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PSF  
Currie

THE WHITE HOUSE  
WASHINGTON

December 4, 1939.

MEMORANDUM FOR THE PRESIDENT:

Re: Obsolescence Allowances on Armament  
Equipment.

This turned out to be, as you intimated, a highly complicated matter. I sat in on two long Treasury - Bureau of Internal Revenue conferences and interviewed Colonel Burns and Admiral Furlong. A progress report is attached indicating various possible solutions and certain pertinent considerations I have come across.

My main conclusions are (1) that adequate remedies are available under present laws and procedures, (2) that Army and Navy procurement officials should be made thoroughly acquainted with these remedies, and (3) that recourse should not be had to special Congressional action.

*Lauchlin Currie*  
Lauchlin Currie

December 4, 1939.

OBSOLESCENCE ALLOWANCES ON ARMAMENT EQUIPMENT

To date I have come across five possible ways of handling the problem:

1. Prior determination of obsolescence rates through irrevocable closing agreements.

This might result in serious losses of revenue, in giving certain favored concerns competitive advantages in bidding after the plant has been written off, in great pressure on the Treasury, and the Treasury has some question whether it can legally make an irrevocable closing agreement.

2. Drawing up of new regulations permitting a more rapid rate of obsolescence of armament-making equipment.

The Treasury contends, I believe, that it has no factual basis at this time for determining more favorable allowances for obsolescence. It also fears future political repercussions should it make a mistake in allowing too generous treatment.

3. Outright Government purchase and lease of equipment to private concerns.

This might introduce a whole new source of frictions. Much of the equipment would be immovable and would become merged with privately-owned equipment. The problems of "policing", determining rental rates, insuring proper maintenance, etc., would be formidable. I believe new legislation would be required.

4. Let companies claim any obsolescence they wish and have final determination made by Board of Tax Appeals.

This would have the merit of postponing decisions until a more reasonable basis for decisions can be reached. It is, however, a bit messy and expensive for companies. It would be the way out for companies if nothing else is done.

5. Under present procedures, companies have the privilege of submitting amended returns for a period of three years.

This can be extended by mutual consent of the companies and the Commissioner. This means that while companies would only claim normal obsolescence now they have the opportunity of securing what would be in effect retroactive readjustment of obsolescence allowances should they later appear justified. This closely resembles current British

December 4, 1939.

practice. The main objection is that taxpayers do not like to rely on refunds, and all refunds above \$75,000 are subject to examination and comment by the Joint Committee on Internal Revenue.

Conclusion.

Adequate guarantees against loss from abnormal obsolescence appear available under present laws and procedures. I think it might be desirable for officials in the Treasury and Bureau of Internal Revenue to meet with, and explain in detail to, the officers in charge of Army and Navy procurement the possibilities under existing laws and procedures. I would be a little fearful of requesting any special Congressional action as the matter is highly technical and a lot of money for particular interests is involved.

Some Pertinent Considerations.

1. Excessive obsolescence allowances would later place a fortunate company in a highly advantageous competitive position for government bids or for foreign business. As profits, under the Vinson-Trammell Act, are calculated on total costs, the higher the obsolescence, the greater the amount of profits permitted.
2. It would be difficult to justify special treatment under the Income Tax Statute for new construction as distinguished from existing plant which might also become suddenly obsolete.
3. Apart from a possible few instances, no particular action appears necessary to call forth adequate armament capacity.
4. Bethlehem Steel wants a fifty percent obsolescence allowance on armor plate equipment recently and currently being installed. However, the authorized naval program will insure full capacity operations for the entire industry through 1942. I was told that plans for super-cruisers approved by you would extend this through 1943. Moreover, a replacement program designed to maintain the Navy at peak efficiency thereafter would call for steady operations at two-thirds of capacity for the entire industry.
5. There appears to be little enthusiasm among the Army and Navy people I saw for an expansion of the capacity of government arsenals and yards despite the evidence (Munitions Committee Hearings and Report) of greater economy in government yards. In these hearings the I.C.C. Bureau of Valuation submitted estimates to the effect that it would cost less than \$24 million to equip government navy yards for an annual capacity of ten destroyers, three submarines, one light cruiser, one heavy cruiser, one aircraft carrier and one battleship. (Page 12054).

*Lauchlin Currie*

THE WHITE HOUSE  
WASHINGTON

December 6, 1939.

*PF*  
*Currie*  
*Box*  
*147*

MEMORANDUM FOR THE PRESIDENT:

Re: Edison memorandum on timing  
of naval expenditures.

I hope you will forgive my feeling that Secretary Edison's treatment of your request for information is cursory and completely unsatisfactory. He has evidently made no real attempt to canvass the possibilities of varying the timing of orders and deliveries without impeding the Navy's program. Rather than repeating the request, however, I should like to have your permission to interview the proper officers and satisfy myself that nothing can be done. You will recall the Navy's purchase of copper at the peak of the 1937 rise.

*Lauch Currie*

Lauchlin Currie

*Yes, go ahead*  
*TRP*

THE ASSISTANT SECRETARY OF THE NAVY

WASHINGTON

5 December 1939

MEMORANDUM FOR THE PRESIDENT

In reply to your memorandum of December 4 reminding me of a request for information concerning the timing of expenditures in the Navy Department contained in your memorandum of October 25, may I confirm my conversation with you at the Cabinet Meeting on November 3 at which time I discussed this matter with you and informed you that during the past year and a half a great deal of thought, time and effort has been devoted to the speeding up of the shipbuilding program.

It would be a matter of regret should it become necessary to slow down the machinery which has been accelerated. Any stop sign now on the supply train would result in disruption of work programs and schedules in both the Navy Yards and the private plants. There would also be some lay off of labor due to the lack of materials.

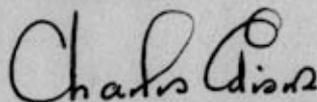
It would hardly seem that the quantity of material required for Navy shipbuilding in comparison with national requirements would be sufficient to justify such action now. Since prices are largely based upon known, present and future demands, it is not believed that the delaying of the production of shipbuilding material would have any effect toward reducing prices; rather the heavy concentration of orders in a single quarter might well cause prices to rise.

Efficient and economic ship construction is, as you know, based upon the manufacture and delivery of steel plates and other materials at the time required to meet the preplanned building schedules. To delay steel deliveries would disrupt the mill schedules and possibly cause some lay off of labor in the heavy industries. Much of our steel requirements are already under contract and covered by mill orders as much as a year ahead.

The Government has been faced with difficulty in securing its armor plate requirements due to lack of capacity of plants equipped to manufacture armor. Any interruption to present scheduled manufacture would seem most undesirable in our "speed-up program"

unless economic conditions become such as to make this action absolutely necessary. Where the entire capacity of an industry is being utilized as it is in the case of armor plate, it is obvious that the cancellation or delaying of orders in one quarter will not operate to increase production in a subsequent quarter. The advancing of orders from the second quarter of the accounting year 1940 would not serve to increase production in the first quarter.

Respectfully

A handwritten signature in cursive script that reads "Charles Edison". The signature is written in dark ink and is centered on the page.

Charles Edison  
The Acting Secretary of the Navy

*R. Taft*  
DECEMBER 11, 1939

# Town Meeting

BULLETIN OF AMERICA'S



TOWN MEETING OF THE AIR

## Can Business and Government Work Together Today?

FLOYD B. ODLUM                      ROBERT A. TAFT  
WILLIAM McC. MARTIN, JR.      JEROME FRANK

*Broadcast from Town Hall, New York City, December 7, 1939,  
Over the Blue Network of the National Broadcasting Company*

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## "America's Town Meeting of the Air"

PRESENTED BY  
THE TOWN HALL, NEW YORK  
IN COÖPERATION WITH  
THE NATIONAL BROADCASTING COMPANY  
UNDER THE DIRECTION OF  
GEORGE V. DENNY, JR., MODERATOR

ONE of the earliest forces for political education and action in America was the "meeting house" in which every citizen had a voice in his government. "America's Town Meeting of the Air" is the modern adaptation of this idea, brought to Americans everywhere through the instrumentality of radio. Now in its fifth season, this program is broadcast in coöperation with the NATIONAL BROADCASTING COMPANY from the TOWN HALL, New York, on Thursday evenings from 9:30 to 10:30 E.S.T., over the Blue Network.

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# Town Meeting

BULLETIN OF AMERICA'S TOWN MEETING OF THE AIR  
WOLCOTT D. STREET, EDITOR  
ALICE WOOLBERT, ASSOCIATE EDITOR

DECEMBER 11, 1939

VOL. 5, NO. 9

## Can Business and Government Work Together Today?

*Moderator Denny:*

GOOD EVENING, neighbors. If the shadow of war clouds the discussion of our domestic problems in these days, it is well for us to remember that if we are to avoid a fate similar to Europe's we must learn to make democracy work within our own national boundaries and resolve our disputes at the conference table where justice rather than force is the criterion. "The strife of opinions . . ." say Dr. and Mrs. Overstreet in their book, *Town Meeting Comes to Town*, "has nothing in it of the brute fight to overmaster and destroy. Such fighting, having force as its criterion, is the way of barbarism. For in it the loser only loses. The fight of ideas, on the other hand, is the way of civilization. For in this fight, he who loses, loses to truth and thereby wins. This kind of fighting is good for everybody." It is in a spirit of highest patriotism that we present our discussion this evening on the subject, "Can Business and Government Work Together Today?" In this symposium, four dis-

tinguished Americans—two businessmen, a United States Senator, and a Government official—are going to contribute their thoughts on ways in which business and government can work together in the common welfare today. Our first speaker is Mr. Floyd B. Odlum, President of the Atlas Corporation. Our second speaker is the President of the New York Stock Exchange, Mr. William McC. Martin, Jr. The distinguished United States Senator from Ohio, the Honorable Robert Taft, will be our third speaker; and we will hear finally from Mr. Jerome Frank, returning to the Town Hall platform this year in his capacity as Chairman of the Securities and Exchange Commission. There will be the usual questions from members of our representative audience of more than fifteen hundred people following the addresses. I now take pleasure in presenting our first speaker, Mr. Floyd Odlum.

*Mr. Odlum:*

I can offer myself as Exhibit A among living examples of regulation of business by government. During the past several years I have spent almost more time in Washington dealing with government than in the headquarters of the company I serve. Because this company has been looked upon by the Government at various times in various roles and subject to conflicting laws, I have developed a feeling of sympathy for the chameleon I heard about. This chameleon was dropped on a piece of Scotch plaid and burst apart trying to be all colors at the same time. I have not burst yet. In fact, I'm so far from bursting that I can answer tonight's question with an emphatic "Yes." In giving that answer I don't want to be misunderstood. This has been no picnic period. I have always favored individual initiative, opportunity, and freedom from restraint. For myself, I

don't like regulation at any time by anyone. But, as a liberal businessman, I also try to be realistic and practical. I realize that regulation is a normal relationship between government and business. I try, therefore, to help make it work smoothly and successfully.

My reason for saying that government and business can work together is rooted in my simple philosophy of business. It contains two points. One is that the economic environment of our country is dynamic, not static. The other is that business, to prosper, must accept and adapt itself to changing conditions. Even in my lifetime, business was operated on a very different basis than it is today. This early period has been referred to by some historians as the Public-Be-Damned Era. It has been referred to by some of our living elders as "the good old days." Whether they were good or bad, they are gone forever. No so-called reactionaries, however much they may itch to wear the economic crowns of their fathers, can bring those days back.

Meanwhile, what is it that characterizes this new era? It is characterized both by technological and social changes. In technology we have seen the streamlined railroad and airplane conquer distance, while the radio and telephone have annihilated time. On the social side, the aspiration level of the American people has been steadily rising. Both of these changes are good for business. Economically, the only way for the American people to go is upward. Anything that adds to the determination of the American people to go that way is a business asset. To provide this more abundant life is the job of business. All this adds up to mean that the businessman no longer lives unto himself nor is a law unto himself. It also means that business and government, whether they like it or not, are obliged to draw together in a closer and closer relationship.

There can be no dispute as to whether there should be regulation. We can only have a difference of opinion as to degree. On this there are two extreme schools of thought. One believes there should be no control; that we should return to the so-called good old days. The other believes in complete regimentation of business, even to the point of government ownership and operation. Today's papers report a statement made at last night's Congress of American Industry that America must soon face the issue between a free competitive economy and government ownership. I don't believe it. Between these extremes lies the ideal, in my opinion.

There are those who try to tell us that our administrators in Washington are in the extremist group, desirous of destroying private business operated for profit. I have trod the inquisitorial halls of Washington for six years and I have seen no real evidence that these men are trying either to take profits out of private business or to take democracy out of government. In this statement I am not referring to a small frenzied fringe of fanatics found in government and, let me add, in business also, and by whose declarations nothing can be judged. Government impact on business naturally brings irritations. Furthermore, in the field of regulation we also have pioneering and, therefore, mistakes.

