PSF Executive Offices of President : Byrnes, James F

PSF

Subject Files "E"

Box [redacted]

1149-A

THE WHITE HOUSE
WASHINGTON

October 27, 1942

MEMORANDUM FOR

HON. JAMES F. BYRNES

Will you speak to me about this?

F. D. R.

Enclosure

Letter from Hon. Donald M. Nelson, Chairman, War Production Board, 10/24/42, to the President, recommending that a Food Director within the WPB be appointed under Executive Order, with the same general powers as those conferred upon the Rubber Director, and that his authority be limited by the statutory powers of the Secretary of Agriculture and the Price Administrator. In addition to these two, the following will be represented on a Food Coordinating Committee to be formed by the Food Director: State Department, War Department, Navy Department, Board of Economic Warfare, Office of Lend-Lease Administration and the War Production Board. He further recommends that Claude R. Wickard be appointed a member of the WPB. Attached is a

(over)

suggested draft of an Executive Order - "Providing for the Coordination and Control of the Food Program".

PSF: Byrnes folder 1942

Private

October 22, 1942.

MEMORANDUM FOR

HON. JAMES F. BYRNES

I agree that food as a general problem should be coordinated. Food, however, is essentially an agricultural product -- except fish -- and the people most concerned with food are you, Henderson and Wickard.

The War Production has plenty to do without taking on the responsibility of running all the problems of food.

Here is a thought for you to play with: Set up a Food Coordinator in the Department of Agriculture (what would you think of Herbert Lehman to head it on January first?), give this Coordinator a Committee with representatives of State, War, Navy, BEW, Lend-Lease, WPB and Henderson. This Food Coordinator would be responsible for the production and processing of the food itself, and would carry out requisitions put in by Army, Navy, WPB, etc.

He could not fix prices -- wholesale or retail -- without the consent and approval of you and Henderson.

I have had no word on this from Don Nelson.

Keep these papers until the thing comes to a head further.

"J.F.R."

F. D. R.

Letter from Hon. James F. Byrnes, Director, Office of Economic Stabilization, 10/20/42, to Miss Tully, with enclosed carbon of an undated letter from Donald Nelson to the President, in re proper administration of the nation's food problem and recommending appt. of a Food Director, carbon of a draft Executive Order "Providing for the Coordination and Control of the Food Program", dated 10/12/42, and carbon of letter from Donald Nelson to Hon. Claude Wickard, 10/16/42, in re above.

PSF: Byrnes folder 2-43

File personal

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE FOR EMERGENCY MANAGEMENT

OFFICE OF ECONOMIC STABILIZATION

WASHINGTON, D. C.

JAMES F. BYRNES
Director

February 16, 1943

Dear Grace:

In addition to the very intelligent comments on my speech, Senator Bailey expresses some very interesting views which the President may like to read.

Sincerely yours,

J. F. B.

Miss Grace Tully,
The White House,

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BENNETT CHAMP CLARK, MO.
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JAMES M. MEAD, N. Y.
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MON C. WALLGREN, WASH.
W. LEE O'DANIEL, TEX.
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A. NAND JAMES, CLERK
GEOR. E. NORMENT, ASST. CLERK

United States Senate

COMMITTEE ON COMMERCE

February 10, 1943

Honorable James F. Byrnes
The White House
Washington, D. C.

My dear Senator Byrnes:

I am just back from a thirty-day rest during which I received your kind letter.

I am writing now to say that this morning's paper carried more gratifying news than any paper I have read in ten years. The President's declaration for the forty-eight hour week, your magnificent utterance, the news from Russia, and the decision of the War Labor Board, altogether are as much good news as a man could wish for.

Your utterance is timely, is sound, is courageous, and frank. It will go far. I think it justifies your appointment and reassures every one of your friends. I regretted to see you leave the Court, but as I read your statement I thought of the Scripture - you have "come to the kingdom for such a time as this." I might repent if I should say that I endorse every word you said, but this is the way I feel about it right now.

During my holiday I took great pains, sitting in a hotel lobby about four hours every day, to investigate the state of the public mind, talking with anybody and everybody. I could write a long dissertation on the subject but you have no time for such dissertations. I will try, therefore, to sum up in a few paragraphs:

The President has the confidence of our people. Having shouted for him constantly for ten years they are not inclined to shout as much now. This is because people cannot always be shouting. The only criticism of the President is to the effect that he has been too conciliatory to the labor leaders. This comes both from farmers and business men.

The people generally are willing to fall in with any program the Government may frame once they understand the necessity for it. The main thing is to get it over to them. For example, they were raising hell about gasoline and oil shortages all last year. Now there is little movement on the streets and roads, but the people

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United States Senate

COMMITTEE ON COMMERCE

understand and are not complaining.

Some of the farmers are concerned because of the prospects of labor shortage. They feel, however, that this will be provided for. They will produce food crops if the Government will show them the necessity. They will do anything to carry the war to a successful conclusion and will stand for any amount of hardship when convinced that the hardship means more war effort.

There is a profound antipathy to John L. Lewis and I came back to Washington thinking that the time had come for some one to attempt to make such speeches in the Senate as Cicero made against Cataline. We have no Cicero but we have a Cataline and sometimes Catalines produce Ciceros. I believe a proper series of attacks on John Lewis, now that he is framing a crucial issue, would be very helpful to the country. Such speeches should not be abusive but should thoroughly expose the man and what he is up to.

Mr. Secretary Knox should make fewer statements. The people generally have very little faith in what he says. He might restore faith in himself by being silent for a season, but he cannot restore faith by continuing to make statements.

A great many people are skeptical as to the qualities of Mr. McNutt. They consider him a political adventurer hell-bent on being President and with no justification for his ambition.

Altogether the people are too much disposed to think the war is about over. The good news from Russia has taken them off their feet. I am the victim of the same impression, but this is a situation that time will account for as nothing else can. Various persons really believe that Germany will collapse and the war will be won before the year is out. This is the natural consequence of unbroken good news over a period of months.

Vice President Wallace is not making any progress with his grandiose conceptions. He gave the lady from Connecticut her opportunity on yesterday and she took it with a vengeance. I am afraid our good friend, Henry, will never be the same again.

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United States Senate

COMMITTEE ON COMMERCE

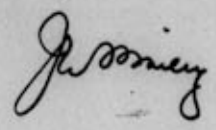
There is general hope that the President will not expose himself unduly to danger. When we heard he was in Casablanca we trembled to think what might happen and we wondered whether he would get back. The President's death at this time would be a terrific blow to our country. He may find it necessary to travel abroad again but I hope he will stay right here as long as he can.

Altogether I found very little of capticusness amongst the people and on the other hand a deep-seated desire to do the right thing. The tension has been relieved to some extent but the tension will return in due season.

We can hold the farm prices down if wages shall be held down. But if there should be further yielding to the labor leaders then we could not resist demands from farm leaders. Leave the workers and the farmers to themselves and all will be well. Our troubles are due to the professional leadership and I think there will be very general applause for anyone who bawled the whole business of them out. Maybe I will try it some day in the Senate.

With all good wishes,

Ever yours,



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THE WHITE HOUSE

WASHINGTON

March 9, 1943.

MEMORANDUM FOR

JIMMY BYRNES

In regard to the "Clearance Committee", I think you are right and I understand that Bernie and Sam agree with you. Therefore, for the present let us meet once a week regularly. How would Thursday mornings at eleven o'clock do? At twelve o'clock on Thursdays I am to meet with the Post-War Committee of the State Department. I think we can do all of our business in an hour.

F. D. R.

THE WHITE HOUSE

WASHINGTON

February 22, 1943

MEMORANDUM FOR

THE PRESIDENT

Sam Rosenman phoned and asked me to tell you that he spoke at length last night with Bernard Baruch and Jimmy Byrnes and that they both have some very definite reservations and suggestions about the proposed set-up which they wish to present to you. Harry and he expect to see them again today or tomorrow.

Sam hopes you will not announce the project to the press until they have had a chance to communicate with you.

G.

PSF: Byrnes folder
2-43

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE FOR EMERGENCY MANAGEMENT

OFFICE OF ECONOMIC STABILIZATION

WASHINGTON, D. C.

JAMES F. BYRNES
Director

Grace, please call this memorandum to the attention of the President before his Press Conference on Tuesday.

J. F. B.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE FOR EMERGENCY MANAGEMENT

OFFICE OF ECONOMIC STABILIZATION

WASHINGTON, D. C.

JAMES F. BYRNES
Director

MEMORANDUM FOR THE PRESIDENT

From: JAMES F. BYRNES

IN RE: CLEARANCE COMMITTEE

Sam Rosenman says that he assumes you will formally establish this Committee by Executive Order. He is not certain as to what duties would be prescribed. Since you made the suggestion last Friday I have carefully considered it and I conclude that any advantage to be gained from the meetings of the group you have in mind can be gained by that group meeting with you informally once a week. This has never been tried. If tried, we could determine whether it could accomplish anything of value. If found of value, you could then consider formally creating a committee and publicizing it. This would be far better than publicizing the committee and later finding that it served no useful purpose.

I think Sam will find it difficult to prescribe in an Executive Order the duties of such a Committee. We mention disputes between departments. Since October I have known of two such disputes of major importance: The WPB —Army controvery about the rubber program, and the BEW — RFC controversy, also involving rubber.

If you were asked to name the character of disputes the group would settle, these would probably be the two instances you could mention. The Press does not state the facts when it represents many agencies at war. We should not encourage the impression that it is true.

If disputes should arise between the Army and WPB, Mr. Baruch could be asked by you to investigate the controversy and make a report. He knows production and could do it. It would be better than having Leahy, Hopkins, Rosenman and Byrnes also making the investigation, — and also making enemies of the principals.

I think no matter what you called the Committee, the Press and the public would call it a War Cabinet. They will wonder why Army, Navy, Shipping, Manpower and Production are not represented.

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

If we say that the group is to consider not only the few disputes between agencies, but is to consider questions of policy,-Labor and Agriculture will immediately ask for representation. Congressmen will ask to appear before them instead of before the Cabinet members about their pet measures. If the Committee is going to determine policies, they will be asked to appear before Congressional Committees.

I do not believe the proposal would be favorably received by the Congress or by the public. When the Committee is formally announced, they will "shoot" at the members.

By meeting informally and without publicity, you would have all the advantages and none of the disadvantages.

Having stated my views, I want to say with sincerity that if you think otherwise and ask me to serve on the Committee, I shall do everything in my power to prove that you were right and that I am wrong in the views I have expressed.

PSF: Byrnes folder 2-43

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE FOR EMERGENCY MANAGEMENT
OFFICE OF ECONOMIC STABILIZATION
WASHINGTON, D. C.

JAMES F. BYRNES
Director

March 17, 1943

MEMORANDUM FOR THE PRESIDENT:

FROM JAMES F. BYRNES

This morning the newspapers announced that when the Labor representatives meet with you on Thursday morning, they will present an argument in favor of abandoning the "Little Steel" formula.

I submit the attached memorandum in the hope that it may help you in the discussion.

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

It may be suggested that the "Little Steel" formula governing wage increases, as announced by the National War Labor Board, should be broken, in order "to aid in the effective prosecution of the war". These thoughts are submitted in connection with such suggestion.

The Act of October 2, 1942 directs the President to stabilize prices and wages "so far as practicable ..... on the basis of the levels which existed on September 15, 1942", subject to adjustments "to the extent that he finds necessary to aid in the effective prosecution of the war or to correct gross inequities". By Executive Order 9250, the authority of the Labor Board to allow wage increases followed the quoted language of the Act.

"Gross inequities", warranting an increase in wages over the levels of September 15, 1942, were defined on November 6, 1942, by the Labor Board (upon motion of Mr. George Meaney) in these words:

"Wage rate inequalities and the gross inequities which may require adjustment under the stabilization program are those which represent manifest injustices that arise from unusual and unreasonable differences in wage rates. Wage differentials which are established and stabilized are normal to American industry and will not be disturbed by the Board."

The other statutory warrant for the allowance of wage increases is based in "aid in the effective prosecution of the war" and is limited "to the extent the President or his designated agency finds necessary" for such purpose. To allow wage increases under this provision because the employee is engaged in the production of necessary war materials means, also, that price increases would likely be required for all products essential to the war effort, since the Act authorizes increases both in <u>wages and prices</u> to the extent <u>necessary</u> "to aid in the effective prosecution of the war". Food is necessary to the prosecution of the war. Uniformity in construction of this general language as between wages and prices would mean that, if wages are increased above the "Little Steel" formula, then food prices, and the prices of many essential war products, must similarly be increased -- in short, uncontrolled inflation.

Whether general wage increases beyond the "Little Steel" formula would "aid in the effective prosecution of the war" should be considered in the light of this statement by Wayne Morse in his opinion of October 16, 1942, in the Ford Motor Company case:

> "It would be a reflection upon the patriotism of the Ford employees to attempt a justification of a general wage increase upon the basis of any argument that such an increase should be granted under that provision of the Executive Order which states "to aid in the effective prosecution of the war". An 'all-out' production effort on the part of American workers does not have to be bought or bribed by inflationary general wage increases which in turn endanger our war economy and in the long run decrease real wages."

PSF: Byrnes folder 2-43

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE FOR EMERGENCY MANAGEMENT

OFFICE OF ECONOMIC STABILIZATION

WASHINGTON, D. C.

JAMES F. BYRNES
Director

May 14, 1943

Dear Mr. President:

I have to bother you about this office.

Theoretically the Stabilization Office is limited to a determination of policies and to the determination of wages and prices when such matters are in controversy between the Price Administrator and the War Labor Board, or the Administrator and the Department of Agriculture.

Practically, it cannot be so limited. The methods of rationing, of price fixing, etc., for instance, are so important to the success of the program that the Director must keep in touch with the administrative officials and advise as to such methods.

In the determination of prices it was our thought that the Director would be able to sit as an appellate court, reaching a decision upon the basis of memoranda submitted by the administrative agencies. This course could be followed by some other person but not by me.

If the price of potatoes is at stake, the Senators and Congressmen from Maine to Florida and to Idaho wish to be heard. Because of my long service in the Senate and House, these gentlemen tell their constituents of their friendly relations with me and I must see them and their constituents. If I approved their requests, there could be no stabilization program. When I daily have to refuse their requests as to potatoes, strawberries, beans, etc., I certainly do not extend my influence with the Congress.

When there is pending an issue affecting wages and the A. F. of L. or the C. I. O. asks me to see the officials of the particular Union involved, I cannot refuse without hurting you. In each case these people have a natural desire to have an opportunity to present their case to the official having the final decision.

If this office were located elsewhere and was in charge of some other man not so closely associated with you, it would be different. He would not have to see all of the parties to the controversies. If he attended to the job of Director alone and did not attempt to do the many things in no way connected with stabilization that I have tried to do, your appointee could do the job and live.

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

However, I have presented to me daily by the departments and by Members of Congress, matters of far greater importance to you than the price of potatoes and beans. I feel that I can render you a greater

service by trying to assist in such matters. The effort to do these things and then hear the claimants for increased wages and prices is an impossible task.

