable interest in the industry. We do not have a record of any planes being manufactured by this company during 1938.

Supplementing the figures on domestic civil production, we have included in the table attached, data on planes exported and military deliveries. Airplanes exported increased from 452 in the first nine months of 1937 to 616, the same period of this year. This was an increase of 36%. There were 944 military planes delivered this year which is an increase of 95% over the deliveries for the same period last year.

Please let me know if there is any further information that we can prepare for you.

Att.

Stafford Kernan
Stafford Kernan, Chief,
Statistical Section.