This seems to be the American way. But it is also the American way to have an umpire. We may chase the umpire off the field if he seems too partisan or engaged in making, rather than enforcing, rules. But such passing irritations do not cause us to attack the umpiring system. I am satisfied that the great bulk of our administrators and regulators today believe that the interests of government and business go hand in hand, that the object of regulation is to help business, and that the proper object of business is to make profits. There has also been grow-

ing evidence that regulators realize that to be good business traffic cops they don't have to—indeed, should not—sit in the driver's seat. Their function, rather, is to keep the traffic lights operating, to arrest traffic violators when practical but, above all, to keep the traffic moving as fast as safety permits.

The question tonight involves not only the attitude of government toward business, but equally the attitude of business toward government.

It is the job of business not only to function under regulation, but to keep regulation functioning. Business on the defensive and openly critical perhaps has made its own road harder than necessary. Business, by an open-minded, friendly, cooperative approach, will find itself invited by government to sit at the conference table while policies are discussed and rules formulated. I know this from experience. Every other businessman can have the same experience. It's important to be so invited, for government must learn from business itself concerning the practical problems of business. The results, I am sure, will be as welcome to government as they will be helpful to business.

The thing that I worry about is not regulation or even the degree thereof. I worry much more about the attacks and counterattacks that have been going on between certain elements in government and certain elements in business these past depression years. The suspicion and fear so created caused capital to go on strike. It is the biggest strike of our lifetime, the most drawn-out and the most costly. Some say it is a lockout rather than a strike. Most of the debatable and irritating questions dealing with government and business have grown out of the efforts of government to get private capital back to work. But capital is scary; it can't be driven. It must be coaxed. Confidence is the best bait. Return of confidence, I be-

lieve, can be speeded if, among other things, business and government will declare a moratorium on name-calling and consequent suspicion-breeding. Yes, and if reforming and crusading are geared in mesh with profits, they will pay big dividends. I would like to say, both to business and to government, "Meet a friend."

*Moderator Denny:*

Thank you, Mr. Odium. I now present our second speaker, Mr. William McC. Martin, Jr., President of the New York Stock Exchange.

*Mr. Martin:*

I am grateful for the opportunity to take part in this discussion, because our entire national welfare depends upon the affirmative answer to the question, "Can Business and Government Work Together Today?" Present world conditions are such that it is imperative that every citizen do all in his power to make this answer "Yes." Our government is one established by the consent of the governed, not a government of coercion. There must be something radically wrong indeed when antagonism exists between government and business. Government is not a success unless it is a friend of business, and business cannot exist without the help of government. They must be friends, and they will be friends if government sticks to government and business sticks to business.

Our forefathers who created our Constitution were desperately afraid of government. They came to America because they objected to being told how to worship and what they must do and must not do. And while they knew that government was necessary, at the same time they also knew from their own bitter experiences that the tendency of government was to take to itself more power at every opportunity. Hence they created our

system of checks and balances. They felt that slow movement was much safer than emergency movement, even though results could be obtained more quickly by emergency measures. Their wisdom is evident from what has happened in Europe in the recent past.

It is true that business has at times sought to influence government to its own advantage and to the disadvantage of the public. Thus, conditions sometimes arise where, for the welfare of business itself and of the public, it is necessary that regulatory powers be vested in government. This is what brought into being the Securities and Exchange Commission. The New York Stock Exchange has recognized that such a Commission performs a useful function, and it has been and is our desire to cooperate with it fully in the interest of the public. That Commission's function, however, is regulating and not operating.

It would be asking too much of human nature to expect that men could fashion such an instrument as the Securities Exchange Act and do it in such a way that it would be perfect at the first effort. There is no act that I know of that has ever reached that standard in its original creation. And the reason often is that, as in the case of the Securities and Exchange Commission, there were flagrant derelictions that invited legislation. So great was the emphasis upon these derelictions that the thousands of honest and competent brokers were overlooked. Just how much they were penalized, perhaps unwittingly, could not have been known except from experience. The Securities and Exchange Commission, all of us agree, serves a purpose, but the Commissioners themselves must more than once have had doubts in their own minds as to whether some of the provisions of the Act really remedy an evil, or work a hardship. The Securities Exchange Act is so new a law that it is certain to

contain some defects, and it would seem that the Commission, in the interest of the public, would be glad, after five years of operation, to discuss with the exchanges of the country possible revisions in the direction of an improved regulatory law.

Any conflict between government and business must be an uneven one because government always has the advantage. But it is the public, remember, which suffers most in such a conflict. Therefore, no greater service can be rendered to the American people than to have groups such as the Town Meeting of the Air discuss these questions openly and freely. My purpose, in the few minutes at my disposal, is to get across a viewpoint rather than to argue political or business science.

During the last seven years many new laws regulating business have been passed. This was in accord with changing times and conditions. Dishonest bankers, dishonest utility magnates, and dishonest brokers had undermined the confidence of people in business. But I seriously question whether there is an informed man or woman in this audience who really believes these isolated examples were representative. The record shows that government has had its share of dishonest men and has made its share of mistakes.

Let me take this opportunity to say, as President of the New York Stock Exchange, that I take great pride in my present associates. I would have no hesitation in matching the men of my community with those of any other—and that includes government—when it comes to the desire to do right and promote the public welfare.

The present management of the Exchange has accepted the Securities Exchange Act as the law of the land. It has made every effort to improve its organization and its services. It has undergone a complete reorganization and has added so many additional rules in

the interest of the public that it is difficult for even those in our business to be readily familiar with all of them. Study is being made of the possibility of other improvements, but it would seem the part of wisdom for the Securities and Exchange Commission, in administering the law, to credit the Exchange with good faith and not to take the position that honest brokers must be burdened with experimental restrictions which may, or may not, be in the public interest. The securities business badly needs an opportunity to catch its breath.

The morale of those in our business is low. The efficiency of our market, which is essential to American business, is threatened. We have the right to expect our government to cooperate with us to preserve our market, to help us keep the house from burning down and not to heap fuel on the flames. If we are to continue to have an efficient and serviceable market, and this is vital to the country, it is imperative for us, and for the government itself, to give more attention to ways and means of properly maintaining our operations. I would be less than honest if I did not make these observations at this time. The opportunity exists, in the relations between the New York Stock Exchange and the Securities and Exchange Commission, for a practical test of the ability of business and government to work together constructively.

In conclusion, I would like to say that in my judgment the greatest impediment to the successful cooperation of business and government today lies in the wide area of discretionary power vested in administrators. I recognize that emergencies sometimes arise which require unusual methods, but government by law is always superior to government by men, and it is important for us to remember that under the demands of war emergencies. Government and business can work together if

government by consent is not permitted to become government by coercion.

*Moderator Denny:*

Thank you, Mr. Martin. And now we will hear from our third speaker, the distinguished Republican United States Senator from Ohio, the Honorable Robert Taft.

*Senator Taft:*

The title assigned this evening sounds much simpler than it is. It attempts to personify business and personify government as if each were one person. This is more true of the Government than of business.

But business is *not* an individual, and cannot speak with one voice. Different businessmen do not have the same relation to government. It is too customary for the press and the people to regard business as big business, and accept the attitude of big businessmen as if they represented the entire group, whereas their views and their interests often are entirely different from those of the small businessman, who is the average businessman. Furthermore, large business is in a small minority. There are over 1,600,000 independent retail businesses, 176,000 independent wholesale businesses, and nearly 170,000 independent manufacturing establishments, of which 98 percent employ less than 500 men. So it is a great mistake to put too much reliance on the views of some individual big businessman. On the whole, I would say he is more likely to be friendly to the Government, or at least more anxious to be thought to be, than the small businessman.

The title assigned this evening also assumes the unsound premise that this imaginary individual known as business is on an equality with government and can in some way cooperate in a grand effort to "all boost to-

gether." It implies that businessmen share the blame for the enmity which exists among them today against the present Government. But the average businessman cannot have the slightest influence on the Government's actions. He has to obey the laws and regulations. He has a hard enough time keeping his own head above water. He is seldom in a position to hurt anybody, least of all his own employees, if he is completely let alone by the Government. On the other hand, the Government can have a tremendous effect on him. Regulations which big business can perhaps conform to are likely to destroy the business, or at least the profits of the average businessman. The relation between government and business depends more than 80 percent on the attitude of the Government, and less than 20 percent on the attitude of business, probably less than 5 percent on the attitude of the average small businessman.

If the question of the evening is purely abstract, of course business and government could work together. They always have, before 1936, under both Republican and Democratic administrations. There can't be much doubt that business and government ought to be friends.

But if the question is not abstract, but relates to the present Government as it is with its present philosophy, the answer in my opinion is "No." I have traveled quite extensively through a number of states and intensively through the state of Ohio. I should say that four fifths of the businessmen, large and small, are against the present Administration. It is hard to work together with someone who is unfriendly to you, and the truth is that the present Administration, however it may talk of breathing spells and business appeasement, is not, in the last analysis, really friendly to the growth and development of private enterprise. There are a great many individuals in the Government who are entirely op-

posed to the profit system and would like to see business completely under government regulation. Government is certainly not friendly to business when it goes into business itself, as in the TVA and many other enterprises in competition with existing businesses, for it is absolutely impossible for any individual business to compete successfully with the Government. Government is not friendly to business if, by taxes like the undistributed-profits tax, it deliberately attempts to prevent the saving of money by corporate enterprises and the reinvestment of that money in the extension of plant to build small enterprises into large.

Secondly, business is unfriendly to government today because it thoroughly disapproves of some government policies which the Government perhaps intends to be friendly and helpful to business. The great bulk of American businessmen are convinced that currency manipulation, for instance, is dangerous. Certainly businessmen don't understand the Government's insistence on retaining the emergency powers to devalue the dollar further and issue \$3,000,000,000 of greenbacks.

Businessmen today have come to oppose the whole principle of regulating prices and wages, begun in the NRA and carried through by numerous additional agencies since the NRA was declared unconstitutional. Today it has become apparent that the Government can't fix the price of basic commodities in one industry without fixing them in all, and cannot fix prices of basic commodities unless it is prepared to fix wages and practices and every detail of operation. Businessmen of today distrust this government policy because they realize that in the end it is absolutely destructive of the entire business system of individual enterprise and of adequate rewards for thrift, industry, and ability, the system which has made America what it is. They can't work together

with a government which talks of business appeasement but is still animated by a strong leaning to planned economy.

Businessmen consider it impossible to work with a government which still believes that a people can spend itself into prosperity, and adds \$10,000,000 every day to the public debt which businessmen will have to pay off sooner or later. They certainly wouldn't work with another businessman headed for the bankruptcy court and they hesitate to work with a government headed in the same direction.

There are other government policies which business approves in principle, but where the Administration is so unfriendly on the government side as to remove all friendliness on the business side. The National Labor Relations Act, intended to assure the right of collective bargaining, has been administered in a most unfriendly way by a board, one of whom is a Communist sympathizer, and all of whom are inspired by a crusading spirit, not only against employers, but against the older established unions. The Securities and Exchange Commission seems to have gone beyond its wise purpose of preventing fraud in the sale of securities to hamper seriously the distribution of new securities by an endless series of restrictions and red tape.

And so today I think we must say that business and the present Government are not friends, and that they are not friends simply because the Government's policies have been either deliberately unfriendly to private enterprise, or so burdensome and restrictive as to check the normal conduct of business by those millions of Americans who make the wheels of our country go around.

Undoubtedly there is fault on the side of business, though I would say that the number of businessmen who oppose a reasonable government restraint are few

and far between today. Undoubtedly there must be government regulation to prevent monopolistic practices, and to prevent competitive methods which drive out of business those who deserve to succeed.

The speakers were asked tonight to present an affirmative and constructive answer to the question of the evening. I would say that if business and government are to work together, the Government must change the basic principles of its present policies, or the people must change the Government.

*Moderator Denny:*

Thank you, Senator Taft. Now we are ready to hear from our fourth speaker, Mr. Jerome Frank, Chairman of the Securities and Exchange Commission.

*Mr. Frank:*

We often say, and correctly, that we have a government of laws and not of men. We don't mean that our Government is a piece of automatic, nonhuman machinery. We mean that we have a government of laws made by men in Congress, construed by men in the courts, and administered by men in government agencies. Tonight I am not talking of the work of the men in Congress, or of the wisdom of the laws they enact—for I am not supposed to—nor am I talking of the decisions of judges. I'm talking solely of the conduct of the government men who administer existing laws, administer them, always, within the limits set by the legislature and subject to review by the courts.