That is personal. There is another phase. I have no political ambitions but I feel that if I am to assist you I should not be in a post that requires me to daily antagonize farmers and wage earners who want higher prices and higher wages, as well as their friends in Congress.

I am convinced that you should appoint as Stabilization Director some person who would have no other duties, whose relations with the Congress are not such as to demand so much of his time, and whose relations with you are not such as to have you held responsible for his decisions. If the Director had his office in the Federal Reserve Building and was not helping with the Coal Strike and other problems forced on the White House, the public would not hold you any more responsible for his decisions than the decisions of the heads of other agencies. It would disassociate from the White House the official whose duty it is to constantly say "no" to farmers, wage earners and the people generally.

I have discussed the matter with Harry. If you wish it, I should be glad to offer suggestions as to persons who, in my opinion, could acceptably fill this post. If you wish me to serve in some other post where I can help you instead of hurting you, I shall be glad to serve.

Sincerely yours,

James F. Byrnes

JAMES F. BYRNES.

The President,
White House,
Washington, D. C.

BSF Exec Off.
Byrnes

Byrnes folder 2.43

OFFICE OF WAR MOBILIZATION

WASHINGTON, D.C.

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September 3, 1943

James F. Byrnes
Director

Bx 147

MEMORANDUM FOR THE PRESIDENT:

FROM JAMES F. BYRNES JFB

Harriman talked to me a while ago about Hull. Since Averell left me Hull telephoned. Hull has been telephoning me almost daily about the Welles matter. He said he feared that you might have the wrong impression as to his position. I made shorthand notes of his statement and here it is:

> "As I have several times told you with reference to my friend next door, I suggested his being kicked up stairs. That was several weeks ago. Since then his friends have brought this thing to the surface. It is mentioned in several newspapers in a mysterious way. Today Frank Kent mentions it in his column. Yesterday it was mentioned in an editorial in the Washington Herald. Other newspapers have mentioned it. This thing may build up by the time he would get to a post on an important mission. A Senate Committee may investigate the matter. This is the situation as I see it today and I told the Chief that it was serious enough that I felt I should bring it to his attention and he could have somebody look into it and then he would take the responsibility of deciding the matter in the light of the new situation.
>
> "The other thing I have said to him and to you is that this fellow should issue a sweeping statement correcting the lies that have been told by his friends about the attitude of the department as to Russia. He ought to put up to the President the danger of this stuff coming to the surface. Pearson in one of his articles has mentioned these matters. I thought that in justice to the President these matters should be called to his attention because I believed the developments were serious enough for his consideration.
>
> "I want it understood that I am not unqualifiedly opposed to the appointment."

Of course, he is right that the matter may be discussed more generally. Notwithstanding that fact, I am of the opinion that Welles should be appointed. He is qualified and I would give him this recognition.

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

Whenever the assignment is concluded will be time enough to decide what you will do about him in the future. The chances are his having been given recognition after all this discussion, he will voluntarily take himself out of the picture. I am confident I can get Hull to help instead of hurt the situation.

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BSF Byrnes folder 2-43

OFFICE OF WAR MOBILIZATION

WASHINGTON, D.C.

September 16, 1943

James F. Byrnes
Director

Dear Mr. President:

In the latter part of June I asked the Secretary of War to form an impartial board which would review War Department procurement objectively in the light of current strategic concepts and the experience which has been gained as a result of widespread operations. The Procurement Review Board, which was set up under the chairmanship of Major General Frank R. McCoy, held exhaustive hearings and submitted a report which accompanies this letter. I also submit a memorandum forwarded by the Secretary of War commenting upon the report.

From my study of the report and from the study of Colonel Frederick H. Pope who represented me at the inquiry, I submit the following comments, which are based on the testimony.

The Board was impressed by the way in which the almost incredible task of Army procurement has been accomplished. An Army of more than 5,000,000 men has been raised and armed; the Air Forces are operating more than 52,000 aircraft throughout the world, although we had less than 2,000 planes at the time of the fall of France. We have given substantial military aid to our Allies by supplying them with munitions and equipment under Lend-Lease.

No approved military operation of our forces has been hampered by shortages of equipment or supplies. Where shortages have occurred they have been borne by troops in training, which have been fully equipped before they went overseas. The one exception has been signal equipment, which has been short, but intelligent and effective steps have been taken to remedy this. The quality of equipment has been good.

It was equally clear that the Army has made and is making many mistakes in its procurement. Some of them are due to lack of experience, some to everyday human errors of judgment. Not all shortages and excesses of equipment are caused by mistakes in procurement planning; we are fighting a resourceful enemy, and changes in strategy and equipment must constantly be made regardless of expense of money or materials.

The cost of these mistakes in dollars is large, but their true size is dwarfed by the tremendous accomplishment of Army procurement as a whole. The Board made several recommendations which should aid in eliminating the mistakes which have been found.

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

The Board found that procurement planning must be projected for a

year and a half ahead, although strategic plans did not appear to be firm for more than six months in advance. Taking this into consideration, it was determined that requirements are related to operational plans, to the troop basis, and to Lend-Lease demands insofar as possible, and that beyond this point requirements are based on the formation of a pool of materiel, from which all demands must be met. Production rates are correlated with troop activation and the possibilities of overseas transportation.

Conscious of the fact that in any war an army must be oversupplied rather than undersupplied, the Board nevertheless concluded that in many phases of the program requirements have been set too high and must be critically re-examined with a view to their reduction. The Board was informed that the strength of the Army was planned to be 7,000,000 enlisted men and 88 divisions at the end of this year and that an additional half million men might be added next year. The Board found, however, that procurement was being planned so as to equip an army of 9,000,000 men and 148 divisions by the end of next year, an army 20% larger than that which is actually contemplated.

It will be noted that in respect to the major items of procurement which are for combat troops this exaggeration is much more than 20%, being more nearly in the ratio of 3:2 if, as is likely, not more than 100 combat divisions are activated before the end of 1944.

Testimony was heard to the effect that this procurement which is in excess over known needs, is a strategic reserve, half of which is for United States forces and the other half of which is to be used for equipping our Allies and troops of the nations we hope to liberate. This strategic reserve, which does not include food or clothing, is in addition to the reserves which are being accumulated for operational purposes in depots in this country and abroad. Since we have already been equipping eleven French divisions in North Africa largely from materiel on hand, the Board questioned whether the so-called 20% reserve was not actually one of far greater proportion than 20%.

Reserves of many types of equipment and supplies were found to be excessive, in the opinion of the Board. Stocks of small arms ammunition have accumulated in this country to the extent of some 2.5 billion rounds, and there is an additional 1.4 billion rounds in reserve in North Africa, while in England there is a further eight months' supply for all troops there. Production of this ammunition meanwhile is continuing. You will recall the manpower problem this excess procurement has created in the copper and zinc industries. Its prompt correction will solve that problem. The minimum level for bombs in stock and small arms ammunition in the United Kingdom is eight months' supply. On the other hand, the Board was informed that under current shipping conditions it is now possible to have a shipload of needed supplies in a British port two weeks after it has been requested.

It was felt that in many cases insufficient weight has been given to the productive capacity of the country, which, now that production is established, is in itself a reserve, and that reserve levels of supply are maintained without giving sufficient weight to current transportation potentialities. A critical restudy of reserve levels was recommended. Capacity for production should stand in lieu of a large part of the reserve intended

to be created for 48 divisions which do not exist.

Throughout the review it was evident to the Board that greater emphasis must be laid on relating field experience to requirements. Widespread offensive operations in many theaters make it possible to determine the kinds of supplies and equipment which are actually required under varying combat conditions. There is evidence that the soldier is issued more than he actually needs and more than he can carry.

The Board felt that it is sheer waste to issue all the equipment which troops are authorized to have, simply because it is authorized in the documentary tables, and regardless of the soldier's actual needs in his particular theater of operations. It was recommended that the Tables of Equipment be restudied in order to effect reductions in them based on field experience, and that the War Department establish a system for screening the equipment of troops going overseas with a critical eye on the conditions which they are expected actually to meet. The present estimate of a day of supply of ammunition for a caliber .30 rifle in combat is 5 rounds. If this is changed to 4.5 or 5.5 rounds it will make a difference of hundreds of millions of rounds in the annual requirements for ammunition for the Army as a whole.

The Board concluded that many of these factors have been set too high, and recommended that they be reviewed more critically with an eye to their reduction.

The Board was struck by the outstanding importance of establishing constant and vigorous control over inventories in depots and stations both in this country and abroad. Need for improvement of control over stocks is shown by the fact that in six months the value of major Army Service Forces items in storage in the United States alone increased from 2 billion dollars in December 1942 to 4 billion dollars in June of this year. Small arms ammunition in storage increased from 150 to 450 million dollars in the same period, and stocks of demolition bombs here and abroad rose from 346,000 tons to 800,000 tons.

The Army Service Forces have in the past few months established a uniform inventory control in this country to cover materiel procured by them. The system appears to be sound on paper, but it is too new for comment on its effectiveness. The Board was informed that the Army Air Forces are taking steps to organize a similar system of control, and recommended that this be done. Data on overseas inventory of Army Service Forces materiel are not believed to be accurate. Reliable data on overseas stocks of equipment procured by the Air Forces seem not to exist except with respect to complete aircraft.

It also appeared to the Board that insufficient preparations have been made by the theater commanders for the systematic collection of battle-damaged, abandoned, and worn equipment overseas and for its salvage or repair

on an organized basis. Battle scrap which has accumulated overseas has not been returned to this country in sufficient quantities in the ships which come back in ballast or with partial cargoes. A good system has been organized in this country for the handling and reuse of scrap which is received from abroad; the problem is to get it shipped. I am informed that General Marshall found that two Divisions were occupied for a time in North Africa in looking after salvage. If correct, it seems that we could use other than combat troops for this work.

The Board found that steps have been taken to reduce the wastage of food in camps in this country. Improved methods of computation of mess requirements have been inaugurated, conservation and efficiency in mess management have been stressed.

Steps have likewise been taken to reduce the consumption of gasoline and the use of rubber by the Army in this country. Directives have been issued prohibiting the use of Army trucks and cars except on vital military business, limiting the speed at which they may be driven and increasing the emphasis on repair and salvage of tires. The Board felt that these directives are effective only to the extent that they are enforced by constant and strict policing. The present efficacy of these conservation measures is highly doubtful. The Army has a definite obligation to accomplish in its own household that which it expects of civilians.

Of all the problems considered by the Board, that of correlation of the several aviation programs appeared to be one of the most serious, especially the correlation of the airplane crew program with available aircraft. No facts were presented to the Board which would warrant the conclusion that sufficient pilots are now in training to meet future demands. There are now insufficient crews to meet the double crew program which has been conceived with the idea of getting fuller use of the bombers now based in England. Future demands for pilots will increase as more planes become available and as the replacement of "war-weary" crews is accelerated. There is an indication that the attrition rate of aircraft may not be as great as was anticipated, which is tantamount to a further increase in plane production.

It takes eighteen to twenty months to train a pilot; no increase which is now made in the number of new trainees will be effective before 1945, unless the period and quality of training is curtailed.

The production of bombs and aircraft ammunition likewise was found to be out of balance with aircraft production. Stocks of demolition bombs on hand have increased, as noted above, to an extent where they constitute an expensive storage problem. We have a greater tonnage of bombs in storage in the United Kingdom than the R.A.F. has dropped over Europe since the beginning of the war. For every plane in combat there is approximately one plane which has left the assembly line but is not in combat service. While new requirements of bombs have been cut 50%, they are still based on the number of planes actually to be deployed in theaters of operations, but

General McCoy's Board pointed out that these new requirements are erroneous in that they are based on the assumption that the life of a plane and the number of monthly missions it makes will be the same in any theater of operations, whether in England or in the Caribbean, which is plainly not the case.

The Board could not get a clear picture of requirements for incendiary bombs. The Requirements are based on the assumption that 15% of the bombload will be incendiary, as against 50% in British bombers, and any increase in the use of these bombs by our forces will obviously decrease our demolition bombloads and further reduce our requirements for the latter type.

From statements made to the Board, it appeared that there will continue to be a shortage of 100-octane gasoline for combat and training aviation. Although production of this gasoline is not the responsibility of the Army Air Forces, it is their duty to keep informed on this situation so that they may make timely recommendations to the proper government agencies in order that the aircraft and gasoline programs may be coordinated.

When requirements of supplies decrease the problem arises as to whether production should be cut or whether it should be continued and the products stored for possible future use. The latter alternative of "advance production" has generally been followed, notably in ordnance items and aircraft radio. The Board recommended that this practice be discontinued where such production is for the purpose of keeping facilities operating. Continuation of advance production will needlessly consume materials and labor at the expense of shortages in production of essential materiel. It is also unwise because of the rapid rate of obsolescence of much military equipment.

The War Department has been slow in curtailing programs in theaters which have lost their strategic significance. Construction of elaborate bases costing over $200,000,000 continued in the Caribbean long after their strategic importance diminished. Strong measures of control must be adopted forthwith to prevent repetitions of this occurrence on a much larger scale in Alaska, North Africa and in other theaters.

It was likewise found that the War Department had not eliminated the elaborate program instituted in 1940 for the modernization of heavy harbor defense gun batteries, although the wisdom of this gun program is highly questionable in the light of modern conditions and although the construction of the batteries involves the highest type of specialized workmanship and the most elaborate productive facilities. In the light of the present shortages in manpower and facilities, the Board was convinced that further work on construction of 16-inch and 12-inch batteries should be abandoned immediately and recommended the re-examination of the six-inch gun battery program with a view to its curtailment.

Today there is a shortage of steel for some purposes, such as Landing Craft. There is a shortage of manpower for all purposes. Under such circumstances, regardless of stage of construction, if a project, because of changed war conditions, is deemed no longer essential, it should be stopped and the manpower, materiel and money diverted to winning the war.

In connection with military Lend-Lease activities the Board noted that many of the requirements of our Allies are merely stated numerically and are not in any way explained. Procurement of these supplies must, therefore, be made without the safeguards and checks which the Army places on its own procurement. The Lend-Lease nations have made drastic changes in their requirements on occasion; such changes are inevitable in a changing war, but the Board felt that the claimant countries should make every effort to predicate their orders on actual needs so as to reduce the wastage of manpower and facilities in this country.

Throughout the review the Board was impressed by the unity and the effectiveness of the Army Service Forces organization. It was recommended that the Army Supply Program be expanded so as to be a complete statement for and authorization of all Army procurement.

The Board found that with some few exceptions the Army supply system is soundly organized. On the whole there is good coordination between Service, Ground, and Air Forces. Requirements are related to production potentialities through the control which the War Production Board exercises over the allocation of materials and the scheduling of production. Coordination between War Production Board and War Department appeared to the Board to be satisfactory. Production was found to be correlated with the possibilities of overseas transportation.

Any review of procurement must be tempered by an understanding of the problems faced by the responsible officers when they initiated the program. I feel that the War Department Procurement Review Board has made a judicial and at the same time highly critical review of Army procurement as a whole. The Board was composed of men who were not responsible for the development of current procurement objectives and who at the same time were eminently fitted to conduct such a review. The chairman, Major General Frank R. McCoy (ret.), is a distinguished soldier who has had wide experience both as a commander and as an administrator. He has served on many investigatory commissions, including the Roberts Board. The other members were Major General C. C. Williams (ret.), a former Chief of Ordnance; Brigadier General William E. Gillmore (ret.), a former Air Corps officer who was instrumental in the development of military aircraft in former years, and Mr. M. J. Madigan, an engineer of wide experience attached to the Office of the Under Secretary of War. The report of the Board was unanimous.

Colonel Frederick H. Pope, representing me, attended the hearings of the Board but did not participate in its decisions. The comments herein made are based in great part upon his reports to me. The Board's report contained many recommendations which I earnestly hope will be carried out promptly and vigorously. If this is done I feel that substantial reductions in requirements will result without impairing the efficiency of our fighting forces, and that Army procurement will be on a sounder and more effective basis.

Sincerely yours,

James F. Byrnes

Director.

The President
White House

(2835)

PSF Byrnes folder 2-43

THE WHITE HOUSE

WASHINGTON

September 28, 1943.

MEMORANDUM FOR HON. JAMES F. BYRNES:

In regard to the reporting of the new Joint Board on Army and Navy Procurement, I wish you would ask it at once to make a report on Army and Navy and Maritime Commission shipbuilding. This should include combat ships and other naval craft such as harbor craft, mine sweepers, barges, etc. It should include all Army vessels down to the smallest and should include any Maritime Commission construction which the Maritime Commission feels could be curtailed.

I think this should be the first business of the Board and should not take much time.

Perhaps it could be followed immediately by a survey of shore establishment for floating equipment of all kinds.

F.D.R.

No papers accompanied the original of this memorandum to Hon. James F. Byrnes.

OFFICE OF WAR MOBILIZATION

WASHINGTON, D.C.

September 15, 1943

James F. Byrnes
Director

My dear Mr. President:

Herewith I am transmitting to you a report, presented to the Secretary of the Navy on August 25th last by the Procurement Review Board of the Navy. This Board was convened by the Secretary of the Navy on July 7th of this year at my request, made in compliance with your Executive Order of May 27th, which requires me, as Director of the Office of War Mobilization, to correlate the programs and war effort of the several agencies of the Government.

As in the case of the Army procurement review, I asked that review by the Navy of its program be made by a process and with personnel different from those who developed and were responsible for the current program. The Board appointed by the Secretary comprised Admiral Thomas C. Hart, Vice Admiral Joseph K. Taussig (both USN Retired), Mr. William O'Neil, and Mr. Rawleigh Warner, Chairman. Mr. William Francis Gibbs attended most of the proceedings of the Board, as an observer representing my office.

The report of this Board, in general, commends the Navy procurement. However, the review, and therefore the report, is in some respects incomplete, not only because of the magnitude of the problem to be considered in the available time, but because the Navy high command, understandably, declined to discuss some phases of the Navy's strategic plans with all members of the Board.

However, the Board makes important recommendations, which are justified by the text of its report. Perhaps the most important is the last, namely:

> "That there be maintained a continuous review of the programs for procurement of ships and other large elements of the Navy's forces by the high officials of the Department whose responsibilities require the initiation of the programs in the first place. A fair measure of the same vigilance employed in such initiation should henceforth be directed toward the possibilities of retrenchment."

It is made clear in the summary that the entire program is under constant review by the Chief of Naval Operations and Staff, and further that the Navy's procurement program, to a greater extent than

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

any other program, is a long-range one -- a long-term building program, which cannot and should not be quickly changed with every variation in strategic conception or in the tide of war. I know that it has also had, not only your attention and that of the Joint Chiefs of Staff, but also that of the appropriate Congressional committees.

The program, authorized and planned, is for a total of 13,336,143 (displacement) tons of new construction and conversion, of which half (60% of new construction) is for combatant ships. There are authorized and planned 2,133 combatant and 94,685 other types of vessels. The further cost of these vessels is estimated at 27.9 billion dollars, over and above approximately 11.3 billion expended prior to June 30, 1943. The total of 39.2 billion exceeds Congressional authorization of 34.1 billion because commitments have not been made for the entire program.

The report presents graphically in various categories of ships, this planned increase of the fleet from its present strength to a tonnage at the end of 1946 of 3.6 times the present tonnage, in both combatant and total tonnage. As above noted, a part of this increase has not been authorized but is programmed for material planning; and one object of the further review, which the Board suggests, would doubtless be to determine whether such increment should be authorized.

Also shown graphically is the comparative strength in combat vessels of the United Nations and the Axis, at present and as estimated at the end of 1944; and it is possible to project these comparisons, with approximate accuracy, to include the years 1945 and 1946, comprising the approximate total time required for completion of the entire program. Typical of the reasons which could lie back of the Board's recommendation for continuous review, is the fact that these very recent comparative charts show the Italian Navy as part of the Axis fleet, whereas, even within the few days that have elapsed since signature of the report, much of this fleet has now been placed under control of the United Nations. Even if the U. S. Navy and the Admiralty should elect to make only minor use of the ships thus made available, there have at least been released an important number of British and U. S. ships, previously required to watch, and offset the possibility of action, by these Italian vessels against the United Nations in the Mediterranean.

Some measure of relief from similar vigilance was also afforded within the past year by removal of a part of the French Navy from the list of potential enemies, and you will know better than I the extent to which possible loss of the British fleet, or even of the use of some portion of it against us, may have contributed to the conception of our current long-range program for Navy ships. The dark days that followed the fall of France, and the shock and dismay subsequent to the treacherous attack on Pearl Harbor, must necessarily have had their effect on the decisions of the Bureau of Ships, of the Navy high command,

of the Chiefs of Staff, and of the Congress, in their successive approvals of the construction that is now involved in what this report repeatedly and appropriately points out is necessarily a long-range program, differing from typical supply programs in that its elements--the items to be procured--ships, bases, and facilities--involve construction continuing over a period of years.

The situation now is manifestly and permanently altered. It is clear that we will no longer have to fight the Italian fleet. There is little to be feared from the French fleet, even that part of it that remains in Vichy hands. The staunch support of the powerful British fleet is no longer a matter of surmise or of possible doubt. In the face of these changed circumstances, it requires no peculiar knowledge to demonstrate that either this long-range program was inadequate in January, 1942, or else that it is over-size and beyond our needs in the summer of 1943.

It is for these reasons, and because of the relative importance of the ship construction program and the extent to which all else depends upon it, that I commend this last recommendation of the Board to you, as its most important one. As the report states, "the area in which any great permanent frustration of material could occur is relatively limited in the Navy program, presuming, of course, that the initial building programs were soundly conceived."

The importance of the suggested review is not measured by the dollar value of the ship program -- not only because expenditures for ordnance, yards and docks, and, to an extent, aeronautics and bases, depend on the numbers of ships, but also because the necessity of a revision of the program, if it is found to exist, will doubtless be dictated less by the lack of dollars than of the manpower to build these vessels during the time in which they are required, and to efficiently man them when they are completed.

Limitations on shipbuilding manpower indicate that if we build ships that we do not need, we may not build the ships that we do need in time to satisfy that need. This is recognized in the Board's ninth recommendation: That the manpower situation receive increased consideration in future production planning.

The latter recommendation is justified by the disclosure in the text of the report that for the completion, conversion, and repairs, included only in contracts already awarded through June 30, 1943, an increase in shipyard workers of 166,000 in the last half of 1943 is required. The statement is further made that by July 1, 1944, there will be required approximately 1,208,000 in the navy yards and yards holding navy contracts, representing a 22% increase over the number employed as of June 30, 1943.

Twenty per cent of the entire program of the Bureau of Ships is scheduled for construction and conversion on the Pacific Coast,

in which area the labor shortage is already hampering work, not only on the Navy ship program, but on the Maritime program and the production of airplanes for both Navy and Army. An objective review must take account of this practical question of feasibility, and make different recommendations as to deletion of less necessary items, in order to assure completion of the more urgent and avoid confusion in which still less completions are obtained.

In the provision of steel too, any reduction in the programs for unnecessary ships will be productive of immediate benefit to other urgent programs. The report, for example, indicates that in the Destroyer-Escort program alone, which it particularly nominates for possible reduction, there may be "immobilized"; that is, provided in advance of the need for it, 170,000 tons of carbon steel beyond the necessary working inventory. Obviously, reduction in the programs for escort vessels, mine sweepers, and patrol craft, even if it affected keels not yet laid, would immediately defer future rolling of mill products and make available, on a logistic rather than an arbitrary basis, the steel requirements to implement the decisions recently taken in Quebec.

In considering that this further review may call for a prompt cutback in the Bureau of Ships' program, it will occur to you, as it has to me, that cancellation of combat ships, of auxiliaries, of tugs and barges, or of ordnance items that go with them, will bring disappointment to some contractors, and may even bring about local temporary unemployment. These should not be serious considerations in any decision to modify the program. Under present voluntary controls, we have come near to the limit of our available manpower, particularly in the shipbuilding industry. Present decision, as to whether more ships are to be built, should be reached wholly on the question of their essentiality in the present conflict.

Current review of the Maritime Commission program reveals that before the close of 1944, pressure will have been lifted from the yards building merchant ships. In 1945 and later, there will be slackness and even unemployment in some shipyards. Any vessels, even if now on the ways, that are to be completed because of work already done, or to round out a desirable complement of some certain type of ship or auxiliary, will be a desirable enterprise or project when the tide of production begins to ebb, and post-war Navy needs are more distinct.

The Board's third recommendation is that the Navy take cognizance, that is, responsibility and control, of the provision of small vessels required by the Army. It is noted that the number of harbor craft and other small vessels, to which this recommendation applies, has grown to great magnitude. I have previously called your attention to the duplication in the procurement and provision of tugs and barges by the several services, and you may wish to avail yourself of this suggested means of control.

In this connection, it may be stated that there is no adequate explanation or reason given for the extraordinary number of mine sweepers, district craft, and other auxiliaries related to coastwise work. There has been reasonable evidence presented to me, which indicates that programs for these auxiliary vessels have been determined not by a reasoned and logistic approach to a requirement, based on a given need or program of combat vessels, but rather on the principle of obtaining all the production possible from existing facilities or those that could be made available. Whether or not this is true, a review of the program should state the basis on which the extraordinary number of these vessels has been determined, and indicate the feasibility of manning and fueling them.

While I have emphasized this further review of the Navy ship program because it is the kernel and substance of the whole need for executive action, I would do injustice to the Review Board's careful work if I did not also call to your attention certain of its further recommendations.

It finds the need for more centralized control over aircraft procurement by those in charge of operations, this control to include particularly the keeping of production and inventories of planes and spares in accord with currently changing needs. There is an admission of an excess supply of some planes, particularly trainers, and the conclusion that calculations of requirements for spares and replacements are excessive. In this same connection, there is a definite recommendation for deletion of part of the blimp program, which, in turn, will reduce the need for helium gas.

Curiously, in this chapter on the Bureau of Aeronautics, there is no coordination shown as to the relationship of naval aircraft to carriers. Graphic presentation of the plan for availability of naval aircraft calls for an increase of approximately 12,300 available combat planes between the date of the report and the end of 1944, over and above the presumed attrition rate (which varies from 34% to 46% in each six months), and including a large complement of spares. It would be interesting to know whether there are actually planned to be provided means for carrier basing all or nearly all of these naval planes, or whether there are plans for a shore-based naval air force. Obviously, any unnecessary diversion of planes to naval use lessens the number which can be made available to the Army.

Tighter administration of the Lend-Lease program that lies under Navy control is indicated. This criticism does not, however, extend to the Lend-Lease administration, whose program has been reviewed and found sound and well controlled by the recent review instituted by my office. In respect to Navy and Army procured munitions, the function of the Lend-Lease administration is that of a bookkeeper.

Closer integration between the Navy bureaus is suggested, and particular mention is made of the need for better control over ordnance, especially in connection with the armament of ships and the accumulation of ammunition and inventories of ordnance spare parts at various stock points and depots. Anti-aircraft guns are not fired as often as the supply tables would indicate.

The tenth recommendation of the Board reads as follows:

> "That particular vigilance apply to the necessities for building or extending shore establishments at home or abroad in order to prevent the repetition of past errors."

This paragraph, read in the light of somewhat similar but more detailed excerpts from the Army Review Board's report, indicates that there has not been the closest coordination between the armed services, and in some instances reasonable economy has not been exercised in the planning and establishment of bases outside of the continental United States. However the expenditures of both services for bases in the Caribbean,--that the course of events has shown to be unnecessary,--were authorized at a time when they appeared essential for our safety. Even the very large expenditure for Alaskan developments may have appeared justified at a time when the Japanese invaded the Aleutian chain.

I commend the report and the recommendations to your attention and hope that you can direct that there be set in motion machinery to prosecute a further and continuing review. I am confident that those in the military services who are charged with the responsibility of making decisions which are inevitably reflected in the civilian economy, will welcome the establishment of an arrangement by which they can be kept more fully informed as to the productive capacity of the civilian population. I expect to confer with the Chiefs of Staff in the hope that I can establish such an arrangement.

Sincerely yours,

James F. Byrnes

Director.

The President

White House

PSF: Byrnes folder 2-43

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OFFICE OF WAR MOBILIZATION

WASHINGTON, D.C.

October 15, 1943

James F. Byrnes
Director

This is the Oil Memo. about which I talked to you in your Room Thursday
JFB

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES F. BYRNES

1. Vigorous negotiations should be pressed with the British for the acquisition of a third-interest in the Iranian oil fields, now owned wholly by British interests, to be assigned to the United States by Great Britain in consideration of Lend-Lease contributions of petroleum during the war and in consideration of the construction of a pipe line from the Iranian oil fields to Haifa at an approximate cost of $200,000,000, the pipe line being necessary for the proper exploitation of the Iranian fields.

2. The oil reserves in Iran can be definitely estimated at sixteen billion barrels and will probably represent ultimately one of the world's greatest oil production areas. The oil concessions are controlled one-half by the British Government and one-half by the Anglo-Persian Oil Company, a British Company.

3. The efficient use of the Iranian fields depends upon the construction of a pipe line to the Mediterranean, thus eliminating the long haul down the Persian Gulf and through the Suez Canal. The cost of such a proposed pipe line would be approximately $200,000,000.

4. Under Lend-Lease we have contributed to the British Empire up to July 1, 1943 American petroleum products to the value of $466 million and from American controlled foreign reserves to the value of $120 million. Current Lend-Lease petroleum expenditures for the use of the British is running at the rate of $60,000,000 per month.

5. Previously it has been suggested that the British repay in kind our contribution of petroleum products to England and the British colonies, made under Lend Lease. Such an arrangement could seriously injure American concessions and interests in Saudi-Arabia because this arrangement would practically destroy any market for these latter products and our concessions in that area can only be maintained through use of the reserves.