Before proceeding, let me say that when I accepted the invitation to appear here tonight I did not realize that I was to be on the program with an avowed and distinguished candidate for a presidential nomination—and one who has already begun his campaign for office,

as you may have observed this evening. I am a member of a nonpolitical commission—required by law to be bipartisan—that is, to consist of not more than three members of the same political party; and two of my colleagues are Republicans, they are not New Dealers. If we work together it is because we are reasonable men and find it possible to do so. In the circumstances it would hardly be proper for me—indeed, Senator Taft might invoke the Hatch Act if I were to do so—to meet the Senator in a political debate in the beginning of a presidential campaign. I shall confine myself, therefore, to what I have from the first understood—and I thought Senator Taft had understood—to be the question of the evening: not the policies or wisdom of legislation, but the question: Can government administrators and businessmen work together?

When I answer that question, I feel like the farmer who was asked whether he believed in baptism. He replied, "Believe in it? Gosh, I've seen it." For I see, every day—and often on nights, Sundays, and holidays—in Washington and elsewhere, government officers actively and effectively cooperating with businessmen.

I would bore you if I were to recite merely a complete list of the various agencies of the Federal Government constantly engaged in such cooperation. To take some samples: Do you imagine that the RFC does not cooperate with business? Or the Civil Aeronautics Authority with aviation? Or Federal Housing with builders and bankers? And what of the Federal Reserve Board, Federal Deposit Insurance Corporation, the Bureau of Standards, the Maritime Commission, the Post Office, the Coast Guard, the Forestry Service, the Bureau of Mines? Do you imagine—in all seriousness—that a day goes by—or even an hour—when all these and many other agencies are not working for and cooperating with

business? I want to talk about what I know about. Tonight I want to talk chiefly out of my own recent experiences in government.

I wish I could show you a talking motion picture of life at the SEC. If I did, you would see a daily example of untiring efforts, as Mr. Odium well knows, to find workable solutions for difficult problems of business adjustment to existing laws. Why do we make those efforts? Because our laws affect hundreds of businessmen, with as many differing business problems; and because those laws, being new, have imposed novel standards of conduct which may be a shock to established customs and habits. Plain horse sense dictates that, in administering such new legislation, a governmental official must be patient.

What form does that patience take? When Congress directs an agency, like the SEC, to draft rules and regulations, the agency can do one of two things. It can—and quite lawfully—follow what was once considered the normal governmental method: Without consulting any outsiders, the business affected or anybody else, it can simply adopt its rules and announce them. Or, instead, it can first call in representatives of those who are to be affected by the rules and say, "Congress told us that we must promulgate rules on this subject. That is our duty. But we want your ideas on the mechanics. We want our rules to be workable, and we want them to accomplish the objectives of Congress with as little business disturbance as possible." That might be called the patient or coöperative method. And that is our method. We've used that method of consultation—informal, and not frock-coated—with respect to virtually every important rule; and the assistance we have received from business has been of inestimable value.

There are many other examples of coöperation. For

instance, I suppose that as much of the time of our legal staff is devoted to giving counsel to businessmen as to us. Daily, we receive letters from businessmen and their lawyers, thanking us for that kind of coöperation. I have in my files such a letter, received early this year, from a member of Senator Taft's own law firm.

Sitting behind my government desk, I see two markedly different types of businessmen. They might be called Mr. Will and Mr. Won't. Mr. Will is a realist. He recognizes that, while a law is on the books, he must work under it. So he comes to us and says: "My sole desire is to adjust my business to the law as quickly as possible, so that I can save time and make money for my stockholders. Here's what I want to do. Can I do it under the law? And, if so, how?" What happens? He discovers that Congress has set the standards to be complied with, but has often left a considerable latitude as to methods. He sits down with the government experts. They and he, between them, try to find out which of the methods is best suited to his particular problem—methods, mind you, not of evasion or of nullification of the law, but of compliance. In those conferences, Mr. Will often convinces the government men of the practicability of a method, within the law, which they had not discovered.

Mr. Odium, I might say, as he himself has said, is Exhibit A. To have a hard-headed, conscientious businessman, like Floyd Odium, thus present the realities of his concrete business problems must broaden the understanding of government administrators. And the successful solution of those problems is an exciting experience for us and the businessmen. It is creative: by demonstrating the law's workability, it converts the law from a mere assemblage of dead letters on a page into a human, living institution.

But what of Mr. Won't? Mr. Won't is a man who, for personal or business reasons, doesn't like the law and won't comply. Now any man has a right—in speech, in print, or in the courts—to oppose or criticize any law, or the administration of any law. That's basic democracy. But, as an administrator of law, and as a lawyer, and as a believer in law and order, I can see no reason why a businessman who defies a law should not be regarded as a lawbreaker. Our Government provides an orderly process for the review, repeal, or amendment of laws. But it does not authorize the violation of an existing law. There are some Mr. Won'ts who take us into court to challenge the law or our administration of the law. That is their unquestioned right. To hear such grievances is what the courts are for. And we are for the courts.

But there's another kind of Mr. Won't. He wears a false face, disguising himself as a Mr. Will. He might be called Mr. Pretend-I-Will. He has a pleasant smile, a gracious manner, a smooth tongue—and not the slightest intention of doing anything. His policy is to stall. He is praying that somehow there will be a repeal of the law before we get around to applying it to him. To transform Mr. Pretend-I-Will from a sham or fake Mr. Will into a real Mr. Will is a hope which induces us to spend much time with him. Usually we fail. Then we must take him into court to make him comply with the law. That is essential, for, if Mr. Will and Mr. Pretend-I-Will are competitors, it is unfair to allow Mr. Pretend to get away, indefinitely, with noncompliance. And then, when we finally do try to carry out the express will of Congress, Mr. Pretend takes to name-calling, charges us with cracking down on his entire industry and undermining business confidence.

There is one paramount reason why government of-

ficers in the SEC believe in cooperation between business and government: Congress would never have passed the SEC laws if it had wanted to do away with the profit system. Instead, it would have tried to use dictatorial confiscation and other drastic methods applied in Russia and Germany. The SEC laws are expressly designed to restore and maintain good faith between the corporation and investors. Without that good faith, the profit system would crack up and democracy would be imperiled. We in the SEC are therefore engaged in the task of fortifying the American profit system in the interest of democracy. The enlightened farseeing businessmen can have no other objective. Our aim is and must be this: a secure profit system under a secure democracy. And cooperation between government and business can achieve—and is achieving—that result, an indispensable result if America is to avert the alternative disasters of chaos or tyranny.

*Moderator Denny:*

Thank you, Mr. Frank. And now we are ready for questions from the audience on the subject of the evening, "Can Business and Government Work Together Today?"

*Man:* Mr. Odlum, in view of the presentation here tonight of yourself and the other speakers, I would like to know your definition of a liberal.

*Moderator Denny:* Well, I suppose that is on the subject, since you called yourself a liberal businessman, Mr. Odlum. Fire away.

*Mr. Odlum:* Well, the term *liberal* is something like the old circus tent: It can cover a lot of territory; it is very elastic. Certainly, liberality, in my opinion, has nothing to do with giving away other people's money. I

don't think it has anything to do with the change of the form of a democratic government. There was a poll about a year or two ago by one of our national magazines on the subject of business and government which dealt with this term *liberal*, and I think the consensus of opinion from that poll was that a liberal is one who, in his views on government regulation, stops short of interfering with the profits of business. I think that a *reactionary* can be defined as one who thinks that anything this side of the old square dance is bad. I think a *conservative* can be defined as one who is willing to toy with the idea of dancing the old-fashioned waltz occasionally. I think a liberal is willing to try the modern steps. Of course, I am referring to the dancing by all three of them on the same dance floor. The *radical* wants to do his dancing out on the sidewalk. A friend of mine defined a liberal businessman for me only yesterday as one who takes account of changing circumstances and tries to adapt himself to them. So, as far as I am concerned, I would like to take that as my definition of a liberal.

*Moderator Denny:* Mr. Martin, do you want to define a liberal and a conservative here tonight?

*Mr. Martin:* I am neither one. I pose as an independent. I don't think a liberal is a man who thinks that everything the Government does is right and who fails to stand upon the rights defined by law and gives in to the desires of the Government at every point. I think a conservative is a man who realizes that the things that have been tried in the past probably had some reason, and they ought to be thought of very carefully before they are discarded from mere chance thinking.

*Man:* I should like to ask whether Senator Taft thinks that government and business would be better friends under a Republican administration?

*Senator Taft:* I don't think that the party label makes very much difference; no.

*Man:* Mr. Odlum, I would like to ask if you believe that the founders of our Government expected that we would have regulation as it is today?

*Moderator Denny:* That is a rather speculative question. All right, Mr. Odlum, go ahead and comment on it anyway. You can say yes or no.

*Mr. Odlum:* I think the founders of our Government did not foresee regulation as we have it today, but had they foreseen our economic complexity they would have, because the two go together. Fortunately, the founders made our system elastic enough to provide for it.

*Woman:* Mr. Frank, suppose a small businessman is a Mr. Will, will he get a hearing with the Government, and if a Mr. Won't, will his grievance get to court?

*Moderator Denny:* You have two hypothetical cases. Your "Will" and "Won't" are hypothetical, but so were yours, Mr. Frank.

*Mr. Frank:* I want to say that, as far as I am concerned, I want to do, and have done, everything possible so that a Mr. Will, if he is a small businessman, will be accorded precisely the same treatment as a big businessman, and if he is a Mr. Won't and wants to go into court, he will have precisely the same rights as if he were a big businessman.

*Man:* Mr. Martin, would the Stock Exchange have taken the steps it has taken since the depression to clean its own house if it had not been for the legislation taken in Washington?

*Mr. Martin:* I don't think it would have taken all of them, but I think it would have taken some of them. The Exchange was very unfortunate in having a very unfortunate case, the Whitney case. That case, as I have tried to outline, was an exceptional case, and

I think you gentlemen know it. The Exchange since that time has been reorganized; it has done everything in its power to meet the law, but it doesn't intend to give up its rights completely.

*Man:* Senator Taft, don't you think it is better to tolerate the SEC, even though it can certainly be improved, than to allow ourselves to go back to the wild days responsible for 1929 and what followed?

*Senator Taft:* I have always been in favor of the SEC. I only suggested that the Act was administered in a way that seemed to be unduly unfriendly to the progress of private enterprise in the flotation of new securities.

*Woman:* Senator Taft, you spoke disparagingly of a planned economy. I am wondering whether with the Toledo schools closed for seven weeks, with tens of thousands hungry in Cleveland—almost starving—wouldn't some kind of a planned economy be a good thing in the state of Ohio?

*Senator Taft:* No. I think the state of Ohio is well able to take care of itself. Its citizens are not starving. Absolutely not. A local fight is going on between some sections of the state and two counties in the state, the rest of the state taking the position that it is up to those two counties to look after their own affairs, and if they managed their business properly they could do so. Those two counties maintain they can't. But, as far as any starvation is concerned, I think you will find that there isn't any such difficulty.

Incidentally, as far as the schools in Toledo are concerned, it is due entirely to the fact that the people of Toledo deliberately voted down a proposed extra levy for those schools. That is local self-government. If they don't want schools, that is their affair, it seems to me. I believe very strongly in local self-government.

I think every city ought to determine what kind of schools it wants and what kind of education it is going to give its children.

*Man:* Mr. Frank, in view of Mr. Martin's statement that the securities business is badly in need of a breathing spell, and that the morale of those in that business is low, why doesn't the SEC do something to help the brokerage business?

*Mr. Frank:* The SEC, since I have been on it, has promulgated virtually no rules of importance affecting the Stock Exchange. For the past two years, the SEC has been saying to the Stock Exchange: Instead of our using our regulations with respect to greater customer protection against possible insolvencies, since the Exchange is the largest unregulated bank of deposit in the world, with no bank examination by Federal bank examiners (something we wouldn't think of tolerating with respect to any other bank), we suggest to you that you should do something about it on your own.

A few months ago, Mr. Martin appointed a committee of his own choosing of distinguished businessmen and lawyers. They brought in a report, making recommendations. But one of those recommendations has been adopted to date. The SEC is waiting patiently—it has made no comments of any kind—to see what is going to be done about those recommendations. I hear mutterings against them. We are not responsible for those recommendations, nor can I say, on behalf of the Commission, authoritatively, that we would approve of all of them, if adopted, and consider them a substitute, but I have a fairly sneaking notion about what our statement would be. We have not introduced such regulations.