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6. It is suggested, therefore, that the United States construct the required pipe line from the Iranian oil reserves to Haifa and, in return therefor as well as in partial or total discharge of England's obligations under Lend-Lease for petroleum products, Great Britain should transfer to the United States a one-third interest in the Iranian concessions.

J.F.B.

OFFICE OF WAR MOBILIZATION

WASHINGTON, D.C.

James F. Byrnes
Director

October 12, 1943

My dear Mr. Justice Byrnes:

Attached are additional copies of two memoranda in respect to the need of making available for war and post-war use the huge petroleum reserves that have been developed or indicated in Iran, Iraq, and Saudi-Arabia. These memoranda were originally sent you on August 13th.

On August 20th, you announced in a letter to Secretary Knox the conclusions reached by you, as a result of the meeting of the War Mobilization Committee on August 18th, called primarily to discuss the over-all petroleum situation. Since that date, with your concurrence the Petroleum Administrator for War has developed the suggestion for a pipeline from Iran to the Mediterranean, by making an estimate of the cost and steel requirement of such a line and the approximate cost of a refinery situated at Haifa, or some nearby point on the east end of the Mediterranean, to make available there petroleum products derived principally from the Iranian fields.

Construction of the Nejma refinery on the Arabian Coast of the Persian Gulf has been approved and is proceeding, I am assured, as expeditiously as possible; but this refinery is intended principally as a wartime measure to make up the deficiency in supply of petroleum products for use of the United Nations in the Pacific war. Post-war transfer by tanker of products to Western Europe will cost substantially more than from Caribbean refineries.

As developed in my supplementary memorandum of August 13th, the Mediterranean project, while possibly of wartime use if the European war lasts another two years, would be primarily intended to ease the post-war strain on the petroleum reserves of the United States by decreasing, pro tanto, the utilization of South American production to meet European needs, and to give the United States an equitable interest in what is probably the world's biggest oil reserve. As stated in the reference memoranda, a reserve in Iran of at least 16 billion barrels can be definitely estimated, and some of the more optimistic geologists believe it likely that the ultimate

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production from Iran, Iraq, and Saudi-Arabia, which includes the Kuwait fields, may be as great as 100 billion barrels--six or seven times the total, known, North American reserves.

I have explained to you orally, as well as in the appended memoranda, my belief that the present moment is the opportune time to initiate vigorous negotiations with the British for acquisition of a third interest in the Iranian fields, to be assigned to the United States by Great Britain in consideration of Lend-Lease expenditures, particularly of Lend-Lease expenditures of American petroleum reserves during the war, and in consideration of a further expenditure by the United States Government for the purposes mentioned of approximately $200,000,000, as shown in the plan and estimate of the Petroleum Administrator for War, appended hereto. The dollar value of American contribution of petroleum products under Lend-Lease to the British Empire, up to the 1st of July, 1943, was $466,000,000 for such products derived from sources within the United States, and an additional $120,000,000 for petroleum products paid for by the United States to American companies operating in the Caribbean section. This, of course, does not include sterling liftings from British-owned properties in the Caribbean. The delivered value of these products, largely carried in American tankers or in foreign tankers at the cost of the United States Government, is substantially higher than the above figures. The above figures further do not include bunkers furnished the British Navy or to British merchant ships under control of the Ministry of War Transport. They also neglect petroleum products furnished the British troops in the U. S. theaters of operations, or the corresponding credit for petroleum products furnished to American troops in British theaters of operations. Current lease-lend expenditure for use of the British is running at about $60,000,000 a month, so it is quite safe to forecast that lease-lend advances for petroleum products by the end of this year will have considerably exceeded one billion dollars. It is believed that this contribution, plus the proposed offer, must equitably be considered as sufficient reason for assignment of the third interest in this concession by the British Government--it to make any necessary arrangements with the Anglo-Persian Oil Company. Such arrangement will also strengthen the British position in case of Russian interest.

I understand that some discussions may have already been had with the British to the effect that payment in kind of our contributions of petroleum products to England and the British Colonies during the war is expected. Such an arrangement, while undoubtedly satisfactory to the British, would tend to seriously injure American concessions and interests in Saudi-Arabia, because these concessions can only be held by establishing production from them so that royalties and other contractual benefits accrue to the Arabian Government. Our contributions should be repaid, not by payment in kind, but by an interest in the fields themselves, and the Iranian fields are the only ones in which the concessions are exclusively owned by the British.

No one but the President could successfully initiate the proposed negotiations, but I am convinced that it is a matter of great future importance to the welfare of the United States, and also that the time to make the deal is the present. The peace table will be too late. I sincerely hope that this matter, which has already occupied too much time in the office of the Petroleum Administrator, can be promptly discussed with the President.

Very truly yours,

Fred Searls Jr.

Fred Searls, Jr.

Hon. James F. Byrnes,
Office of War Mobilization,
Washington, D. C.

Enclosures

August 13, 1943.

MEMORANDUM

TO: Mr. James F. Byrnes.

FROM: Fred Searls, Jr.

The total military requirements for petroleum products, including Lend-Lease, as presented to the Office of War Mobilization by the Army-Navy Petroleum Board on July 27th, call for 467,420,000 barrels for the year comprising the 3rd & 4th Quarters of 1943 and the 1st & 2nd Quarters of 1944. These figures do not include sterling liftings from the Caribbean or supplies from the Near East used by the United Nations military forces. Neither do they include War Shipping bunker requirements of 100,000,000 bbls. per year, which are in fact a military requirement.

Of the above total, it is proposed by the ANPB to draw only 17,314,000 barrels from the Caribbean area, leaving more than 450,000,000 barrels to be supplied from the United States. This is slightly more than a third of the total withdrawals of oil from domestic fields in 1942, and, taking into account refinery losses, is about a third of our present total productive capacity, which latter is more likely to decline than to increase.

Of the total military requirements, 265,216,000 barrels are stated to be "off-shore" requirement. Much of this "off-shore" requirement is undoubtedly for use in the hundreds of small military coasting vessels and auxiliary craft, or for bunkers, and we do not have the breakdown; but if only two-thirds of this "off-shore" requirement is actually taken abroad in tankers, there is required 2,210 notional tanker voyages. If, at some post-war date, we are required to import the same tonnage of petroleum products, there will probably be required more than 2,000 notional tanker voyages, depending on the source.

The above figures are for the year July 1, 1943, to June 30, 1944. Present indications are that total military requirements

and total "off-shore" military requirements, including Lend-Lease, will not be less for the ensuing year. Similarly, there is every reason to believe that the tonnage shipped abroad in the ensuing year will someday have to be produced abroad and returned in tankers to U. S. consumption.

Of the total "off-shore" military demand, 103,542,000 barrels are given as requirements to be drawn from the Pacific Coast. When from the 270,000,000 barrels available on the West Coast necessary civilian requirement and NEA bunkers are withdrawn, there is a substantial shortage (in the order of 35,000,000 barrels) in the amount available to meet the "off-shore" requirement for the year under discussion. In the following year, the shortage is apt to be larger, and is in fact estimated to exceed 70,000,000 barrels for the calendar year 1944. If the Pacific demand for aviation gasoline increases during the year, only as shown in the current ANPB statement of requirements, the "off-shore" shortage will not be in aviation gasoline but mostly in naval and other bunkers.

The distribution of crude oil supplies and of refining facilities available to the United Nations is about as shown on the appended tabulation. As will be noted from it, the substantial supplies of idle crude are in Iran, Iraq, Saudi-Arabia, and in Venezuela and Colombia. There is unused refining capacity in the United Kingdom and on the East and Gulf Coasts. In the Eastern Mediterranean, the small refineries at Suez and Tripoli are operating at capacity, and the Haifa plant is being enlarged by 20,000 bbls/day to process the capacity of the 600-mile pipe line from the Kirkuk field which is about 80,000 bbls/day (no high octane production to be included).

It is understood that the Joint Chiefs of Staff have approved a recommendation of the ANPB for the construction of the Hejma refinery, north of Ras Tanura on the Persian Gulf coast of Saudi-Arabia. This refinery is proposed to process 100,000 bbls/day of crude oil derived from the Dammam and Abqaiq fields, requiring only 73 miles of pipe line and producing 82,600 bbls. of products, including 20,700 bbls. of aviation gasoline per day. The cost is estimated at $105,530,000.

This project has been under consideration for many months and has been pushed by the Under Secretary of the Navy. The Chief of Engineers submitted to the Joint Chiefs of Staff more than six weeks ago a recommendation for the construction of a much larger refinery at this point, and also for construction of two refineries in Colombia and three in Venezuela. The Army-Navy Petroleum Board vetoed the five South American projects and, in its recommendation,

cut the Bahrein refinery project by a third. The Petroleum Administrator for War, without objecting to the construction of the Nejma refinery as recommended by the ANPB, complains that decision as to this refinery and the entire world program should be left in his hands and that (imposing whatever secrecy restrictions they wish) the Armed Services should be required to furnish him with their approximate requirements of petroleum products and the approximate geographical areas within which they are to be used. (Letter transmitting correspondence with General Somervell, and of August 3rd, August 6th, interview July 14th, letter to Secretary of War July 15th, letter to ANPB July 17th).

It is submitted that the present serious depletion of the Petroleum Reserves of the United States, in requiring them to carry more than 60% of the military requirements of the United Nations, should be lessened as soon as possible. The increasing availability of tankers and the completion of many of the high octane refineries in the United States make it now possible to program the supply of petroleum products in accordance with availability, point of consumption, and equitable post-war considerations, instead of purely in accordance with necessity. Parenthetically, it might be observed that we can lend-lease food and munitions, and still have as much of a supply left as before, but in draining our petroleum reserves seriously and unnecessarily, we are injuring the nation, and creating a possible military peril for the next world war.

The seriousness and the intricacy of the problem, as well as the extent and duration of the effect that decisions taken will have on civilian and post-war economy, dictates that not only should the design and construction of the Nejma refinery be vigorously pushed by the department of the government that is charged with the management of our petroleum resources, but that the latter should be encouraged and instructed to make further plans for the prompt utilization of additional foreign sources for the needs in the Pacific and in the Mediterranean areas.

Enclosure

FS/imd

August 13, 1943.

MEMORANDUM

TO: Mr. James F. Byrnes.

FROM: Fred Searls, Jr.

The following discussion supplements the memorandum, handed you this morning, suggesting the provision of a larger part of the military needs of the United Nations for petroleum products from sources outside of the United States:

It is entirely probable that the overproduction of crude oil within the United States has become a matter of history. New discoveries in 1942 within the United States were materially less than withdrawals to meet military requirements alone. The rapid drop in production from shut-in fields below their supposed potential has, in general terms, been a surprise, and almost a shock, to the oil industry. It will be only prudent, after the experience of this war, for the government to earmark and set aside additional reserves within the United States for military use in future wars. The present military requirements will not immediately cease when the last armistice has been declared. Post-war expansion of civilian air traffic will keep a considerable fraction of aviation gasoline production operative. We have reached a point where, as a permanent national policy, requiring an excess of petroleum imports over exports will be desirable.

The Colombian and Venezuelan production is, speaking generally, relatively long lived and there are fairly extensive possibilities for future discoveries in that area. Present productive capacity is about 800,000 bbls/day, partly under British control. This will soon be increased to 1,100,000 bbls. and a production could be readily secured of 1,400,000 bbls/day if pipe lines, other transportation, and refineries were all available. Excess Mexican production and reserves are small, exportable surplus at present being limited to about 30,000 bbls/day. The projected increase in Caribbean production will be refined on the East Coast and Gulf

Coast and in the United Kingdom, except for the small capacity still available at Aruba and Curacao.

Experience in Mexico, and history of the relationship of American and British oil companies in Venezuela and Colombia, suggest that political and economic relationships, during the withdrawal of oil from American-owned property in these countries, will be more readily and more smoothly handled if the United States is at no time placed in a position of necessary dependence on them for a large part of its supply without an alternative source.

The oil reserves in Iran and in Saudi-Arabia, while not fully developed, are known to be enormous. Four fields in Iran (under British control) are known to contain in excess of sixteen billion barrels, which is a greater content than the total known reserve within the United States. In Saudi-Arabia some prolific horizons have been eroded, but the reserves in the areas under lease to the California-Arabian Standard Oil Company and to the Kuwait Petroleum Company, Ltd. (English and American) are very large indeed.

There can be no criticism of the general plan for immediate construction of a large refinery near Bahrein Island on the Persian Gulf. It is definitely indicated and required as a wartime measure. If it is not promptly done and unless we should happen to re-acquire Burma or Sumatra, requirements for expanded warfare in the Pacific can only be otherwise met by tanker trips from the Caribbean refineries or Gulf Coast ports, as indeed they must be met in 1944.

This Najma refinery should be completed at the earliest possible date. Provided sufficient water is available, the plan, as outlined in the recommendation of the AHPB to the Joint Chiefs of Staff, seems generally acceptable. The PAW should be instructed to promptly proceed with the necessary contracts, engineering work, and construction, which will actually be carried out by the California-Arabian company which owns the leases. It will now be possible to accord this project an AA-1 priority for provision of material and components. Prosecution of this work as a military project has little to recommend it, provided military transport and good-will is provided, where necessary, for construction equipment and people required.

It is not suggested that additional refineries on the Persian Gulf are required for prosecution of the Pacific war; but it is believed that an additional large refinery on the eastern end of the Mediterranean in the general vicinity of Jerusalem may well

be justified as a measure which may perhaps contribute to the war, and which will surely contribute to the period of rehabilitation and the subsequent peace.

A pipe line from the Kuwait fields or the head of the Persian Gulf to the Mediterranean is by no means impracticable, having in view those recently constructed in this country. It would be 850 miles long, compared with the 1,400 mile "Big Inch" line, and perhaps 16" or 18" diameter, compared with 24". The money, man hours, and time expended to make available at Whitehorse a trickle of oil, deriving seasonably from Norman Wells on the Mackenzie River, would have completed a 18" line through Arabia and Palestine. Tanker traffic from the Persian Gulf to the Eastern Mediterranean is comparable with the trip between Aruba and European ports. It costs nearly six times as much per bbl. of oil to bring it by tanker from Basra to Jaffa, as it would cost to transmit it by pipe line. Petroleum products, deriving from oil brought from the Arabian fields by pipe line and made available in Palestine or the Levant States, would permit bunkering of vessels and supply of motor and aviation gasoline to all of Europe for many years to come. Petroleum products so derived would be available to all of Europe at no greater cost for transportation, than if derived from Venezuela or Colombia.

Such a project would afford sound reason for intervention by the American Government itself at the present time. In the control and distribution of these tremendous sources of the world's future oil supply, it is ultra vires for any American company, other than those now interested, to carry the burden for future satisfaction of American needs into these areas under present conditions, or those which are likely to obtain. Only the Government can do it, and the Government can best do it while, with the other hand, it is pouring out the benefits of Lend-Lease to the other nations which will be concerned in negotiations and the modification of existing arrangements and agreements, which must precede the establishment of such a project. The delivered value of lend-lease petroleum products, as set forth in the ANPB requirements for the year under discussion, is about $2,700,000,000 and it is safe to say that the value of contribution to lend-lease from American petroleum reserves will exceed five billion dollars. Military needs, the exhaustion of our own resources, and a sense of fairness and cooperation would all facilitate now an agreement whereby, in exchange lend-lease and in return for the expenditure of perhaps $200,000,000, the United States Government could get say a third interest in the Anglo-Iranian pools, and be possessed of the facilities to make the production immediately available to the post-war world.

* These figures are too large and represent more nearly the U.S. contribution to the war including U.S. military use. They are revised in memo. of Oct 12th

If, on the other hand, an effort is made to secure to the United States, by peace-table or post-war negotiation, a substantial proportion of the reserves of Iran or Iraq or Saudi-Arabia, there will be other vociferous claimants. Russia might well request a portion of the amounts that can be made available in Iran, although Russia--unlike China--probably has large areas of undeveloped and relatively poor reserves within her own territory. The Dutch and French each have vested interests in Iraq and will be post-war claimants.

If it were deemed practicable to initiate such negotiations, it is, of course, not suggested that the subject would be under the cognizance of the PAW. This business is in the hands of the State Department and would remain there. Even the negotiation of contracts, which must of necessity precede a project of this magnitude, would presumably be carried on through the State Department, for there will be required revision of the terms of agreements reached subsequent to the last war. The refinery and pipe lines would be owned by the United States Government or one of its corporations. Presumably it would engage the services of some major oil company to operate the refinery and the business, and perhaps at such a stage the PAW would appear in the picture with the Government remaining the contracting party with other governments and, through them, with the British, Dutch, and French interests that might be involved.

It is submitted, however, that these considerations support the view that the programming and planning for the provision of petroleum products for use of the armed forces should not be lodged in the military organizations. It is as intimately a part of the civilian economy as the steel business or the coal business, and is at least as technical and intricate. If the office of the PAW is not competent to do this, it is at least in closer communication with the civilian petroleum industry which is. The education of the Army in petroleum procurement in Alaska and New Zealand has been expensive, but is yet insufficient to entitle it to recognition of its insistent desire to take control of such major developments, as are here under consideration.

FS /ind

PETROLEUM ADMINISTRATION FOR WAR

WASHINGTON 25, D. C.

DEPUTY ADMINISTRATOR

October 12, 1943.

My dear Mr. Searls:

In harmony with your conversations with Mr. A. H. Chapman of this office and our discussions over the telephone, I am pleased to forward you herewith a memorandum on the subject of "Pipe Lines to Connect Iranian Oil Fields to the Mediterranean." The estimates are very approximate due to the short time which we have had to prepare them but I trust that they will serve your immediate purpose.

This, of course, does not constitute a definite recommendation but is intended rather to serve the purposes of Justice Byrnes and yourself as we understand them. Please let me know if we can be of further service to you in this matter.

Sincerely yours,

Ralph K. Davies,
Deputy Petroleum Administrator.

Mr. Fred Searls, Jr.,

Office of War Mobilization.

Enclosure.

PETROLEUM ADMINISTRATION FOR WAR

WASHINGTON

MEMORANDUM October 12, 1943

SUBJECT: Pipe Lines to Connect Iranian Oil Fields to the Mediterranean.

Project I - To Move 200,000 Barrels Per Day from Iran to Haifa.

Approximate estimates have been made to cover the construction of a pipe line connecting the Port of Haifa with the Iranian Oil Fields. The length of the line is calculated at 1,017 miles and its location is shown on the attached map. The design which has been used calls for 24 inch pipe between Abadan and Haifa and the capacity of this line would be 200,000 barrels per day, using nine pump stations. A similar quantity of oil could be transported through a 20 inch line with a larger number of stations but it is deemed advisable to use 24 inch pipe because, (a) a smaller number of stations would be required, thus using lesser quantities of critical materials, and (b) the 24 inch size would enable a later expansion of the system to transport additional crude oil from fields such as Kirkuk, Kuwait and Arabia. A large terminal with marine facilities is provided at Haifa.

In order to make a full 200,000 barrels per day available at Abadan, it would be necessary to construct a spur line, 16 inches in diameter and 167 miles in length to bring in 100,000 barrels per day from the very large Gach Saran field. The second 100,000 barrels per day could probably be handled through the existing pipe line system with some relatively small additions which are not included in this calculation.

The cost of the entire system described above would be approximately $89,650,000. This sum includes $9,000,000 for transportation equipment which might be partially salvaged, and $8,150,000 for contingencies; 267,000 tons of steel would be required, all of which would be in the form of pipe and tank plate with the exception of 12,000 tons which would be made up of machinery, valves and facilities; 28,550 horsepower would be required as prime mover for pump stations and auxiliaries. The average transportation cost of crude oil loaded on ships at Haifa would be approximately 22.7¢ per barrel.

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

Project II - To Move 150,000 Barrels per Day From Iran to Haifa, and 50,000 Barrels per Day from Kuwait to Haifa.

This project varies but slightly from Project I. The 24 inch line from Haifa to Abadan and the 16 inch line from Abadan to Gach Saran remain unchanged, and the same number of pump stations are used on that portion of the system. It is only necessary to add a spur line from a point near Basra to the Kuwait Fields (110 miles), a pump station at Kuwait, and extra tankage where this spur line joins the main line. Sixteen inch pipe is suggested for this spur line, as this size will accommodate up to 100,000 barrels per day, and additional crude from Arabia or elsewhere could be moved at a later date if desirable.

These modifications would raise the cost of the project to $97,955,000. The delivery cost loaded on ships at Haifa would be about 21.3¢ per barrel.

The quantity of steel would increase to 271,365 tons, of which 12,500 tons would be machinery, valves and facilities, and the remainder would be pipe and tank plate. Horsepower requirements would amount to approximately 30,000.

General

If immediate approval were obtained for one of these projects, deliveries of material would commence in the third and fourth quarters of 1944. It is estimated that construction could be carried out in fourteen to eighteen months, thus indicating a completion date in the first or second quarter of 1946.

** If it were required to refine all or part of this crude oil at Haifa, a special study would have to be made before even an approximate refinery cost could be calculated. The tonnage of steel for refining, however, would range from .50 to .75 tons per barrel per day throughput, depending upon the processing facilities required.

A. H. Chapman, Chief,
Production Section, Foreign Division.

** However, Mr. Chapman agreed on the telephone that the cost of a 100,000 barrel per day refinery at Haifa would be amply covered by the figure of $100,000,000 used in my memorandum, unless disproportionate high octane facilities or other unusual expenditures were included.

THIS ITEM HAS BEEN MICROFILMED
AT A REDUCTION RATIO OF 18 x 1.

PROJECT I
200,000 B/D from IRAN to HAIFA

THIS ITEM HAS BEEN MICROFILMED
AT A REDUCTION RATIO OF 18 x 1.

PROJECT II
150,000 B/D IRAN -- 50,000 KUWAIT to HAIFA

PSF
Byrnes

OFFICE OF WAR MOBILIZATION

WASHINGTON, D.C.

November 11, 1943

rnes

MEMORANDUM FOR MISS TULLY:

At lunch yesterday I talked with the President about the attached memorandum.

Please place it with papers he will take away with him. Some days ago I submitted a somewhat similar memorandum with a map attached. There were too many papers for him. I hope that when he reads this he may be interested enough to call for the supporting memorandum and, therefore, ask that you also send that along.

J. F. B.

30

OFFICE OF WAR MOBILIZATION

WASHINGTON, D.C.

November 11, 1943

James. F. Byrnes
Director

MEMORANDUM FOR THE PRESIDENT

1. Vigorous negotiations should be pressed with the British for acquisition by the United States Government of a third interest in the Iranian oil fields now owned by the Anglo-Iranian Company in which the British Government has fifty percent interest. This third interest should be purchased by the United States for approximately $200 million to be expended in building a 24 inch pipe line from the Iranian fields to the Mediterranean, and a new one hundred thousand barrel refinery at the line terminal, probably near Haifa. Further, consideration to the British Government is furnished by a billion dollars of petroleum products already advanced to the British under Lend-Lease.

2. Known reserves in Iran are at least sixteen billion barrels and further development will probably indicate this as the world's greatest oil production area.

3. The present production of Iranian fields through Abadan is unsuitable and expensive for use in Europe because of the long tanker haul around Arabia and through the Suez Canal. Security of concessions requires larger production. The 24 inch line would permit future increment from Kuwait and Saudi-Arabia. The line would permit diversion of 150,000 barrels per day to European refineries in addition to supply of projected refinery.

4. Lend-Lease contributions of American petroleum products, almost all derived from domestic reserves, will aggregate one billion dollars by the end of 1943, and are running at the current rate of $60 million per month. Repayment of this Lend-Lease contribution in kind from Abadan would seriously injure American concessions in Kuwait and Saudi-Arabia since these concessions must also produce to remain valid.

5. It is suggested, therefore, the United States immediately agree to build the required pipe line from Iran to Haifa plus a one hundred thousand barrel refinery at Haifa and be given a third interest in the Anglo-Iranian Company, the British Government to compensate British private interests in Anglo-Iranian to any extent required in consideration of our Lend-Lease contributions.

6. If thought necessary or desirable, negotiations could be broadened to include division of United States Government interest to be acquired in Saudi-Arabia concession for building the Nejma refinery as additional compensation, the thought being that future friction between the Middle East Governments involved as well as the concessionaire Governments would be lessened if Great Britain and United States were each interested in both concessions even if not in the same proportion.

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

JAMES F. BYRNES

PSF Byrnes folder 2-44

THE WHITE HOUSE
WASHINGTON

January 10, 1944.

The President directed me to telephone to Mr. Justice Byrnes that he agreed with Secretary Patterson that we should not have a definite date, as we might discover facts later on -- even a month or two after the date -- and would want to renegotiate.

G. G. T.

OFFICE OF WAR MOBILIZATION

WASHINGTON, D.C.

January 10, 1944

James F. Byrnes
Director

MEMORANDUM FOR THE PRESIDENT:

SUBJECT: RENEGOTIATION OF CONTRACTS

Some weeks ago representatives of the various procurement agencies met with me and agreed upon a policy of opposition to the changes proposed by the Senate Finance Committee.

Senators George and Taft now state that they are going to reconvene the Committee tomorrow to reconsider their former action. In conference with representatives of the Army, and Navy, George and Taft indicated their willingness to compromise with respect to the scope of the amendments if they can get an agreement that renegotiation be finally terminated as of some reasonably near date. They would probably agree to cut off renegotiation after November 30, 1944. Heretofore Forrestal has been disposed to agree to a cut-off date. Patterson is not willing.

Department representatives are to see George and Taft Tuesday morning.

I do not know whether you intend to refer to this matter in your message or what position you take with reference to it. The best opinion is that George knows that his amendments will be defeated and is anxious to compromise. However, if in your message you are going all out for the statute as it stands, the representatives of the departments should not, on tomorrow, be agreeing to a compromise. After your message was read, George would announce that you were not aware that the issues had been compromised.

I had called a meeting of the departmental representatives for this morning but postponed it until 4:30 this afternoon. I would appreciate it if you would have Grace let me know what your views are so that I can advise Treasury, War, Navy and others at the meeting this afternoon.

J. F. B.

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

PSF: Byrnes folder 2-44

OFFICE OF WAR MOBILIZATION

Washington, D.C. January 31, 1944

MEMORANDUM FOR THE PRESIDENT:

Last Wednesday I dictated this letter. I did not want to send it to you until after your vacation and your birthday. That was why I asked to see you today. However, there is really no reason why I should ask for your time until you have read the letter. If after reading it, you wish to talk with me, I am at your command.

J. F. B.

J. F. B.

OFFICE OF WAR MOBILIZATION

WASHINGTON, D.C.

January 26, 1944

James F. Byrnes
Director

Dear Mr. President:

I find myself in an embarrassing situation and feel obliged to advise you of it.

Regardless of what is contained in the Executive Order creating my office, I can do only what you permit me to do and my ability to accomplish anything is dependent entirely upon your confidence in me and upon the officials of government believing that you do have confidence in me.

In the last year you have been necessarily absent from Washington on several occasions. You know how many domestic problems are brought to you by heads of agencies when you are here. Just as many arise when you are absent. While you were away, heads of agencies, believing that I enjoyed your confidence almost daily submitted their problems to me. Many of them were beyond the scope of my Executive Order. Without any authority from you, believing that it would save the accumulation of problems for your decision, I have advised with these officials and encouraged them to decide and act. Instead of advising you of these problems, I have kept them away from you so that you might devote yourself to important decisions in the prosecution of the war.

Because my Executive Order charges me with the duty of developing mobilization programs, the military services sent me a copy of the letter written you recommending that you urge a National Service Law. To those who spoke to me, I stated that when you had the matter under consideration in August you determined not to urge it, but I did not know your views at this time.

When the Manpower Commission inquired, I could only advise that I knew of no change in your position. McNutt was going West the day you sent your message to the Congress. He wrote six speeches in the light of your views last August. The day the message was sent I had to advise his office that I had not withheld any information; that I knew nothing of your views as to mobilization until the message was released to the press.

The day before the message was sent, Secretary Stimson telephoned to say that he had never received a reply to the letter he sent you urging a National Service Law and he wished to know whether you were going to consider the proposal. I told him I had no information on the subject but that he should not complain as you had been sick. When the message was delivered he telephoned me to congratulate me on having withheld the information from him in a diplomatic way. Of course, I told him that I knew nothing about the message, — just as I had to tell others.

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

I had to devote considerable time to the coal, steel and railroad strikes. The public demanded action. It was my opinion that at this time you could not get a National Service Law, but you might get an anti-strike law with teeth in it. I prepared a memorandum as to legislation believing that if you determined to make a recommendation you would give me a chance to present my views. I did not get the opportunity.

Last Summer you asked me to take charge of the consumers' subsidies program. The interested agencies agreed that to take care of the commitments as of that date you would need $1,100,000,000. There were several programs that would cost at least $300,000,000 more. Today the program is costing $1,300,000,000, and if we take care of the dairy situation it will cost $100,000,000 more. We determined that you could not accept the responsibility for holding the cost of living at anything near the present level if you were given less than $1,500,000,000. Vinson, Jones and Bowles testified to this effect. I urged the program upon many Senators.

About three weeks prior to your message the Budget announced that the war this year would cost $92,000,000,000. I know it will be nearer $80,000,000,000. You announced your subsidy program and stated it would cost "about 1%" of the annual cost of the war. One percent of the Budget figure means $920,000,000. Taft and others had been urging a maximum of $900,000,000. They immediately announced that you agreed with their views. Vinson and Bowles asked what was the explanation of the Administration changing its position as to the amount. I admitted I had no information about it.

Since the message, the Senate Committee invited us to return to discuss the matter. Vinson, Jones and Bowles stood by their previous statements. I did not go because I knew I would be embarrassed by Taft and his associates. Maloney's amendment for $1,500,000,000 was defeated by only one vote.

Had you given me an opportunity to submit a memorandum as to the status of the subsidy matter, I know you would have been willing to state that the program would cost "about 1 1-2%" instead of "about 1%" of the cost of the war this year. That would not have weakened your statement. It would have saved us embarrassment.