As to discretion, let me say to Mr. Martin that when

the Securities Exchange Commission was being set up, the report of the Congressional committee on the statute said, "Representatives of the Stock Exchange constantly urged a greater degree of flexibility in the statute and insisted that the complicated nature of the problems justified leaving much greater latitude of discretion with the administrative agencies than would otherwise be the case, and it was for that reason the bill was so drafted." As to the Stock Exchange, the total sales on all stock exchanges in the year 1938, which will probably turn out to be not so good as '39, were approximately fourteen billions. This was fourteen times the volume of mail-order sales; it was over four times the size of all building contracts; it was four times the railway operating revenues; it was seven times the volume of sales of electric power. Now, I don't know why the Exchange can't make money on that volume of business. We are eager that they should, provided the investors are protected. We are not willing that they should go back to the rinkydink and gambling of the days prior to the passage of the statute.

*Moderator Denny:* Mr. Martin, will you comment on what Mr. Frank has just said?

*Mr. Martin:* I am surprised that Mr. Frank thinks we haven't adopted any regulations recently. I don't know where he has been. Perhaps his legal staff has been too busy thinking up ways of changing the present law. I think that one failing with Mr. Frank—and I say this in all kindness, and it is not meant in any way in a derogatory sense to Mr. Frank—is the fact that he has never faced the problem of soliciting business; he has never known what it is to have to go out and try to get a customer; he has never known how hard it is to earn a living in that sense. There are any

number of brokers who are competent individuals, in a market where there are more shares listed today than there were in 1929, which has had a turnover so slight that, despite the fact that people say there hasn't been adequate contraction in the brokerage business, the number of employees is down over 4,000 registered representatives in the last four years; the amount of capital—the business is not overcapitalized—has declined consistently, and the difficulty today is getting capital to go into the business, and what we need today is a realization of the fact that there is no manipulation to speak of. I say that honestly, because there will always be a little bit of manipulation—until the SEC defines manipulation. And what we need today more than anything else is for all of us to take a constructive attitude and realize that people have to make a living in this country as well as having to live under regulation.

*Mr. Frank:* I want to say that I agree with Mr. Martin that the amount of manipulation on the Stock Exchange is not great, I am happy to say. I want to say, also, that I did not mean to indicate that the Exchange had not adopted regulations. What I did mean to say was that we are patiently waiting—nor have we criticized—to see what they would do with their own committee's report that was issued September 1. We are very much interested. We are not doing anything to coerce them. We haven't criticized them. We are waiting patiently.

*Moderator Denny:* Thank you very much, Mr. Frank. And all the other speakers on this program, I want to thank you for your enlightening help. I also want to thank and express my deep appreciation to one of our most active and useful trustees, who helped us in ar-

ranging this program, Mrs. Richard C. Patterson, Jr. Mrs. Patterson is a sort of godmother to "America's Town Meeting of the Air," because she was the first person on our Board to whom I talked about this plan, and she took it to her husband, who was then the executive vice-president of NBC, and he referred it to Mr. John Royal, and Mr. Royal and his associates took it up. We have been carrying on happily ever since.

Now, following the closing of our essay contest last week, we have an important new contest to announce before we tell you about next week's program. Town Hall in coöperation with *Liberty* magazine is offering \$1,800 in cash prizes for the best cartoon or drawing on the subject, "How Can the Town Meeting Idea Best Preserve American Democracy and Liberty?" Anyone can compete except employees of the Town Hall and MacFadden publications and members of their families. Cartoons must be approximately fourteen by sixteen inches and should be drawn on white Bristol board in India ink, pencil, or charcoal. Cartoons will be judged for aptness, originality, power, simplicity, and draftsmanship. The best entry will receive a cash prize of one thousand dollars; the second-best will receive a prize of three hundred dollars; and five entries next in order of excellence will receive cash prizes of one hundred dollars each. In the event of ties, duplicate awards will be made. The prize-winning cartoons will become the property of "America's Town Meeting of the Air," and entries should be addressed to Town Hall, 123 West 43rd Street. They must be postmarked on or before February 21, 1940, the closing date of this contest. The decision of the judges is final. A more complete announcement about the contest can be obtained in this week's *Liberty* magazine, and information about Town Hall and the town-meeting idea can be obtained by writing

Town Hall or the NBC station to which you are listening. If you are interested in organizing a Town Meeting Discussion Group in your community, address the Town Hall, 123 West 43rd Street, New York City.

Next week at this hour the subject for discussion will be "America and Japan—Embargo or New Treaty?" The speakers will be Dr. Walter H. Judd, who has spent many years in China as head of a large missionary hospital in Shansi province; Rear Admiral Harry E. Yarnell, formerly Commander-in-Chief of the Asiatic Fleet of the United States; and William R. Castle, Jr., formerly Ambassador to Japan and later Under-Secretary of State.

## SELECTED BIBLIOGRAPHY

(Town Hall makes every effort to find available material on all sides of the question discussed. All publications listed may be purchased through Town Hall Bookstand, 125 West 43rd Street, New York.)

### CAN BUSINESS AND GOVERNMENT WORK TOGETHER TODAY?

#### CURRENT ARTICLES:

- HOW FAR SHOULD GOVERNMENT CONTROL BUSINESS? (In *Vital Speeches*, March 1, 1939, pp. 290-96.) Assistant Attorney-General Arnold says "Competition requires a referee." Senator Tydings says the Government has "no Constitutional power to control."
- WHAT CAN GOVERNMENT OFFER—WHAT CAN BUSINESS EXPECT? by Thurman W. Arnold. (In *Vital Speeches*, June 15, 1939, pp. 525-29.) Not coercing business, but making mass production more effective, is stated as the Government's aim.
- FORTUNE SURVEY XXII. (In *Fortune*, June, 1939, pp. 68-69 and cont.) What people think on various aspects of the question.
- BUSINESS AND GOVERNMENT. (In *Fortune*, June, 1939, pp. 66-67.) Political considerations affecting business cooperation with government.
- WHAT HELPS BUSINESS HELPS YOU by Wendell L. Willkie. (In *Nation's Business*, June, 1939, pp. 78, 102-3.) Business confidence will be restored if government competition ceases.
- YOU CAN'T APPEASE BUSINESS by Kenneth G. Crawford. (In *The Nation*, March 25, 1939, pp. 339-40.) By the author of *The Pressure Boys*.
- LEOPARD'S SPOTS; ADMINISTRATION'S ATTEMPT TO REACH AN UNDERSTANDING WITH BUSINESS. (In *New Republic*, May 24, 1939, p. 73.) Can the leopard's spots be changed?
- WHAT'S YOUR OPINION? CAN BUSINESS AND GOVERNMENT COOPERATE NOW? edited by George V. Denny, Jr. (In *Current History*, June, 1939, pp. 38-41.) A variety of opinions.
- BOOKS:
- GOVERNMENT SPENDING AND ECONOMIC RECOVERY by Charles F. Phillips and J. V. Garland. (New York: Wilson, 1938.) Carefully selected material for and against using public funds to stimulate business recovery.
- THE TENNESSEE VALLEY AUTHORITY by Clarence L. Hodge. (Washington, D. C.: American University Press, 1938.) Objective study of the TVA as an experiment in regional planning.
- GOVERNMENT IN BUSINESS by Stuart Chase. (New York: Macmillan, 1935.) Readable factual background for a "search for new principles of public business."
- FEDERAL ENCRoACHMENT ON INDUSTRY by Thomas Marshall. (Boston: Christopher Publishing House, 1939.) A lawyer protests.
- THE AUTOBIOGRAPHY OF LINCOLN STEFFENS. (New York: Harcourt, 1931.) Part III treats of the integral part business plays in local, state, and Federal government.

## War, Peace, and the United States

### (THE LISTENER TALKS BACK)

TOWN MEETING makes a practice of devoting this section to comments from listeners. Contributors have been requested to indicate that Town Hall has permission to use their contributions without the use of their names.—EDITOR.

A THOUGHTFUL student from New York City starts off the comments of listeners to last week's broadcast:<sup>1</sup>

Your discussion this Thursday was in keeping with the standards set by the other Town Hall programs this year—lively, informative, and interesting. There were only two things the matter with it. One was the fact that it lasted only an hour, and the other was Mrs. Littlejohn.

Mrs. Littlejohn makes the statement that the Allies are fighting for freedom and democracy. But just what democracy does she mean? Can she mean the kind of democracy that England offers to 365 million Indians suffering and struggling under the British yoke? Can she mean the kind of democracy that was sold down the river at Munich last year? Can she mean the kind of democracy that was knifed in the back in Spain? Or isn't Mrs. Littlejohn interested in *that* kind of democracy?

Then she says that the cause of the first World War was German desire for world hegemony. . . . There was not one but a multitude of factors contributing to World War I. Fundamentally it was a struggle between two imperialistic groups of nations for raw materials and world markets. Then there were a host of other elements as well. There was the presence of excessive nationalism on all sides, whether German sabre-rattling, French chauvinism, or British jingoism. There was the problem of aggression, e.g. German designs in Morocco and Austro-Hungarian designs in the Balkans.

<sup>1</sup> What Kind of Peace Can Europe Make? Speakers: Maurice Hindus, Friedrich E. Aubagen, Linda Littlejohn, and John Gunther. Published in *Town Meeting*, December 4, 1939.

There were the various "irredentisms." Italy clamored for Italia Irredenta, France never gave up hope of retrieving her lost provinces of Alsace-Lorraine—and she knew she could never get them back peacefully. There were all the conflicting ideologies: democracy, militarism, absolutism. There was the huge armament race in which every nation in Europe took part.

And finally, as a result of all these conditions, everyone feared everyone else. . . . Every single one of these factors had a part in causing the first World War. Every single one of these factors is present today and had a part in bringing about the present war. . . .

Then Mrs. Littlejohn says that she has a personal argument not only with Hitler but with every single German who supported him as well. Here, too, she completely ignores the facts. What caused Hitler's rise to power in the first instance? Wasn't it caused primarily by the Allies' shameful treatment of Germany after the World War? Does Mrs. Littlejohn think the Germans have forgotten the attempts on the part of the Allies to reduce Germany to a third-rate power? Does she think that the Germans have forgotten for one moment how Britain and France bled Germany white during the post-war period? . . . Does she think the Germans have forgotten that when the American army withdrew from the Rhineland it left a little American army behind it? . . .

Heaven knows, I am not supporting Hitler's actions. As a believer in democracy I hope with all my heart that Hitler will not emerge victorious from this war. But at the same time let us not lose ourselves in emotional frenzies. Uncle Sam played the role of Uncle Sucker once before, largely because we believed that England and France were fighting to save the world for democracy. Let us pray that we will never again be roped in. Let us swear by our dead . . . that we have learned our lesson well.

"The lady from Australia certainly knew her 'onions.' She was the heavyweight of that discussion and a mighty fine discussion it was—it started three fights in my group

of five listeners," writes a man from Peoria about the program on *peace* in Europe!

On the other hand, a teacher from Stockton, California, objects:

I was sorry to hear over the air tonight so much of intolerance and discourtesy shown to a guest invited to present his views over your program. It seemed to me as it must have to many other fair-minded Americans that our guest of German background showed himself the finest gentleman of you all. I have been urging my high-school classes to listen to the program, but I do not like to expose them to the bad example of our supposed wise men unable to take part in a discussion with the spirit of real inquiry. They can do better than any of you did tonight.

But a Great Notch, New Jersey, woman says:

Wish we had more Linda Littlejohn's and Maurice Hindus's, and of course not forgetting John Gunther, and far, far less of the Auhagen's.

And from Pittsburgh another adds:

Mrs. Littlejohn ably delivered her views. The English should be proud of her.

Turning from the broadcast itself to some problems suggested by it, a White Plains man presents some considerations on local patriotism and rivalry here at home:

Last Thursday evening's Town Meeting broadcast emphasized in my mind a growing national evil which must be as puzzling to thousands of other thoughtful Americans as it is to me. . . . I could not help being somewhat astonished Thursday evening, as on other occasions, to note the almost childish optimism with which some Americans advise Europe to forget her racialisms, her nationalisms, and even her national boundary lines, in the interest of continental harmony.

True, this country has much to be proud of in the degree

of national unity it enjoys, but it has much to live down in its sectional, racial, and religious feuds of the past, and much to concern it, I fear, in the present tendency to build economic and personal barriers between states and population groups. "States' Rights" and "Home Rule" have always been the rallying cries of the political "outs." The party in power usually sees the need of strong centralization of power. The opposition usually comes back with the assertion that the rights of the parts are more sacred than those of the whole. Encouraged by politicians, whose jobs and patronage depend on the maintenance of a great many little wheels within the big governmental machine, citizens are more and more prone to look upon their own particular bailiwicks as something more important than the nation in its entirety.

Our states have little individual economic excuse for existence. Neither agriculture nor industry nor commerce nor finance nor race nor creed obeys state lines. Why, then, should a nation which boasts of its unity lay so much stress upon the sacredness of its political boundaries? It is said that fear of dictatorship by the central government justifies this theory of exaggerated local powers. Yet we have never had a federal dictator, even in war time, while we have had many, many dictatorships in states and municipalities, much to the country's discredit.