Since October 1942 I have submitted memoranda as to matters in my charge requiring decision by you. You have been very generous. You promptly have advised me of your wishes or stated that you wanted to see me to talk with me. Last week I submitted to you a memorandum about Clayton. Baruch had recommended his appointment to handle raw materials. I recalled that after delegates to the Food Conference were appointed, you expressed regret that Clayton was included in the list submitted by the State Department. His name had been overlooked by you. You mentioned his being a member of the Liberty League. Because of this, I asked Hopkins about Baruch's recommendation just before Harry went to the hospital. He thought highly of Clayton but agreed it was wise I should submit it to you. In submitting it, I outlined briefly what I gathered from Baruch would be his recommendation as to plans placing consumers' goods in Treasury and raw materials in an R. F.C. corporation. This was done only to give you an idea as to the kind of job for which Clayton was recommended.

A few days thereafter Judge Rosenman brought to me my memorandum addressed to you. Upon it was a notation "S. I. R. will you speak to me about this?" Rosenman said you told him to tell me that you did not want Clayton appointed, and that you were very positive about it. He said that you also wished me to see you or submit a memorandum explaining more fully the plan I stated would probably be recommended by Baruch.

I should have accepted Rosenman's statement as an order and advised Baruch that you did not wish me to appoint Clayton. I knew, however, that Clayton would be humiliated. His friends would not understand how he could be appointed Assistant Secretary of Commerce and an official of R. F. C. after the Liberty League incident, and then, because of that incident, be rejected for this appointment. They would suspect other reasons.

But I knew that if instead of sending a message to me through a third person, you had answered my memorandum as you had on all previous occasions, I would have asked to see you to present the implications and ask further consideration. I know it is impossible for you to devote much thought to such matters while you are directing the conduct of the war. I knew that Judge Rosenman could not know what we had done or what we planned to do in this matter. I determined to act as if I had not noticed your changed attitude and ask to see you. The next day you gave me that opportunity. You invited Judge Rosenman to the conference. Before I had an opportunity to present my views as to Clayton, you stated you believed Clayton would be an excellent man to handle raw material, the appointment for which he was being considered. I was glad I had not acted upon the instructions received from Judge Rosenman.

Last Fall the Attorney General and the Director of the Budget wrote you letters suggesting that I be asked to straighten out the Soldiers' Vote Bill. They charged the Army and Navy with delaying action. You forwarded the letters to me with the request that I take charge of it; that you deemed it of great importance. I got the departments to agree on a bill. I followed the bill to the Senate. When Lucas' bill was defeated, we conferred trying to find a plan to get the question once more before the Senate. I frequently have conferred with House leaders as to strategy in the House. Senators Green and Lucas asked my assistance to get the bill up in the Senate Monday so that the Senate could act before the House did.

Tuesday afternoon Senator Lucas came to see me. He said that Rosenman had shown to him a copy of the message you were going to send to the Congress today. Lucas said it was a good message but it was a political message and he doubted whether it was wise to send it because he was counting on seventeen Republican votes and it might cause him to lose some of these votes. I told him I knew nothing about the message. I think he doubted my statement. I told him if it was a good message it should gain votes in the House and that even if he lost a few Republicans in the Senate, he still had a safe majority. We went over the list. We agreed that seven Democrats who had voted against the bill in December were now in favor of it. There are five others who were not present in December and are now in favor of the bill. He concluded it would be all right to send the message.

Last Fall you might well have asked Judge Rosenman instead of me, to take charge of this matter. It is not within the scope of my order; it is purely legislative and political. But you did ask me. When you went abroad Lucas and others continued to confer with me. I told them of your request of me in order to let them know your interest in the matter. It was embarrassing to admit that I did not even know you were going to send a message. You and I know that Senators will be advised of this situation.

I have referred to these incidents only because they are a part of other circumstances which make it impossible for me now to maintain unimpaired my own relationship with other agencies and with the Congress.

Heretofore, when heads of agencies have brought to me their controversies, they have accepted my decision only because they believed I would have your unqualified support. They cannot have that view now. I know they will feel that if I am not consulted about matters in my own office, I certainly will not have much influence about matters in their offices. Therefore, I cannot be of service to you in the settlement of departmental controversies. Nor can I be of service in matters pending in Congress.

Because I feel this way about it, for the last ten days I have been avoiding problems. When an official speaks to me about a matter beyond the scope of my Executive Order I state I have no authority to act and that he must submit it to you. Whenever I cannot cheerfully give all my waking hours to a job, I cannot remain in that job. I want to leave, -- but I want to leave in such a way that I will not give comfort to your political enemies.

Were it not for the circumstances above set forth, it is probable that at this time I would not ask you to consider a reorganization of the Office of War Mobilization. But I have been thinking of it and there is real merit in the proposal. The fundamental function of the office is to establish general policies. So far as mobilization for war is concerned, that job is about accomplished. Cut-backs in programs, accumulations of stock-piles, etc., however, make demobilization an immediate problem. In about a week I shall submit to you a statement of the general policies to control this demobilization. If this statement is approved by you, it will establish the general policies and the responsibilities of the Office of War Mobilization in demobilization will have been discharged. The job that will remain will be the administrative one of giving practical application to the policies you approve. This is a responsibility that should be discharged by the War Production Board, perhaps under enlarged powers.

All matters affecting prices, wages and subsidies must now be decided by Vinson and do not require action by this office. That responsibility should not be divided.

When I recommend a reorganization merging this office with the War Production Board there can be no charge that you are taking from me something I want. I can make plain that the new job requires a man with more experience in production than I possess.

If, however, you do not approve this reorganization suggestion and wish to have the office continued, then I will not include it in my recommendation to you. In such case, I shall greatly appreciate it if you can arrange to have my successor take charge next week. Then when I submit my Report on Demobilization I can leave.

I know that one reading this letter may be misled into believing that I have changed my attitude toward you. But I know that is not true. Within the last few days I have done several things that cause me to know that I am sincere in saying I shall be found urging your nomination and election. I shall do this because I believe it essential for the welfare of this country and I shall enjoy doing it because of my personal affection for you.

Sincerely yours,

James F. Byrnes

JAMES F. BYRNES.

PSF: Byrnes folder
2-44

THE WHITE HOUSE

WASHINGTON

HIGHLY CONFIDENTIAL

February 18, 1944.

file

MEMORANDUM FOR

HON. JAMES F. BYRNES

For your eyes only. Please return.

F. D. R.

MEMORANDUM TO MISS TULLY

Dear Grace:

I am returning this for your files.

J.F.B.

PSF: Byrnes folder
2-44

THE WHITE HOUSE

WASHINGTON

HIGHLY CONFIDENTIAL

February 18, 1944.

MEMORANDUM FOR

HON. JAMES F. BYRNES

For your eyes only. Please return.

F. D. R.

Memorandum to the President from Jonathan Daniels, dated Feb. 16, 1944, re appointing someone familiar with the human and community aspects of the problem to the Special Unit in the Office of War Mobilization to deal with War and Post War Adjustment problems. He suggests someone of Lilienthal's type.

THE WHITE HOUSE
WASHINGTON

February 16, 1944

MEMORANDUM FOR: The President

FROM: Jonathan Daniels JD

May I suggest the possible merit, both as to the end result and to present and future public acceptance, of the addition of someone familiar with the human and community aspects of the problem to the Special Unit in the Office of War Mobilization to deal with War and Post War Adjustment problems.

I have the greatest admiration for Mr. Baruch. There can be no question about his knowledge and skill with regard to the business questions involved. This is true also of his assistant, Mr. John Hancock. Both Mr. Baruch and Mr. Hancock, however, bring the investment mind to this question which has endless human, community and regional aspects. I am thinking about such a man as David Lilienthal who has knowledge of great projects in terms of their human as well as their governmental and financial details. I am not specifically suggesting Lilienthal, though I know he is interested in this matter, but using him as an example.

Of course, this is an economic problem with which Mr. Baruch and Mr. Hancock are dealing, but it is a highly emotional one also in that realm of the emotions which sometimes creates political dynamite. Readjustment is bound to mean the readjustment of people and of towns, of states and regions as well as of contracts.

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THE WHITE HOUSE

WASHINGTON

[redacted]

March 3, 1944.

MEMORANDUM FOR

HON. JAMES F. BYRNES

Will you speak to me about this?

F. D. R.

Letter to the President from Morris L. Cooke, dated March 2, 1944, re Will Clayton's appointment which he says is looked upon as a tragis event in American economic history.

DECLASSIFIED
By Deputy Archivist of the U.S.

By W. J. Stewart Date JAN 30 1973

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OFFICE OF WAR MOBILIZATION
WASHINGTON, D. C.

JAMES F. BYRNES
DIRECTOR

file personal

March 20, 1944

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES F. BYRNES

Last week I asked Grace to advise you that the Navy was to present a medal to Joe Kennedy's son and suggested you might wish to present it. Grace said that ordinarily you did not present any medal except the Congressional medal, but later advised me that you would be glad to present this medal to Joe's boy.

The following day I talked to Joe. It seems that he was advised by naval officers that little Joe was recommended to receive a certain medal. A board of officers on the staff of Admiral Halsey considered the recommendation and awarded a medal of less value than the one for which the boy was recommended. The father is greatly disappointed.

As to the presentation, he said that as it was not the rule for the President to present a medal of this character that he thought it best for his son that an exception should not be made. Therefore, I withdraw my request that you present the medal and suggest that Grace advise the Secretary of the Navy to proceed with the presentation in the routine way.

Taken care of by phone GGT

J.F.B.

PSF: Byrnes folder 2-44

file personal

THE WHITE HOUSE

WASHINGTON

June 10, 1944.

MEMORANDUM FOR

HON. JAMES F. BYRNES

This is an excellent suggestion -- but, at the same time, a very bad one. Perhaps that part of your work which you speak of can logically be turned over to WPB -- except you and a few people in your office whom I cannot possibly get along without. In other words, your memorandum is constructive but, at the same time, destructive.

As you know, you are indispensable on the handling and the actual settling of scores of problems which are constantly arising. You have been called "The Assistant President" and the appellation comes close to the truth.

Therefore, please put your mind to work to keep your work -- or the better part of it -- in that category.

F. D. R.

OFFICE OF WAR MOBILIZATION
WASHINGTON, D. C.

JAMES F. BYRNES
DIRECTOR

June 10, 1944

MEMORANDUM FOR THE PRESIDENT:

In the Senate there is pending Senate Bill No. 1730, copy of which is hereto attached. Among other things, it establishes an Office of War Mobilization and Post-war Adjustment.

For several weeks the Committee has insisted that I state my views to the Committee. I have agreed to appear Monday morning.

I intend to discuss the unemployment insurance and other features of the bill but I shall not bother you about that part of my statement. I feel, however, I should submit to you what I intend to say about the establishment of a new office. The enclosed statement represents my views. I am sure it will not hurt you or the administration.

J. F. B.

J. F. B.

Last December I discussed with you in executive session the problems of contract termination and the disposition of surplus property. I told you that while waiting for the enactment of legislation which we agreed was essential, I would proceed as far as possible under existing law.

In December we established the Contract Termination Board. Mr. John Hancock has been acting as Chairman. Progress has been made, but to operate efficiently legislation is necessary. The Bill passed by the Senate provides the necessary machinery for contract terminations and I hope it will soon be acted upon favorably by the House.

In February by Executive Order there was established the Surplus War Property Administration. Mr. William L. Clayton was appointed Administrator. The experience of the Administrator should be helpful in the drafting by your committees of the Bill providing for the disposition of surplus property.

The Baruch Report recommended the establishment of a Work Director. By Executive Order the Retraining and Reemployment Administration was established. Brigadier General Frank T. Hines was placed in charge of this work. He is making progress and I understand has appeared before your committee as to certain phases of his work.

The Post War Adjustment Unit established last Fall has been under the direction of Mr. Bernard M. Baruch, with the assistance of Mr. Hancock. Having filed their Report, some week ago they advised me there was no reason for the continuance of the Unit and requested that it be discontinued. This request was agreed to. Mr. Baruch continues as Special Adviser to the Office of War Mobilization, the position he has occupied since the establishment of the office.

I have recited the status of these agencies under the direction of O. W. M. and concerned with the reconversion program before presenting to you my views as to the bill you have invited me to discuss, -- S. 1730. A member of your staff was kind enough to submit to me a draft of the bill a few days ago. I made some suggestions as to the language of the bill. Since then, I have given further thought to the bill and particularly to the provisions of Section 101 (b) (3) reading as follows:

> "(3) Institute a broad study for submission to the President and the Congress, on the need for the simplification, consolidation, or elimination of such executive agencies as have been established for the purpose of the war emergency, and for the reestablishment by statute, or termination, of such agencies as now exist under Executive order only;"

I am in hearty accord with the objective of that provision. Our government machinery was established for peace, not war. In changing from peace to war it was necessary to create a number of agencies. When peace comes, those agencies should go. It is all right to make a study now, so when the emergency passes we can act promptly. However, when confronted with the proposal to establish an agency with statutory life of three years, I think we should consider a consolidation now without waiting for a study of the whole situation, which will necessarily take some months.

I recommend that you do not establish a new agency, namely, the Office of War Mobilization and Postwar Adjustment. I recommend that you eliminate the Office of War Mobilization and transfer its functions and the functions proposed by this bill to be conferred upon the new agency to the War Production Board.

The War Production Board must play an important part in any reconversion program. When property is declared by procurement agencies to be surplus property, before the Surplus War Property Administrator can sell it he must

consult that Board. The prospective purchaser of raw material must consult the War Production Board to ascertain whether such material can be used in the manufacture of civilian products. When contracts are terminated in a community where no additional war contracts are available, the War Production Board must determine whether the factories can be returned to civilian production.

The Office of Civilian Requirements, with its intimate knowledge of the supply of civilian goods and the necessity for additional supplies, is in that organization. The Smaller War Plants Corporation is also a part of the War Production Board.

With its control over industry, it is certain the War Producti n Board must continue in existence for the period of demobilization.

Today the Surplus War Property Administration, the War Contracts Termination Board and the Retraining and Reemployment Administration are under the over-all direction of the Office of War Mobilization. Such direction and supervision by one office is desirable not only to insure that their policies will be coordinated but to insure that problems in any one of the three agencies, when necessary, may be communicated through the Director to the President. However, the Chairman of the War Production Board, like the Director of War Mobilization, attends Cabinet meetings and, therefore, when the necessity arises, would have an opportunity to present to the President problems incident to the reconversion program.

It would not be necessary to disturb the Retraining and Reemployment Administration. The Administrator is also the Administrator of the Veterans Administration and in that capacity he now reports directly to the President. He could continue to do so. Under the provisions of Section 101 (b) (4) a study is to be made as to a program consolidating within the Department of

Labor all executive agencies in the field of manpower. If as a result of that study Congress should legislate, it could decide whether the Retraining and Reemployment Administration should be included or should continue its independent existence.

As to the Office of War Mobilization, since I met with you last December the situation has greatly changed. Prior to that time, the procurement agencies were engaged in developing new programs. They were in competition for component parts. The change from defensive warfare to offensive warfare necessitated many changes in production. Now these programs, with a few exceptions, have reached a peak. Now the job is to maintain that peak. In the programs constituting the exceptions, there are serious manpower problems. It is a difficult job but it is a job to be handled by the procurement agencies and a job which can be supervised by War Production Board.

It is part of the duty of the Director of the Office of War Mobilization to settle controversies between agencies of the government. While programs were being developed and there was keen competition between agencies for component parts, controversies were to be expected. Now there are few such controversies. There is little friction among the non-military agencies. The jurisdictional questions that were common while new activities were undertaken, now are rare.

I do not think the Office of War Mobilization should be continued merely for the purpose of settling controversies. Should a controversy arise that cannot be settled without submission to the President, he can designate some individual who can hear both sides and make a recommendation to him.

By abolishing the Office of War Mobilization little money will be saved because I have been able to get along with a small staff and an appropriation of only $140,000, which included the expenditure for the Postwar

Unit headed by Mr. Baruch. But considerable money may be saved by not establishing the new agency with the powers proposed to be conferred by this Bill. The duty of over-all planning and the duty of assisting other executive agencies in planning, would necessitate a larger staff and involve a larger expenditure. If we organize a large staff of Planners, on their own motion, they may devote a lot of time to planning to make the organization permanent. The War Production Board has a research division with economists and statisticians, and as production programs are decreased, the personnel could be employed in the work outlined in this Bill.

I hope you will retain in the Bill the provision for the study of plans for the consolidation and elimination of agencies. That study, however, can be made by the Director of the Budget who has an efficient research division. It is good to investigate but it is better to act. I hope you can agree with my recommendation.

[SUBCOMMITTEE PRINT]

MAY 27, 1944

Proposed Revisions of S. 1730 (No. 2)

78TH CONGRESS
2D SESSION

S. 1730

IN THE SENATE OF THE UNITED STATES

FEBRUARY 22 (legislative day, FEBRUARY 7), 1944

Mr. GEORGE (for himself and Mr. MURRAY) introduced the following bill; which was read twice and referred to the Committee on Military Affairs

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A BILL

To provide a national program for demobilization and post-war adjustment.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—GENERAL PROVISIONS

SEC. 101. (a) There is hereby established in the Executive Offices of the President, the Office of War Mobilization and Post-War Adjustment, which shall be headed by the Director of War Mobilization and Post-War Adjustment. The Director shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive

1 compensation at the rate of $15,000 per year, and shall
2 serve for a term of two years.

3 (b) In addition to any powers which the President has
4 under the Constitution and the statutes of the United States,
5 and which the President may delegate to him for the purpose
6 of more effectively coordinating the mobilization of the
7 Nation for war, the Director shall, subject to the direction
8 of the President—

9 (1) formulate and develop for submission to the
10 President and the Congress a comprehensive program
11 for demobilization and readjustment from war to peace,
12 including specific policies aimed at achieving rising
13 standards of living, full employment, and effective utili-
14 zation of our productive resources in the period of transi-
15 tion from war to peace and thereafter and setting forth
16 national goals for consumption, employment, produc-
17 tion, foreign trade, and investment, together with such
18 legislative and administrative proposals as may be neces-
19 sary to effectuate such a program;

20 (2) promote and assist in the development of de-
21 mobilization and post-war adjustment plans and programs
22 by other executive agencies; develop procedures whereby
23 each executive agency is kept informed of the demobiliza-
24 tion and post-war adjustment programs and proposals
25 which relate to its work and which are being developed

1 or carried out by other executive agencies; and settle
2 controversies between such executive agencies in the
3 development and administration of such programs and
4 proposals;

5 (3) institute a broad study for submission to the
6 President and the Congress, on the need for the sim-
7 plification, consolidation, or elimination of such executive
8 agencies as have been established for the purposes of the
9 war emergency, and for the reestablishment by statute, or
10 termination, of such agencies as now exist under Execu-
11 tive order only;

12 (4) institute a specific study, for submission to the
13 President and the Congress, of the present functions of
14 the various executive agencies in the field of man-
15 power, and develop a program for reorganizing and con-
16 solidating such agencies to the fullest extent practicable
17 within the Department of Labor; and

18 (5) submit reports to the Senate and the House of
19 Representatives on the 1st days of January, April, July,
20 and October, on the activities undertaken or contem-
21 plated by him under this title. Such reports shall sum-
22 marize and appraise the activities of the various executive
23 agencies in the field of demobilization and post-war
24 adjustment, and may include such legislative proposals
25 as he may deem necessary or desirable.

1 (c) The Director shall—

2 (1) within the limits of funds which may be made
3 available, employ and fix the compensation of such
4 Deputy Directors and other officers and employees, and
5 may make such expenditures for supplies, facilities, and
6 services as may be necessary to carry out the provisions
7 of this section;

8 (2) consult with representatives of labor, industry,
9 agriculture, and with other public and private individuals
10 and groups, and establish advisory boards composed of
11 representatives of labor, industry, and agriculture, and
12 such other advisory boards as he may deem necessary;
13 and

14 (3) perform, to the fullest extent practicable, the
15 duties imposed upon him through the facilities and
16 personnel of other executive agencies; may call for such
17 reports and information by other executive agencies as
18 will enable him to carry out the provisions of this sec-
19 tion, and it shall be the duty of such other executive
20 agencies to furnish such information and reports.

21 SEC. 102. (a) There is hereby established a Special Joint
22 Committee on Post-war Adjustment (hereinafter referred
23 to as the "committee") to be composed of four Members
24 of the Senate (not more than two of whom shall be mem-
25 bers of the majority party) to be appointed by the President

1 of the Senate, and four Members of the House of Repre-
2 sentatives (not more than two of whom shall be members
3 of the majority party) to be appointed by the Speaker of
4 the House of Representatives. Vacancies in the membership
5 of the committee shall not affect the power of the remain-
6 ing members to execute the functions of the committee, and
7 shall be filled in the same manner as in the case of the
8 original selection. The committee shall select a chairman
9 and a vice chairman from among its members. The com-
10 mittee is empowered to appoint and fix the compensation
11 of such experts, consultants, technicians, and clerical and
12 stenographic assistants as it deems necessary and advisable.
13 The committee may utilize such voluntary and uncompen-
14 sated services as it deems necessary, and is authorized to
15 utilize the services, information, facilities, and personnel of
16 the departments and agencies of the Government. The ex-
17 penses of the committee shall be paid one-half from the con-
18 tingent fund of the Senate and one-half from the contingent
19 fund of the House of Representatives upon vouchers signed
20 by the chairman.

21 (b) It shall be the function of the committee—

22 (1) to make a full and complete study and investi-
23 gation with regard to legislation on demobilization and
24 post-war adjustment in cooperation with such public and

1 private agencies and such persons as it might see fit to
2 consult;
3 (2) to consult with the President and the Director
4 on the need for legislation on demobilization and post-
5 war adjustment;
6 (3) to consult with the appropriate standing com-
7 mittees in the Senate and in the House of Representa-
8 tives on the preparation of demobilization and post-war
9 adjustment legislation, and on methods of obtaining
10 expeditious action on demobilization and post-war ad-
11 justment legislation by achieving coordination among,
12 and avoiding duplication of effort between, such com-
13 mittees; and
14 (4) to study and review each report submitted to
15 the Congress by the Director, and otherwise maintain
16 continuous surveillance of the operations of the Director
17 and other executive agencies under section 101 of this
18 Act.
19 SEC. 103. The Attorney General is directed to make sur-
20 veys for the purpose of determining any factors which may
21 tend to eliminate competition, create or strengthen mo-
22 nopolies, injure small business, or otherwise promote undue
23 concentration of economic power during the period of transi-
24 tion from war to peace and thereafter. The Attorney Gen-
25 eral shall submit to the Congress within ninety days after the

1 approval of this Act, and at such times thereafter as he
2 deems desirable, reports setting forth the results of such
3 surveys and including recommendations for such legislation
4 as he may deem necessary or desirable.

5 TITLE II—INDUSTRIAL DEMOBILIZATION AND
6 RECONVERSION

7 SEC. 201. Any contracting agency shall terminate
8 prime contracts for war production whenever in the opinion
9 of the agency the performance under such contracts will not
10 be needed for the prosecution of the war, and shall not con-
11 tinue performance under such contracts merely for the
12 purpose of providing business and employment, or for any
13 purposes other than the prosecution of the war.

14 SEC. 202. (a) Any Government agency exercising con-
15 trols over production, allocation of materials, or priorities,
16 shall permit the expansion, resumption, or initiation of non-
17 military production whenever such production will not re-
18 quire materials, components, facilities, or labor needed for war
19 purposes, or will not otherwise adversely affect or interfere
20 with production for war purposes.

21 (b) Such nonmilitary production shall be permitted
22 regardless of whether one or more competitors normally
23 engaged in the same type of nonmilitary production are still
24 engaged in the performance under any contract which is
25 needed for the prosecution of the war, and shall not be made

1 dependent upon the existence of a concern or the functioning
2 of a concern in a given field of activity at a given time.
3 (c) Whenever such expansion, resumption, or initia-
4 tion of nonmilitary production is authorized by any such
5 Government agency on a restricted basis, the restrictions
6 imposed shall be such as not to prevent any small plant
7 capable and desirous of participating in such expansion,
8 resumption, or initiation of nonmilitary production from
9 achieving reasonable economies of operations in such non-
10 military production.
11 (d) Whenever such Government agency allocates avail-
12 able materials for the production of any nonmilitary item
13 or group of items, it shall set aside a percentage of such
14 materials for the exclusive use by small plants for the pro-
15 duction of such item or group of items. Such percentage
16 shall be agreed upon in each instance between the head of
17 such Government agency and the chairman of the board
18 of directors of the Smaller War Plants Corporation, and
19 any disagreement shall be submitted to the Director, whose
20 decision shall be final. In allocating the materials thus set
21 aside among such small plants, such Government agency
22 shall follow the criteria, standards, quotas, schedules, or
23 other conditioning factors to be established by the chairman
24 of the board of directors of the Smaller War Plants Cor-
25 poration. For the purposes of this title, any small business

1 concern engaged primarily in production or manufacturing,
2 employing 250 wage earners or less, shall constitute a
3 small plant unless such concern is a subsidiary or affiliate
4 of a larger concern. The chairman of the board of directors
5 of the Smaller War Plants Corporation and the head of such
6 Government agency may, by agreement, increase or de-
7 crease the number of wage earners which shall qualify a
8 concern as a small plant, taking into consideration the com-
9 parative size of establishments in a particular industry.
10 SEC. 203. The curtailment of war production and the
11 termination of war contracts shall, to the greatest extent com-
12 patible with the effective prosecution of the war, be inte-
13 grated and synchronized with the expansion, resumption, or
14 initiation of production for civilian purposes. To effectuate
15 this policy, the contracting agencies shall continuously survey
16 their product and material requirements and shall report
17 to the Chairman of the War Production Board, in such form
18 and detail as he may determine, on current and anticipated
19 changes in requirements. The Chairman of the War Pro-
20 duction Board shall (1) recommend such modifications in
21 the requirements of the contracting agencies as he determines
22 necessary to effectuate the policies set forth in this title,
23 and (2) develop programs setting forth the principles to be
24 followed by the contracting agencies in selecting individual
25 contracts or classes of contracts for curtailment or termina-

1 tion. Any disagreement between a contracting agency and
2 the Chairman of the War Production Board shall be sub-
3 mitted to the Director, whose decision shall be final.

4 TITLE III—MANPOWER DEMOBILIZATION AND
5 REEMPLOYMENT

6 SEC. 301. The War and Navy Departments shall dis-
7 charge from the armed forces of the United States the men
8 and women serving therein during the present war as rapidly
9 as the appropriate department determines that the services
10 of such persons are no longer needed for the prosecution of
11 the war or for the national defense, and shall not retain
12 such persons in the armed forces merely for the purpose
13 of preventing unemployment or awaiting opportunities for
14 employment.

15 SEC. 302. (a) For the purpose of compiling and mak-
16 ing available to returning servicemen and servicewomen, and
17 civilian workers, full information on the decline or increase
18 of employment opportunities in industry and agriculture, the
19 United States Employment Service shall be continued as a
20 nationally operated system of public employment offices
21 for a period of two years after the termination of hostilities
22 as proclaimed by the President or by concurrent resolution
23 of the Congress.

24 (b) The United States Employment Service is author-
25 ized and directed to provide, in accordance with regulations

1 prescribed by the President, transportation, including trans-
2 portation of dependents and household effects, for civilian
3 workers who have been employed in activities essential to
4 the war effort, from the place of such employment to the
5 location of new employment accepted through the United
6 States Employment Service or to the location of their bona
7 fide residence within the continental United States prior
8 to their migration to war employment; provided that the
9 cost of such transportation shall not exceed $200 for any
10 one worker, his dependents and household effects and shall
11 not exceed the amount allowable for civilian employees of
12 the several departments and independent establishments of
13 the Federal Government in the standard Government travel
14 regulations.

15 SEC. 303. The United States Commissioner of Educa-
16 tion is authorized and directed to assist the States, through
17 such agencies as may be designated therefor by each State,
18 in determining the need for, and in developing programs of,
19 vocational guidance and training for gainful employment of
20 workers in nonmilitary production, and in preparing plans for
21 the acquisition and utilization of surplus Government-owned
22 property for such vocational guidance and training.

23 SEC. 304. (a) For the period beginning July 1, 1945,
24 and ending two completed calendar years after the termina-
25 tion of hostilities in the present war, as declared by Presi-

1 dential proclamation or concurrent resolution of the Congress,
2 section 303 (a) of the Social Security Act is amended by
3 changing the period at the end thereof to a semicolon and
4 adding:
5 "and
6 "(10) payment of unemployment compensation is
7 not denied to any individual, by reason of exhaustion or
8 cancelation of his benefit rights, until he has received
9 an amount equal to compensation for twenty-six weeks
10 of total unemployment within a benefit year;
11 "(11) taking into account all service for an em-
12 ploying unit employing one or more persons in 'em-
13 ployment' as defined in section 1607 (c) of the Federal
14 Unemployment Tax Act in determining employment for
15 the purpose of benefit rights; and
16 "(12) payment of a maximum rate of unemploy-
17 ment compensation, including any allowance to, or on
18 account of, dependents, of not less than $25 a week of
19 total unemployment."
20 (b) There is hereby created in the Unemployment Trust
21 Fund established by section 904 (a) of the Social Security
22 Act an account to be known as the "Federal Guarantee Ac-
23 count". There is hereby authorized to be appropriated to
24 the Federal Guarantee Account (1) the excess of the taxes
25 collected under title IX of the Social Security Act and under

1 the Federal Unemployment Tax Act over the total unem-
2 ployment administrative expenditures; and (2) such further
3 sums, if any, as may be necessary to carry out the purpose of
4 this section. All money paid into the Federal Guarantee
5 Account shall be invested by the Secretary of the Treasury
6 as a part of the Unemployment Trust Fund, and shall be
7 credited with interest in the same manner as the separate
8 book account for the State, and shall be available for carrying
9 out the purpose of this Act.