Our twelve Federal Reserve districts represent the only effort made thus far to divide the United States into truly economic sections. Is there any good reason why these districts, or some modification of them, are not more important to the nation's welfare than are our traditional political provinces?

The Interstate Commerce Clause of the Federal Constitution was designed to prevent one state from rearing excise taxes, embargoes, and other trade barriers against its neighbors. Yet there is a growing acceptance of state, and even municipal, laws tending toward the erection of such barriers. Because some states hunger for legal fees, a business which could not get a clean bill of health in State "A" can incorporate in State "B," and then carry on as a full-fledged "artificial person" back in State "A" or anywhere else in the United

States it has a mind to do so. Concerns hampered by Federal regulations take refuge in contradictory state regulations, or vice versa, giving excellent opportunity for corporation lawyers to ply their trade, but affording the public little protection from certain types of commercial sharp-shooting. . . .

The evils of this overplaying of local patriotism, states' rights, the native-sons conspiracy, the daughters of this and of that, the states' warfare against the Federal Government and against each other take us back to the unregenerate days of the federation that preceded our Constitution.

I believe this subject would interest the Town Meeting audience, and that good speakers could be found to take both sides of the question. I should like to be one to advocate less emphasis on state boundaries and sectional pride, and more concentration on a strong and united central government.



## IT IS NOT TOO LATE...

To enter your subscription to the 1939-40 volume of *Town Meeting*, so that you will receive your copies regularly and promptly each week. All you need do is send \$2.50 to the address below for all 26 issues. Single copies are 10 cents. The following issues are now ready:

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7. **What Does American Democracy Mean to Me?** PIETRO DI DONATO, H. JERRY VOORHIS, E. McNEILL POTREAT, MARY McLEOD BETHUNE, ALICE SALOMON, JACK McMICHAEL, W. SELDEN WASHINGTON
8. **What Kind of Peace Can Europe Make?** JOHN GUNTHER, MAURICE HINDUS, LINDA LITTLEJOHN, FRIEDRICH E. AUHAGEN

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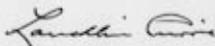
February 21, 1940

Personal

MEMORANDUM FOR THE PRESIDENT:

Re: A. Jackson Day Incident

Chapman told me a story of the Jackson Day Dinner in Denver that may interest you. Wheeler was the chief speaker and made what was interpreted as a strong plea for his own candidacy and barely mentioned you. Whereupon the Chairman, Philip Hornbein, threw away his prepared speech, delivered a stirring eulogy of you, and ended up with a statement that to show its gratitude Colorado must draft you for a third term. This brought the five hundred diners to their feet cheering and, according to Chapman, left Wheeler considerably discomfited.



Lauchlin Currie

May 19, 1940.

The Inadequacy of the Existing Railroad  
Car Supply

BF  
Curre

1. War would mean full employment.
2. Full employment would correspond with a F.R.B. index of production in the neighborhood of 160.
3. This would result in a volume of freight traffic calling for 1,850,000 serviceable (railroad-owned) cars. (This estimate is based upon maximum demonstrated performance. 1929 tonnage can be handled with 300,000 less cars than in 1929.)
4. The present supply of serviceable owned plus cars on order is about 1,490,000 or 360,000 less than necessary in conditions of full employment. The current supply is barely sufficient to handle a traffic peak equal to that of 1939.
5. In addition replacements are necessary to offset retirements. In 1939, retirements amounted to 67,000 cars. There are about 400,000 cars over 25 years of age. 37 percent of all serviceable cars have wood bodies.
6. Hence, to meet a war emergency within a three-year period the railroads should order about 500,000 cars.
7. At \$2,500 a car, this amounts to \$1,250,000,000 and would require 10 million tons of steel.
8. The maximum number of cars built in any single year since the war was 176,000 in 1923. Car builders are also equipped for ordnance manufacture and with current and prospective war orders, it is doubtful whether current annual capacity is in excess of 150,000 to 200,000 cars.
9. The above findings will be supported by a nearly completed study of the National Resources Planning Board.
10. The Railway Age, in an editorial in the September 2, 1939 issue, is broadly in agreement. It states, "We conclude, therefore, that, should hostilities in Europe become general, the railroads are likely to need almost immediately a large increase in their freight car supply and, furthermore, that if America wants any insurance whatever in the way of preparedness for the possibility that we shall be drawn into the conflict, then 2,400 locomotives and over 300,000 freight cars will be needed — merely from a standpoint of capacity alone, efficiency and economy not considered. If economy is taken into account, then more cars and locomotives than these will be needed. And, of course, it is not only in cars and locomotives that the railroads are far less prepared for the exigencies

of war than they were in 1914; almost every aspect of the railroad plant is similarly unprepared. " The difference in the estimates for necessary car additions arises chiefly from the assumption in our estimates that about 150,000 retirements in the next two years should also be offset.

11. The memorandum of Carl Gray and Daniel Willard for the Secretary of the Treasury, May 9, 1939, was concerned with the railroads (a) in the event of war abroad and (b) our involvement. For the first contingency they stated "it is our judgement that in the first year there should be purchased as a minimum 700 new locomotives and 60,000 freight cars. . . the second year purchases should be higher -- conceivably as many as 100,000 new freight cars and 1,500 locomotives." For the second contingency, our involvement, they had nothing whatever to say of equipment needs but confined themselves to a strong recommendation that operations should be carried out through the Association of American Railways.
12. The RFC has an amendment pending increasing its authority to loan for railroad equipment. The railroads' own cash holdings in February 1938, 1939 and 1940 were \$385 million, \$499 million and \$624 million, respectively.

(Read and returned by President- May 20, 1940)

PSF:Currie

Comments on our Industrial  
War Plans

The existing industrial war plans are deficient in a number of respects:

(1) They are based almost entirely upon our 1914-1918 experience, and make little use of subsequent military experience.

They are based largely upon our fighting the same kind of war as in 1914-18, and have few alternatives for various other types of participation, such as naval or aerial aid alone.

Neither have they been recalculated on the basis of mechanized stream-lined fighting units instead of the older types, or on the basis of the military experience of recent years or months.

(2) They are concerned almost exclusively with supplies for the military forces alone, and give no real consideration to the adequacy of industrial capacity or output to provide for the combined civilian and military needs of a war effort. No attempt is made to estimate civilian needs at various levels of privation, or to determine whether needs for essential additional industrial equipment (as, for example, more railway cars and cargo ships) could be met at the same time that heavy armament and munitions demands were being satisfied. Especial attention needs to be given to locating shortages in industrial capacity which would create serious bottlenecks under wartime demands, and to ways of expanding that capacity before an emergency might arise.

(3) The suggested economic controls of prices and production, similarly are based almost exclusively on the first World War experience, with little study or recognition of the vast new developments in price and other economic controls during the subsequent 20 years, both in various New Deal agencies and in other countries. The apparatus of control of the first World War would be hopelessly antiquated today, yet that is substantially what the Industrial Mobilization plan would put into effect.

(4) Little recognition has been given to the vital relation of fiscal and tax policy to price control. The World War was financed 67 to 90 per cent on credit in different countries; price inflation was the inevitable result. The present war is being financed much more by taxation, forced savings, reduced consumption, and other direct diversion of consumer incomes. The problems of price and economic control under the new techniques are greatly different than under the World War inflation. Cooperative study between the Army and Navy and the Treasury, Commerce, and Agriculture Departments is needed to prepare war plans and legislation in this field, since these policies are basic to all other wartime economic controls. The recent and current experience of the combatant countries should be fully drawn upon in this connection.

(5) The estimates of possible needs and potential supplies have been made by the most elementary rule-of-thumb methods. The work has been done largely by Army officers without special training, after a half-a-dozen lectures on statistics. Our economic and statistical forecasts in agriculture, on the contrary, are made by men who have had two to three years of postgraduate courses in statistics and economics, plus years of practical forecasting experience. The superficial character of much of the details of the industrial war plans would show up in great gaps and errors if we ever attempted to operate according to them. Many parts of our most precious war plans, carefully guarded as valuable secrets by the Joint Army-Navy Munitions Board, consist of nothing more profound than a student's exercise, worked up in a few hours or days as a problem in a brief Army Industrial College course. The entire set of estimates and calculations needs to be overhauled by a group of professional statisticians, experienced in the analysis of agricultural and industrial data, and highly proficient in methods of statistical and economic analysis and forecasting.

*PSF Currie* *2 down seats*

THE WHITE HOUSE  
WASHINGTON

May 24, 1940.

MEMORANDUM FOR THE PRESIDENT: Please return.

Re: Conference with Secretary Morgenthau.

I had a conference with the Secretary yesterday to suggest consideration of Odlum. The Secretary has, I think, been given some misinformation concerning Odlum which I am sure the SEC could quickly clear up.

Odlum called me today to tell me some industry reaction to the program:

(1) It is convinced that an attempt to get more combat engines by licensing smaller companies will be a bad failure and result in the loss of much valuable time. It has been tried with no success by the British and by Europeans who attempted to make American motors. It would take considerable time even for Wright, for instance, to make Pratt and Whitney engines. Attempt by smaller companies to make combat engines will result in a horrible mess.

(2) The Secretary's closest adviser, Mr. Mead, is disliked and mistrusted by the industry. He used to be with Curtiss and was not considered a good organization man. He then went with Pratt and Whitney. They claim he played politics and there is bad feeling now.

*Lauch Currie*

Lauchlin Currie

THE WHITE HOUSE  
WASHINGTON

~~Handwritten signature~~  
File

May 22, 1940.

MEMORANDUM FOR THE PRESIDENT:

Re: Some of Odlum's ideas on the aviation program.

1. Combat planes.

(a) Engines.

The two leading engine makers at present could produce at the rate of 9,000 engines per year at full capacity. They will be up to at least 18 to 20,000 at the end of the year if sufficient orders are forthcoming. It is not believed that the Allison motor will ever be produced in quantity, but will probably be superseded by a superior liquid-cooled engine. In any case, the plant will be available for 7,000 motors more per year. In addition to existing plants for combat engines, he believes that for strategic reasons as well as for those of increased capacity the Government should erect a plant in the interior, say at Denver, to be leased to a corporation formed by the private engine makers. This plant should be largely an assembly plant built underground, to be supplied by many parts makers.

(b) Planes.

At present, the industry with its present plant space working at maximum speed and efficiency with three shifts could probably turn out 25,000 planes a year in all categories, i. e., trainers, observation, transport, pursuit and bombers. Further sub-contracting should be resorted to and possibility explored of new assembly plant as in 1(a) above.

2. Training program.

To have 50,000 well-trained pilots two years from now would mean getting at least 200,000 to take up training right away. Hence, need of supplementing CAA and Colonel Knox's programs by a program designed to induce private individuals to acquire thousands of small cheap planes and gliders. He believes that this program could be stimulated through the formation of a finance company operating in part on cheap RFC money and by the Government subsidizing on instruction. He states in this connection that "plastics are very suitable for small trainers and even some of the intermediate sizes. Vidal has a plastic process with which

he has made planes, floats, etc., and with this process one unskilled worker at \$25.00 a week can turn out better than one plane per day." He gave me a long list of the smaller airplane companies and smaller airplane engine companies that are starving to death today for lack of orders. He also stated that "wood planes (of the general type of the Lockheed which Amelia Earhart flew) are as strong and durable (perhaps more so) in all the small and intermediate categories as metal. And there are thousands of skilled wood workers out of employment."

To retain benefits of training a 'Fly-It-Yourself' company could be formed that would have in all the cities small plastic planes costing about \$1,000 that a person could buy for a small amount down or could rent for, say, \$5 per hour and turn it in at any of the other agencies. For government-trained pilots a part of this \$5 would be refunded by the government on application, like in the case of the present tax on gasoline when used for aviation purposes."

### 3. Freighters and transports.

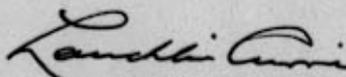
To increase mobility of army and supplies and to insure continuing volume of orders, provide for transports and the development of a great fleet of air freighters. "A defensive army such as the USA would have with so much coast and borderline to defend, should be exceedingly mobile. Howard Aircraft of Chicago has a plane all designed for this purpose (wood and tubular construction could be done mostly by skilled woodworkers) but has no orders. Wright has developed a C-20 suitable, I believe, for the purpose (all metal) but has no orders yet. . . . While its implications to the railroads may be bad, why not plan to carry all first and second class mail by air? That would keep many pilots busy as well as ships of the type for immediate transport use in case of emergency."

### 4. Airports and ground areas.

Provision should, of course, be made for simultaneous expansion here. Mentioned the German use of broad straight highways, with no overhead wires, etc., in this connection for emergency landings and possibilities in portable runways.