10 (c) Each State which the Social Security Board finds
11 (1) complies with the provisions of subsection (a), and (2)
12 has not in its unemployment fund a balance equal to the
13 total contributions collected under the unemployment com-
14 pensation of such State during the preceding calendar year
15 shall be entitled to receive from the Federal Guarantee Ac-
16 count an amount equal to the unemployment compensation
17 paid which is in excess of 2.7 per centum of the pay roll
18 under the unemployment compensation law of the State.

19 SEC. 305. (a) Each State which complies with the
20 provision of this section, either by means of an agreement
21 with the United States to make payments supplementary to
22 those under its unemployment compensation law or by means
23 of temporary or permanent amendment of its unemployment
24 compensation law, shall be entitled to receive from the Fed-

1 eral Guarantee Account the additional cost of any such pay-
2 ments made prior to July 1, 1945.

3 (b) The Board is authorized, on behalf of the United
4 States, to enter into agreements with States or State unem-
5 ployment compensation agencies under which such State
6 agencies will make, as agents of the United States, payments
7 supplementary to those under their respective unemploy-
8 ment compensation laws.

9 TITLE IV—HOUSING AND PUBLIC WORKS

10 SEC. 401. The Administrator of the National Housing
11 Agency is authorized and directed to survey and analyze
12 national housing needs in the period of transition from war
13 to peace and thereafter, and to develop for submission to
14 the President and the Congress a comprehensive program
15 for meeting such needs through private housing enterprise
16 and through research, techincal assistance, and financial aid
17 to private housing enterprise and to local housing undertaken
18 by communities and integrated with plans for community or
19 urban redevelopment.

20 SEC. 402. (a) In order to encourage States and other
21 non-Federal public agencies to make advance provision for
22 the construction of public works (not including housing),
23 the Federal Works Administrator is hereby authorized to
24 make loans or advances of Federal funds to the States, their
25 agencies and political subdivisions, and the District of Co-

1 lumbia (hereinafter referred to as "public agencies") to
2 aid in financing the cost of architectural, engineering, and
3 economic investigations and studies, surveys, designs, plans,
4 working drawings, specifications, procedures, and other action
5 preliminary to the construction of such public works: *Pro-*
6 *vided,* That the making of loans or advances hereunder shall
7 not in any way commit the Congress to appropriate funds to
8 undertake any projects so planned.

9 (b) Funds appropriated for the making of loans or ad-
10 vances hereunder shall be allotted by the Administrator in
11 the several States in the following proportion: 90 per centum
12 in the proportion which the population of each State bears
13 to the total population of all the States, as shown by the
14 latest available Federal census, and 10 per centum accord-
15 ing to his discretion: *Provided,* That in any State the allot-
16 ments shall aggregate not less than one-half of 1 per centum
17 of the total funds available for allotment hereunder: *Pro-*
18 *vided further,* That no loans or advances shall be made on
19 any individual project unless it conforms to an over-all local
20 or regional plan approved by competent local or regional
21 authority.

22 (c) When public agencies which have received loans
23 or advances under this Act shall undertake the construction
24 of the public works so planned, they shall repay to the
25 Administrator the amounts of such loans or advances, and

1 the sums so repaid shall be covered into the Treasury as
2 miscellaneous receipts.

3 (d) The Administrator is authorized to prescribe rules
4 and regulations to carry out the purposes of this Act.

5 (e) There is hereby authorized to be appropriated such
6 sum or sums as Congress may from time to time determine
7 necessary to carry out the purposes of this Act.

[SUBCOMMITTEE PRINT]

MAY 27, 1944

78TH CONGRESS
2D SESSION

S. 1730

A BILL

To provide for a national program for demobilization and post-war adjustment.

By Mr. GEORGE and Mr. MURRAY

FEBRUARY 22 (legislative day, FEBRUARY 7), 1944
Read twice and referred to the Committee on Military Affairs

10/2/44

file
not sent

Pst: Byrnes

OFFICE OF WAR MOBILIZATION
WASHINGTON, D. C.

JAMES F. BYRNES
DIRECTOR

August 28, 1944

Ex off

MEMORANDUM FOR THE PRESIDENT:

As to the attached message, if it is to be sent, it should be sent promptly. There is a question as to timing. On this question you are the best judge. The facts are, the surplus property bill is now in conference but there are such differences between the House and Senate bills that many important provisions of the law will be written in conference. Some of these provisions in controversy are referred to in a general way in your message.

The bill establishing the Office of Mobilization and Reconversion has passed the Senate and will be taken up in the House on Tuesday. It will probably take three or four days to dispose of it in the House.

As to your references to the surplus property bill, I have told you my views on the leasing of plants upon condition that the lessee maintain full employment. Your message, however, states only that the lessee shall maintain a definite number of jobs as a minimum, which leaves the number of jobs to be determined in each particular case by the representatives of government and the lessee.

As to the guarantee to use the plant for production, the Senate Bill has a provision that "The plant shall be maintained in substantial operation and production for a period of two years next succeeding the date of the contract." It has a saving clause, however, that if the operation is prevented by any cause beyond the control of the purchaser, it shall not be considered a breach of the condition. Your general statement is in accord with the Senate Bill but not the House Bill.

On the unemployment compensation section, you have on page 9 a question mark as to the inclusion of domestic servants and farm labor. Neither the House bill nor the Senate bill includes these classes. I would not include them.

I have doubts about sending this message at this time, but if you intend sending it, I repeat it should be done promptly.

J.F.B.

PSF
Byrnes

1st Draft

DRAFT

TO THE CONGRESS OF THE UNITED STATES:

It is impossible, ~~of course,~~ for anyone with knowledge of the facts to attempt to predict when the war in Europe will be over. I, for one, shall try to make no such prediction.

However, we all know from newspaper reports that, together with our Allies, we are closing in on Germany from at least three directions -- and from the sky. The end is not yet immediately in sight; and we know that much blood will be spilled and treasure spent before Germany is occupied by the United Nations — as it finally will be.

However, the goal is now so much closer than it was just a few months ago, that it would be [nothing less than] foolhardy if we did not now push to conclusion our plans to take care of the dislocations in our domestic economy which will come when the European War ends. [We must complete these plans with the same kind of speed and pressure and determination as our armies are now showing in their sweep through France.] The time grows shorter and shorter -- and with each day the urgency of action becomes more and more acute.

Much of the planning and groundwork has already been ~~done~~ laid by the Executive departments. Executive Orders have been in operation for months; but They are, of necessity, limited in scope and effectiveness. There is now need for comprehensive legislation [, and for a broad grant of powers] by the Congress, [for the solution of the difficult problems to be met with the]

coming of victory.

Many bills have been pending for many months in both Houses of the Congress. It is not for me to attempt to recommend one over the other. What I do recommend, however -- indeed what I urge -- is that there now be an end to argument -- and that there be some action now.

I do have an observation which I desire to make with respect to most of the current discussion of the problem. It seems to me that emphasis has been misplaced. Most of it deals primarily with unemployment, and how to tide the workers over this dangerous period. I agree, of course, that such legislation is nothing short of essential. In fact the whole system of unemployment compensation, so far as the Federal Government is concerned, was initiated and carried though to its present levels by this Administration. It is fortunate that we now have a system of peace-time social security on which we can build for post-wartime purposes.

However, in our post-war plans, we must place the emphasis affirmatively not on unemployment, but on employment. The major task before us is not how to take care of the unemployed; it is how to see to it that there will be no unemployed. If there is a will to do this, I am sure that it can be done.

INSERT A - Page 2

It seems to me that in much of the current discussion of the problem, the emphasis has been misplaced.

Speed is ~~a~~ essential. Many bills have been pending for many months in both Houses of the Congress. The whole subject of taking care [both] of veterans and of war workers as they return to peacetime life has been thoroughly debated. [I think that] The time has definitely come for ~~some~~ action. I know that the Congress will take it in good part if I emphasize that the major need is for employment rather than [the need] for compensation for unemployment. That is the crux of my thinking. The principal problem of demobilization is not the emergency care of the unemployed, but to see that there will be a minimum of unemployment. ~~I hope that no citizen will misplace the emphasis.~~

It goes without saying that unemployment compensation is very important. Recent Congresses have ~~sponsored~~ enacted and expanded a wide system of unemployment compensation ~~in~~ with cooperation ~~with~~ between the Federal Government ~~with~~ and the several States. It is fortunate that we therefore ~~Therefore, we~~ have a system of peacetime social security on which we can build for post-wartime purposes.

But I hope that while improving and liberalizing the system of unemployment compensation for demobilization purposes we ~~can~~ lay the emphasis affirmatively on employment — employment in private industry. ~~I hope~~ Jobs ~~will~~ must be there when people ~~actively~~ want to work. If there is the will to do this, I am sure that it can be done.

Back in the dark days when military defeats were the order of the day for the Allies, I remember that when I announced a goal of 50,000 airplanes per year, there was not only ~~legitimate~~ sincere skepticism, but also plenty of derision about such "fantastic" figures. That goal was reached by the American people -- and surpassed -- because the American people had the will and the determination to do it.

I have the same confidence that ~~of~~ the American people -- business and labor and agriculture -- have the will and determination to do for peace what they have done for war; and they can establish a level of national income in the same bold proportions -- a level which will assure full production and employment. ~~But~~ It can be done, if only we use the same courage and vision as we did in our war program.

Everything that we do now should be based on the assumption that such an objective is not only possible, but that it will be attained. This calls, first, for legislation setting up an Office of War Mobilization and Reconversion to be headed by a single Director with plenary powers to accomplish this goal — under such principles and policies as the Congress deems appropriate. There should be under ~~his~~ the Director's control the functions of contract termination and settlement, the disposition of all surplus

[illegible]

INSERT B - Page 4

~~At this time~~ We must remember that the war is not yet won. For example, within the past few months actual fighting experience has taught us ~~that a particular~~ certain kind of ~~munition~~ war materials, the production of which ~~is~~ was actually cut six months or a year ago, ~~has~~ have suddenly become of increased importance. Last year the best military opinion ~~held~~ advised that our plants for the production of trucks and heavy gun amunition could be curtailed. The past few months have changed the picture. ~~Today~~ The estimates have now ~~been~~ revised upward. We find that we need more trucks and more heavy gun amunition than we used to think. That is why, as of today, I still include the words "War Mobilization" ~~as~~ with that of Reconversion. We still have a very definite problem of war production and war mobilization. Every day every one of us should say to himself "The war is not won yet."

But even while ~~we~~ the Director continues to mobilize and produce, he must demobilize and reconvert in others. When he reconverts, in some fields, his

war property and the retraining and reemployment of veterans and workers. Indeed there should be included in his powers ~~all~~ whatever ~~that~~ the Congress ~~deems~~ thinks necessary to see that the job is done.

(B) ~~The~~ primary goal of his office should be to [convert America from a war-time to a peace-time basis] to do it in such a way that every step taken will provide jobs.

For example, it seems to me that Congress should definitely insist that the government-owned and government-financed plants and facilities should be leased only to corporations or individuals who guarantee to use them for production and to furnish therein a definite number of jobs as a minimum, Insert (C) [with the understanding that] if ~~such~~ jobs are not furnished as promised, then ~~that~~ the plants or facilities [be taken away and] should be leased to others who will furnish them. In the same way, all surplus war property and land should be disposed of with the chief objective of furnishing employment, and should, therefore, be sold or leased ~~only~~ primarily to those who can furnish employment, or, in the case of land, to those who will work the land and ~~can best obtain livelihoods on the land.~~ not to those who will speculate with it.

It will become necessary after the war to meet the pent-up consumer demand of many years, and indeed to rebuild the plant of America for that purpose -- its peace-time industries (D) its railroads, its agriculture, its private housing, its commercial aviation, its hospitals -- all

~~which~~

THE WHITE HOUSE

WASHINGTON

(D) p. 4

in automobiles, ice-boxes, air-conditioning and hundreds of others.

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Insert (C)

The emphasis must be on ~~providing employment by private business using these plants~~ How much employment can be provided by private business using these plants with Nashville project.

of its resources. (E) The Congress should provide for the Office of War Mobilization and Reconversion all of the powers necessary to supervise the doing of this job with one primary object in view - to provide employment. (F)

Of course, the provisions with respect to unemployment are essential and should be embodied in the same bill or in contemporaneous legislation. But it seems clear that these provisions for unemployment compensation should not be the primary objective of the legislation. They should be included only to make sure that, until full employment and production are reestablished, there will be no undue suffering and no sharp curtailment of purchasing power which might send us into a tail-spin of depression. (G) To avoid a drastic drop in purchasing power, the amounts payable as unemployment compensation should be large enough and should extend over a sufficient period of time, so that workers will not have to stop buying the necessities of life - adequate food and shelter and clothing. We know that if they do, we are headed for trouble.

I do not propose to make recommendations with respect to the details of this legislation. I do think, however, that certain principles should be borne in mind:

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(E) New curtain uses will be found for aluminum, magnesium, nylon, and countless other products; ~~in~~ energy will be provided for farms and irrigation; a ~~new vista~~ whole new horizon has been opened in transportation by air. These are only a few of the things which a ~~peace time~~ post-war America faces with confidence.

G

We want no return to the ~~apple-selling days and the bread~~ bread lines of the 1930's.

(F)

I am sure that the Congress has in mind ~~#~~ certain other fundamental principles of industrial democracy which should be included in such legislation: ¶ Monopolies and monopolistic practices ~~must~~ should be discouraged. ¶ Small business must be encouraged and assisted. ¶ The competitive system of free enterprise must be ~~strengthened~~ preserved, strengthened and expanded. ¶ Family-type farming and farm ownership should ~~remain the~~ continue to be the back-bone of our agricultural system. ¶ Returning veterans ~~[illegible]~~ should be given ~~preference in~~ assistance in ~~[illegible]~~ ownership of homes, farms and small businesses. ¶ Speculation and speculative profits in war surpluses should be outlawed. ¶ Dumping of war surpluses ~~to~~ in ruinous competition with ~~upon competition markets [illegible] of~~ private business should be discouraged. ¶

(1) While it is not necessary that everybody in the United States receive the same amount of payment, it is necessary that everybody without a job receive enough to permit ~~them~~ him to buy necessities for a substantial number of weeks of unemployment. In some of our states, because of low taxable values and other reasons, the standards of unemployment compensation and the amounts payable are too low for this purpose. I believe that the Federal Government should pay some fixed percentage in excess of allowances in each state so that certain minima and maxima will be guaranteed. In that way the differences in the policy of each state will be recognized, but the Federal Government will pay for a certain fixed percentage above each state's allowance, which in the opinion of Congress is necessary to maintain a fair amount of purchasing power. The State insurance systems should continue to administer the system in each state, but the Federal Government should fix certain standards so that its own contributions will be adequately safe-guarded. This involves a Federal-State relationship which I think is not only feasible, but very desirable in this field. Conversion to war production was a national and state problem; so is conversion to peace.