### 5. Research.

Greatly expanded with some consideration for specialized research in private plants.

  
Lauchlin Currie

THE WHITE HOUSE  
WASHINGTON

*File*

May 22, 1940.

MEMORANDUM FOR THE PRESIDENT:

Re: Floyd Odlum.

I should like to urge that Odlum be given consideration in connection with the whole aviation program. I believe him to be singularly qualified for this assignment. He has made a close study of the industry preparatory to going into Curtiss in a big way and was a director of that company. His plan was dropped and he has now no commitment in the industry. From my long discussion with him I satisfied myself that he has an intimate knowledge of the organization, production problems, and personalities in the industry. He has plenty of imagination and ideas and is aggressive and forceful.

Although now head of a great investment trust, Atlas Corporation, he is not a speculator in the usual sense of the word. His trust has been distinguished from the others by not being an in-and-out trader but, rather, for making substantial investment in "special situations". It has been a conspicuous success.

From 1914 to 1918 he was with an operating utility. From 1918 to 1930 he was with the Electric Bond and Share Company, being up to 1926 one of the three top-flight executives in the service department dealing with every type of problem. From 1926 to 1930 he handled the foreign end of the system, dealing and negotiating in every country in Europe and South America. Hence, he has had exceptional experience in executive work, in negotiation and in selecting personnel. His wife is Jacqueline Cochran, the aviatrix.

He is not a New Dealer. On the other hand, he is reasonable and realistic. He accepts the new order of things, treats it as part of his problem, and seeks ways of adjusting and accommodating himself to it. I am enclosing his radio speech of December 11, with a few marked passages which indicate accurately, I believe, his position.

Jerome and Harry will, I believe, confirm this appraisal.

*Lauchlin Currie*

Lauchlin Currie

## How to Make a Fortune

Anyone Can  
Do It Says  
Floyd Odlum

Man Who Garnered  
15 Million in Hard  
Times Gives Axiom:  
'Bet Against Public'

By Henry Paynter

Associated Press Feature Writer

New York, March 23.—Floyd Odlum, outstanding American since the World War to cook up—and preserve—a really huge fortune, expects to make more in the next few years for himself, his stockholders, and his associates.

The \$160,000,000 corporate omelet he blended this week, using as ingredients his Atlas Corporation, spectacular depression-time investment trust, and Curtiss-Wright Corporation, outstanding aircraft manufacturer, was concocted primarily to clean the Odlum pantry shelves of excess capital.

This will permit Odlum's undivided attention in the future to be given to what he calls "special situations," friends said today.

Odlum thinks anybody could build up the same aggregation of capital just by using plain "horse sense." Want to try? Just listen, and you'll hear everything he did—no secrets. And how!

His axiom for financial success is the regular admonishment to customers that many reliable brokerage and investment houses give their clients—pay no attention to day-to-day stock movements; study the trends; sell while the "public" is doing its wildest buying; buy while the "public" is doing its wildest selling.

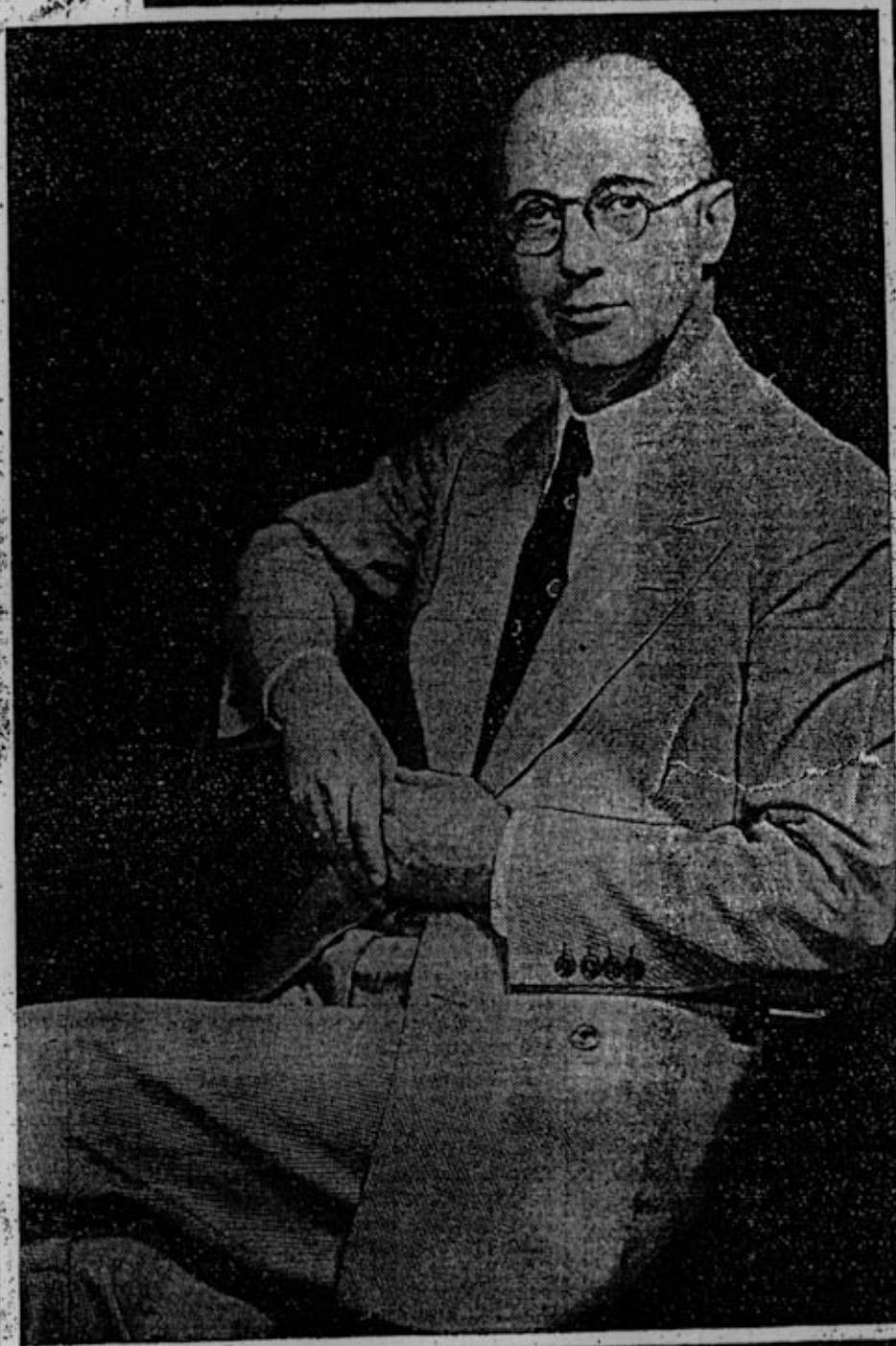
Buy the things the "public" doesn't like just now, for they often will be bargains.

That's all there is to it, he says.

But Odlum is one of the few active traders who has the courage of his convictions.

Considered the shrewdest stock trader of our time, he never looks at a ticker tape; doesn't even know how to decipher one.

In his office, which is far from Wall street, away across the Hudson River in Jersey City, he doesn't even have a stock ticker. The luxurious mahogany paneled office near Wall street which he inherited along with a squash gym and a roof garden private restaurant when he bit off a big chunk of another investment trust, was given up years ago.



FLOYD ODLUM

THIS DOCUMENT IS THE BEST AVAILABLE. EVERY TECHNICAL EFFORT HAS BEEN TAKEN TO INSURE LEGIBILITY.

### For Weeks of Time He Ignores Market

He will spend weeks at a time out of touch with the stock market, reading on economic conditions trends, or more likely some simple detail some of his placidly. The m... and sit with his belt and... his came to town with a new clerk, he left his wife sitting on a bench in Central with a ham sandwich and a milk bottle, and started to walk to Wall street—a 5-mile jog. He painted his yellow shoes black the first time he was asked out to dinner, and everybody wondered what smelled so funny.

"Little Od"—A nickname from the time he worked his way through the University of Colorado—is one of the world's rich men now but he still retains the horse sense and simple ways of his early days in the West.

He sat three day and three nights at his desk in his apartment living room overlooking the East River, munching ham sandwiches and gulping milk at meal times, working out the Curllis-Wright deal.

The desk is something. About 30 feet long and 10 feet high, with doors, drawers, panels, almost enough room to hide a piano and a small elephant. Looks like something the Duke of Marlborough took from a palace somewhere.

Odium is one of the few people who can tell a success story without omitting a few vital chapters. He was a poor Methodist minister's son. After he worked his way through college and law school, he bought a bargain round-trip ticket to Salt Lake City for \$5. No particular reason—just a good bargain. He walked into the office of the Utah Power & Light Co., a jobless, penniless, newly admitted-to-the-bar lawyer.

He made a job for himself—copying with "ambulance chasers" for what

ever it was worth. They paid him \$50 the first month.

After three months they paid him \$75, so he got married to a daughter of a Mormon elder.

This was just before the World War and the great utility systems were being assembled. "Little Od" did good enough legal work to win an offer of a law clerk's job in the New York law firm of Simpson, Thayer & Bartlett, also for the Electric Bond & Share.

In the firm he made fast friends with George Howard, then a lawyer, later head of United Corporation, which was founded by J.P. Morgan & Co., Benj. S. Morgan and associates as a super investment holding company of utility holding company stocks.

Sidney Z. Mitchell, then all-powerful head of Electric Bond & Share, had a hurry-up legal job. "Little Od" was the only man around. He did the job so well, Mitchell had him moved over to his own office so he would be more conveniently located for future work.

Mitchell took almost a father's interest in Odium, advanced him rapidly in pay and influence. Like his peers, Odium began speculating in the stock market with a good part of his income. His first speculation was as crazy as most people's. He lost \$40,000, and it took some time for him to pay it off.

Odium then began ignoring the hustle-bustle of the Wall Street rumor sector, and began studying economic trends on a broader basis. When he began using "plain common sense" he began to make money. Some of his associates, Howard and others, were interested. They formed a syndicate, or "pool." It went well. Odium imported his brother-in-law, L. Boyd Hatch, from Utah to act as manager.

Meantime, Odium was doing a full-time job of work for Electric Bond & Share. He took a leading part in assembling the far-flung operating companies of American & Foreign Power Co., its subsidiary for properties overseas.

Up to this point, Odium's career was not unlike those of several score bright young men of the time in Wall Street—except that after one physical collapse, owing to overwork, he determined not to abuse

his insides by careless eating or drinking.

From this point on, however, Odium's career became unique.

By the summer of 1923, a number of the most influential men in Wall Street were saying prices were too high. Russell C. Leffingwell, a leading Morgan partner, for example, whose advice was regularly sought

plenty of cash on... break came Odium, who had started his second speculative climb with capital of \$40,000, had control of \$14,000,000 in hard cash and "quick" assets. It came from selling stocks in the portfolio of the syndicate, which had now become Atlas Corporation, and from selling a new issue of Atlas securities.

Just as an idea of what hard cash meant in those times, remember that "Van Sweringen rail empire," valued before the crash at \$3,000,000,000. The Van Sweringens pledged control for a loan of \$40,000,000 which was later defaulted, whereupon "control" was sold at auction for \$3,121,000. (Odium had nothing to do with that.)

Just before the 1929 debacle in Wall Street, some of the heaviest "public" buying had been in shares of huge investment companies sponsored by big banking and investment groups to buy a wide range of securities.

Spurred by this wild "public" buying, the securities of the investment trusts had increased in value relatively higher than the worth of the securities in the trusts' portfolios.

After the crash, Odium, looking around quietly with more ready money than almost anybody in Wall Street except a few of the big banks (whose operations of course are limited by law) noticed that the trend in trusts had reversed.

The "public," now disatisfied with investment trusts, had been selling trust securities so heavily that the securities had gone below the values of the stocks in the trusts' portfolios. Moreover Odium discerned that

the harassed sponsors of the trusts in many instances would willingly disassociate themselves from their control over them.

He also noticed that most of these trusts had large holdings of marketable stocks. He figured out that by buying all the outstanding shares of a particular trust, he was really buying cash or its equivalent at 60 cents on the dollar.

and off which had a total of \$1,000,000. But the capitalization of the trust itself was in the form of 10,000 shares of XYZ public stock, now, because of public dissatisfaction, selling at \$50 a share. By buying all of XYZ stock at a total price of \$500,000, Odium would get XYZ's portfolio of investments, which he could then sell in the market for \$1,000,000.

But he didn't by any means have to buy all such trust stocks. He could give Atlas Corporation stock in exchange. And when he had a new trust, he would dissolve it or merge it with Atlas.

Thus, Odium gradually accumulated a pool of capital amounting to about \$150,000,000. In his operation, he has friends, it was like a rolling snowball, for when one investment it was acquired, it would often join the party and start acquiring control of others.

Odium always made it a point to satisfy the minority, or "noncontrolling" stockholders, to the point of what he considered liberality. Use most of these stockholders were glad to exchange declining securities in which they had lost confidence on a fair basis for Odium's Corporation securities.

Those who did not want to were paid off.

It is Odium's boast that the profits on the work of swallowing and assimilating these hidden values were fairly distributed amongst his own Atlas shareholders (i. e., to Odium himself in part) and to the new Atlas shareholders who had received the Atlas stock in the exchange on which the profits were

Considered the shrewdest stock trader today, 48-year-old Floyd Odium can't make head or tail out of a ticker tape. The financial empire-builder is shown with his famous wife — aviatrix Jacqueline Cochran (left). Miss Cochran has been designated as the world's No. 1 woman flyer



made. There was another marked difference between Odium and most big Wall Street operators. He foresaw the rise of popular feeling against some utility companies, and excised the name "utilities" from Atlas' original title. He worked realistically and cooperatively with all public authorities, including the "New Deal" agencies. He sought out and conferred with leading Democratic Party and other liberals. He has frequently privately asked the informal advice of the SEC on advance of major transactions; to make sure he did not offend against public policy or law.

Odium, through Atlas, successively in the depression years bought in more than a score of major investment trusts, including such once potent ones as Goldman Sachs Trading Corporation, All America General Corporation, Ungerleider Financial Corporation, Sterling Securities, Chatham Phenix Allied and National Securities Investment.

After disposing of marketable securities in portfolios, Odium found himself with capital structure or management problems in such widely varying companies as:

Central States Electric, American Trust Co., of San Francisco (third largest United States bank west of Chicago); Greyhound Transcontinental Bus System, Mississippi Valley Barge Line, Albert Pick Co. (a leading hotel supply house), a 1,300-acre fruit farm in the San Joaquin Valley, Bonwit Teller, fashionable Fifth avenue store, and huge office buildings.

Small wonder, said his friends, that the original title of his company, United States Corporation, didn't carry big enough implications. Odium had the world on his shoulders, so Atlas seemed like a better name.

*BSF  
Currie*      *Advocate F  
1*

May 28, 1940.

**MEMORANDUM FOR**

**HON. LAUGHLIN CURRIE**

This resolution, suggested by Phil La Fallette, is interesting because:

(a) It sets up a National Council composed of the head of the judicial establishment and a number of members of the legislative establishment and five members appointed by the executive establishment. It does not say what business they shall transact nor what their powers are, with the single exception that they may approve or disapprove Executive Orders of the President setting aside legislation relating to national defense.

Such Orders, setting laws aside, could be later reviewed and vetoed by the Congress.

(b) This proposal directly sets aside the Constitution of the United States. I do not think it is necessary to set aside the Constitution of the United States.

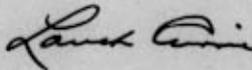
If later on some dictator-minded person should attempt to do so, he would doubtless do so without making himself subject to the Chief Justice and a lot of Committee Chairmen. He would just plain set the Constitution aside and let it go at that!

THE WHITE HOUSE  
WASHINGTON

May 27, 1940.

MEMORANDUM FOR THE PRESIDENT:

Phil LaFollette called me from  
Madison and asked me to bring the  
attached to your attention.



Lauchlin Currie



# NATIONAL PROGRESSIVES. of AMERICA

National Headquarters

ONE WEST MAIN STREET MADISON, WISCONSIN

May 25th, 1940.

Confidential.

Dear Lauch:-

Enclosed is a copy of a suggested resolution.

I have sent a copy to Bob, and urged him to introduce it. I do not know, of course, whether or not he will do so. I think it a necessary step and that it provides, perhaps, an answer to giving the executive the flexibility to meet the emergency, an answer to the dangers of dictatorship by providing checks on exercise of power; and that it is the best solution I can think of to the demand for "coalition" but provides it without including discordant elements in the actual execution and administration of government.

Yours

1. There is hereby created a National Council to consist of the Chief Justice of the United States, chairman ex officio, the ranking majority and minority members of the following committees of the Senate and of the House of Representatives, as constituted at the time of approval of this act, namely, the committees on Agriculture, Finance, Judiciary, Education and Labor, Labor, Military Affairs, Naval Affairs, and Ways and Means and five members to be appointed by the President, by and with the advice and consent of the Senate, not more than three of whom shall belong to the same political party. Where any member of the Senate or House of Representatives is ranking minority or majority member of more than one of these committees his membership on the National Council be by virtue of that committee first in alphabetical order and the next ranking member of such other committee shall constitute a member of the National Council.
2. A majority of the members of the National Council shall constitute a quorum for transacting all business, and the National Council may adopt such rules and regulations for the conduct of its business as it may deem proper; it may employ such clerical and other assistance as it may require, and fix the compensation therefor and all such employment shall be exempt from the provisions of civil service.

3. The members of the National Council shall receive no compensation for their services as such members, but shall be reimbursed their actual and necessary travelling and other expenses.
4. The President of the United States, when he shall deem it necessary in the public safety, may by executive order, with the approval of not less than eighteen members of the Council, invoke all or any part of Section 82 of Title 50 and suspend in whole or in part any act of Congress relating to or affecting the army, the navy, the army or navy air force, the Marine Corps, or the War Department or the Navy Department. Any such order shall become effective upon filing with the Secretary of State. Any such order may be rescinded at any time in whole or in part by the vote of eighteen members of the Council.
5. All such orders shall be filed with the Presiding officers of the Senate and the House of Representatives within twenty-four hours of the next meeting of the Congress following issuance thereof; each of such orders shall remain in full force and effect until and unless either or both the Senate or the House of Representatives shall by resolution disapprove thereof in which case such order or orders so disapproved shall forthwith become inoperative; provided, however, that no person or corporation shall be held criminally or civilly liable for any act done or not done,

or any action taken or not taken pursuant to authority of and under such order or orders while the same were in effect.

6. There is hereby appropriated out of any moneys not otherwise appropriated in the Treasury to the National Council a sum sufficient to carry out its duties; such appropriation to be paid upon the certificate of the chairman.
7. The provisions of this resolution shall be in force only while the Congress is not in session and shall expire February 1, 1941.

PSF.  
Currie

THE WHITE HOUSE  
WASHINGTON

May 29, 1940.

MEMORANDUM FOR THE PRESIDENT:

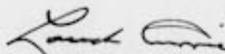
Re: Mr. Budd and the Potential Railroad Bottleneck.

I am very concerned over the dangerous potentialities in the railroad situation. The danger is two-fold. An actual or imminent bottleneck in rail deliveries has the immediate effect of precipitating a scramble for orders and deliveries. Of equal importance would be the jam in equipment and armament industries and the steel industry resulting from a belated rush of orders by the roads. At the present time there is still plenty of slack and it seems to me to be absolutely essential to get an equipment-buying program under way.

Something is being done in other fields such as power, aviation, machine tools, skilled labor, etc. Nobody, however, seems concerned with the problem of railroad equipment preparedness.

In my talk with Mr. Budd he appeared to feel that the problem could be worked out when it arose and he expressed himself as fearful that the roads might acquire equipment they later find they do not need. On the other hand, he agreed that in the event of an emergency the roads would probably rush in with large orders.

In these circumstances I wonder whether, in your meeting with the Advisory Commission, it might not be advisable to suggest to Mr. Budd that he put the problem up to the AAR, to ascertain, within a reasonable time, what, if anything, it proposed to do about it.

  
Leuchlin Currie

THE WHITE HOUSE  
WASHINGTON

PSF  
Currie  
Box 147

June 4, 1940.

MEMORANDUM FOR THE PRESIDENT:

Re: Senator Lee and War Finance.

Senator Lee and Jerome Frank met in my office this morning to discuss the former's bill.

Jerome and I pointed out that the discounting and borrowing features of Lee's bill would in the event of war create the very conditions - inflation - that give rise to the inequities he is concerned about. The thing to do in war time is to divert as large a proportion as possible of the current production of the community to war purposes in the smoothest and least socially disrupting ways. I stated that the SEC, Federal Reserve, and probably the Treasury, would all oppose Lee's bill as now drawn. On the other hand, I stated that I thought the Administration might favor a bill setting up fairly drastic controls of new issues and capital expenditures, both for expansion and replacement purposes, and providing for compulsory subscription to low interest-bearing loans in proportion to disposable income after taxes. Lee thereupon said he would abandon his present bill and asked if he might sponsor a bill acceptable to the Administration. I replied that I would attempt to ascertain your wishes in the matter.

I would be pleased, if you wish, to attempt to get agreement on a war finance plan on the part of the Treasury, SEC, and Federal Reserve, for your consideration. If a plan can be agreed upon which also meets with your approval, you might consider letting Lee sponsor a bill embodying the plan without putting it forth, at the moment, as an "Administration" measure.

*Lauchlin Currie*  
Lauchlin Currie

*LC*  
*Currie*

*PSF: Currie*

THE WHITE HOUSE  
WASHINGTON

MEMORANDUM FOR THE PRESIDENT:

June 12, 1940.

Re: Following the Defense Program.

I am wondering whether it would be of any assistance to you to have me organize and systematize current information on the progress of the ever-widening defense program. You would then be in a position to know at any time, without making special inquiries, the status of any important element in the program; attention would be automatically called to any part of the program that appeared to be falling behind schedule; and by having the information digested and presented in compact form, it might cut down on your desk work and appointments.

The information could be reported weekly or bi-monthly and could relate both to things and money. For instance, the card relating to anti-aircraft guns in the military program would show the supply on hand, the available appropriation, the number ordered, scheduled delivery dates, actual rate of deliveries, current and cumulative expenditures. Similar information should be available on other important elements of the military, naval and aviation programs.

In addition to the strictly armament program, similar information could be collected on the defense programs of non-military departments and agencies, on foreign orders, on the training programs, on the railroad, power and defense housing programs, on employment and prices, and on threatened and actual bottlenecks.

A good deal of this could be worked up in conjunction with the Defense Commission since much of it is information it should have currently. However, I should think that you would want it yourself in order, if for no other reason, to match performance against assurances.

If you found the detail too burdensome, you might care to have me use my discretion in calling your attention only to those matters about which there may be some question or some action required, or which give evidence of noteworthy performance.

*Lauchlin Currie*  
Lauchlin Currie

THE WHITE HOUSE  
WASHINGTON

BF  
Currie

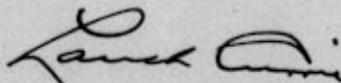
June 13, 1940.

MEMORANDUM FOR THE PRESIDENT:

Re: Local Defense Committee.

I've had one or two further ideas on the suggestion I made the other day.

1. It would be important to insure that the local committees had actual work to do as well as being study and advisory groups. I am convinced that there is plenty of actual work to be done.
2. Such committees might well furnish a broad basis of support for the WPA, health, education and training programs.
3. It would be desirable to steer them away from uncovering subversive activities since this is a job for professionals; and amateurs invariably bungle it.
4. Unless we take prompt and well-considered action, we may find ourselves confronted with a lot of self-constituted and uncoordinated local groups.
5. As a first step in planning the activities and form of organization you might consider bringing Clarence Dykstra in.

  
Lauchlin Currie

PSF:Currie

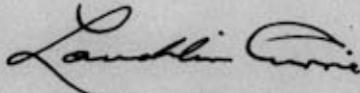
THE WHITE HOUSE  
WASHINGTON

June 13, 1940.

MEMORANDUM FOR THE PRESIDENT:

Re: The Mobilizing of Research for  
Defense.

I think the attached suggestion has sufficient merit to bring to your attention. It was given me as representing the views of a group of scientists in town.



Lauchlin Currie

June 12, 1940

JOINT RESEARCH BOARD

A. Purpose:-

- I. To mobilize all available scientific and technical ideas, in cooperation with the army and navy, for military purposes.
  - (a) This mobilization publicly emphasized is in itself a potent military weapon.
    - (1) Hitler's use of "secret weapon idea" to inspire fear and break morale in opponents.
    - (2) Build up morale in own group - idea of invincibility, etc.

B. Reason:-

- I. In order to meet the urgency of today's situation we need all the support of new technical ideas coming from the whole country (ideas and development outside the services as well as in) and applied to military uses.
- II. Germany for years has mobilized the research and development brains of the country for military uses as a group separate from the armed services. Apparently the reason behind this is that the organizations of the military establishment are not set up to handle research development because effective research progress requires intimate contact between the leaders and the individual laboratory workers, which is not readily achieved through the proper military channels, due to the psychological set up of the army and navy; i.e. the men in charge are selected to head the organization of a service and they are not usually men who are able to break precedents, support unorthodox procedures and try new things. They must feel that the equipment, etc., they have adopted cannot be broken down by new and untried things. For the most part they are right, but it is the few times that they are wrong that gives rise to need for organizing a special group for the development of new methods and techniques. The present war indicates a lack of appreciation by the Allies of the importance of such an organization which is free to utilize and develop new ideas. At present in this country there is no mechanism available for research ideas to be made effectively available for military use.

C. Solution:-

- I. A Joint Research Board composed of civilian and military men versed in modern scientific developments under the leadership of a civilian research man, not from the Government.
  
- II. The Board should be autonomous, free from military and political control and provided with funds sufficient to organize for military work a considerable fraction of the entire scientific and research establishment of the U. S. A. It is estimated that \$200,000,000 (for 1 - 2 years) will cover this adequately. (\$100,000,000 to \$150,000,000 is spent annually for industrial research in U. S. A.)
  
- III. The board might consist of representatives from each major field of science, engineering and military operations. It should have the authority to call for the services of individual service officers having qualifications fitted to special problems and uses.
  
- IV. The Functions of the Board should be
  - (a) To find better solutions quickly for specific military problems.
  - (b) To make military and naval applications of modern technical developments whose value in warfare has not yet been realized.

D. Procedure:-

A suggested plan of attack might be for the Board to do the following things:

1. To immediately make a detailed survey of the existing resources for research and development in this country - with particular reference to military use - i. e. - men, techniques, laboratory facilities and existing lines of organization.
  
2. Select the organizations, parts of organizations, individuals, and research facilities which can be effectively used

- (a) for intensive fresh attacks on recognized military problems,
  - (b) for devising new military uses of technical and scientific knowledge.
3. Mobilize these units in the service of the nation and keep the men from being scattered among other war organizations by official orders as this scattering, if it occurred, would result in the loss of effectiveness of existing research teams.
  4. Provide funds to operate these units in their attack on military problems.

(Close liaison with the Army and Navy, with independence of action is essential here. A flux of Service officers into and out from this Joint Board would serve to bring the practical elements into research and to bring research developments into practice as rapidly as possible.)

#### Important

Fundamental research looking toward new military objectives should be a specifically stated objective of this Board perhaps under one or two members specially charged with this function. Unless this function is expressly stated engineering developments of "practical" things - meaning older and well recognized things - will overwhelm the most potent new things which can be done.

It should be emphasized that it is not the function of this Board to take over the existing development work, on more or less obvious things, already in progress under the Army and Navy. This Board is primarily concerned to push new developments of old things and most important, of new things.

This fact, well publicized, in itself will be a powerful weapon.

*PSF Exec. O/c. Lauchlin Currie*

THE WHITE HOUSE  
WASHINGTON

January 9, 1941.

MEMORANDUM FOR THE PRESIDENT:

Re: Secretary Morgenthau's Bank Holding  
Company Proposal.

Proposal - It is suggested that you recommend to Congress legislation providing for more effective control of bank holding companies and for the gradual separation of banks from holding company control or ownership.

Comments - 1. The bill sponsored by Senator Glass in 1938 prohibited further expansion of bank holding companies and provided for better control of existing companies. The present proposal contains a "death sentence" and is, therefore, much more drastic.

2. I am very sympathetic to the objective of this proposal. I am a little worried, however, that the endorsement of this much more drastic proposal might be interpreted as a punitive measure directed by Secretary Morgenthau against Giannini. Giannini is rather good at the "martyr act." Moreover, in view of the present strained relations between the Treasury and the Federal Reserve, the fact that Mr. Eccles' family has a bank holding company might lead some malicious people to suggest that this is a personal measure of retaliation by Secretary Morgenthau against Mr. Eccles. Finally, I am not at all sure that Mr. Crowley is prepared to go beyond the 1938 proposal and I think this might very well be checked.

*Lauchlin Currie*  
Lauchlin Currie

*PSF Currie*

THE WHITE HOUSE  
WASHINGTON

January 13, 1941.

MEMORANDUM FOR THE PRESIDENT:

Re: Discussion with Eccles.

I have had a long talk with Marriner about the Federal Reserve Statement and monetary legislation in general. As a result I feel more hopeful that something agreeable to your wishes can be worked out in an amicable way.

Marriner is fully aware of the anomalous position of the Federal Reserve as an independent body asking for powers which are of vital concern to the Administration's whole economic program. In exchange for these powers, therefore, he is prepared to go along on

- (a) abolishing banker ownership of stock in the Federal Reserve banks
- (b) prohibiting bankers from serving as directors of Federal Reserve banks
- (c) making action by the Board or the Open Market Committee subject to the approval of the President. (Politically I think this preferable to approval of the Secretary of the Treasury.)

The question of your emergency powers will be a little more difficult. You might care to consider giving up one or two of the less important in exchange for increased powers over Federal Reserve policy. Marriner also talked over with me his suggestion of a Monetary and Fiscal Committee, which I think would be an excellent way of coordinating policy and reducing areas of disagreement. It would also have the incidental value of giving him a more active role, and with some voice in the formulation of fiscal and direct price and priority policy there would be much less danger that he would advocate excessive monetary restraints.

When you have made up your mind as to what you would like to have done, I think I might be of some help, by going back and forth between the Treasury and the Board, in securing general agreement on specific points.

*Lauch Currie*  
Lauchlin Currie

BF Exec. Oxc.

Currie Folder

STC  
In read  
Return for own  
personal files.

THE WHITE HOUSE  
WASHINGTON

January 13, 1941.

MEMORANDUM FOR THE PRESIDENT:

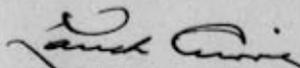
Re: Conference with Sulzberger.

This conference, in which you evidenced some interest, was held on December 13, in a room at the Hay Adams. I understood that it grew out of a discussion between Jerome Frank and Eddie Greenbaum, who is now with Patterson in the War Department. Others who attended were Ben Cohen, Lowell Mellett and Herbert Gaston.

The discussion, which got rather heated at times, centered largely on the role and responsibility of the press in general, and the Times in particular, and the Times' handling of the Logan-Walter Bill. Sulzberger attempted to develop the thesis that the freedom of the press was one of the four props on which our democracy stood and that any criticism of the press to that extent weakened the foundations of our democracy. He was a bit taken back to encounter dissent from Judge Patterson, who said that he thought it was very healthy for the courts to be subjected to criticism from time to time and he hardly thought the press was entitled to more immunity than the courts. Sulzberger was very evidently on the defensive most of the evening and took refuge behind the "collective mind" of the entire editorial staff of the Times. He brought out the interesting fact that Merz, the Editor-in-Chief, was formerly with the New Republic, and Hazlett, who writes most of the economic editorials, with the Nation. This is another illustration of the fact that when a person starts on the left and moves to the right he usually ends up further to the right than people who have been there all the time.

I put in a little plea for more responsibility in the handling of the labor-defense news stories, saying that the task of maintaining unity was difficult enough without having any irresponsible proposal by any obscure Congressman given front-page prominence in the Times.

I think the meeting accomplished some good to the extent at least of putting Sulzberger more on the defensive. I have been in frequent communication with him since and I am lunching with Mr. Hazlett in a few days. Lowell tells me that Krock saw him right after our conference and made the rather astonishing proposal that the greatest blow for the freedom of the press would be for Thurman Arnold to institute a suit against the Associated Press as a monopoly!

  
Lauchlin Currie

file  
confidential

BF Exec. O/C

Currie Hdb

THE WHITE HOUSE  
WASHINGTON

January 15, 1941.

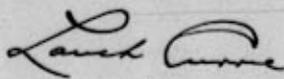
MEMORANDUM FOR THE PRESIDENT:

Re: Discussion with Forrestal.

Concator? → After leaving you last night I immediately got in touch with Forrestal and discussed with him the possibility of Tom's taking the position of Assistant Secretary of the Navy. He at first said that he would be delighted to turn his own post over to Tom. I said I was sure that would be unacceptable both to you and to Tom. He then said that of course he got along very well with Tom and would like to have him as Assistant Secretary. He said that Knox might take a little winning over as he had his own candidate, but that he thought that with your active support he could win him over. Recently he arranged a meeting of Knox and Tom and he said that as a consequence Knox received a much better impression of Tom than he had formerly. He said that he would take the matter up directly with Knox and that he hoped you would do the same. He did not anticipate any difficulty from the present incumbent.

Forrestal then asked me to pass on to you the following:

1. He had been talking to Polk and was very hopeful that Polk would take an active part in lining up support among his numerous connections for the Administration's foreign and defense policies.
2. He thought it would be helpful if you would see Lewis Douglas.
3. He thought it might be a good idea to get Henry Luce down in connection with Naval Intelligence. He thought that he could make a real contribution there and his acceptance of the post would of course in addition tie him in closer to our general program.



Lauchlin Currie

PSF. Exec. Oxc. Currie

OFFICE OF  
THE SECRETARY OF THE TREASURY

February 25, 1941

Currie  
1-41

Memorandum for General Watson:

In accordance with the  
President's request, this memo-  
randum is being returned for his  
files.

*File  
S.M.W.*

THE WHITE HOUSE  
WASHINGTON

January 22, 1941.

MEMORANDUM FOR THE PRESIDENT: - ~~CONFIDENTIAL~~

Re: Proposed Banking Legislation.

I am outlining very briefly some of the possible courses of action developed in our discussion this morning. As I told you, Mr. Eccles would not oppose any proposals tending to tie in the Federal Reserve more closely with the Administration. Such proposals would include redeeming stock in the Federal Reserve Banks now held by member banks; would disqualify any banker as such from serving on the Boards of Directors of the Federal Reserve Banks; would provide for conversion to the Treasury of any earnings after the surplus account had reached a certain figure. I am also pretty certain that he would not oppose any proposal to abolish the Open Market Committee and transfer its powers to the Board. Finally, in the interests of a coordinated economic program he would not oppose granting the President veto power over the actions of the Board nor the power of the President to require action. All of these changes, of course, would be extremely unpalatable to bankers and the financial community.

In exchange for making the Federal Reserve System more truly a public system and the additional control granted to the President over domestic monetary policy, you might very well consent to a removal of the power to issue three billion dollars of greenbacks. You could even, if necessary, consider letting the power to devalue the dollar lapse, provided that the Stabilization Fund was retained, and also Section 8 of the Gold Reserve Act that provides that the Secretary of the Treasury may purchase gold "at such rates and upon such terms and conditions as he may deem most advantageous to the public interest". It is quite true that purchases of gold at higher than the statutory gold price would entail a loss to the Fund; however, it does provide a means of meeting the threat of excessive foreign currency depreciation and the threat itself may be sufficient to prevent such a depreciation from taking place.

In a possible post-war deflation you would then be in a position  
(a) to offset or prevent excessive foreign currency depreciation,  
(b) to increase government expenditures through the use of the Stabilization Fund and the remaining silver seigniorage power, (c) require the Federal Reserve to reduce reserve requirements.

Curtis  
1-41

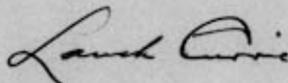
Memorandum for the President.  
Re: Proposed Banking Legislation.

-2-

January 22, 1941.

Having secured complete control over Federal Reserve policy you might then consider asking that the Federal Reserve be given completely adequate powers to cope with any conceivable inflationary development. You could, for example, suggest that instead of the Federal Reserve's power to raise reserve requirements being limited to double existing requirements, a limitation imposed by the bankers on the Federal Reserve, it should have unlimited power. You could even suggest that emergency power be provided to prohibit, for a limited period, any increase in individual banks' total loans and investments not offset by an increase in savings deposits.

The combination of these various proposals would, of course, be strongly opposed by some. Your position, however, would be eminently "sound". The resulting line-up would at least serve the purpose of bringing out clearly that the bankers and financial community are not really as concerned over inflation as they are with taking powers away from you.



Lauchlin Currie

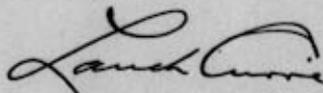
*BSF Exec. Off: Currie*

THE WHITE HOUSE  
WASHINGTON

March 12, 1941.

MEMORANDUM FOR THE PRESIDENT:

I am sending over some gifts from the Generalissimo. In a few days I shall receive another gift from Madame Chiang Kai-shek for Mrs. Roosevelt and other gifts are being forwarded to you and Mrs. Roosevelt from Dr. Kung. I am also enclosing a letter of personal greeting to you from the Generalissimo. I have another communication from the Generalissimo which I should like to discuss with you. In addition I have many verbal messages and commissions and I should like at your convenience to spend some little time in going over the whole Chinese situation with you.



Lauchlin Currie

BF Exec. Oxc.

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personal*

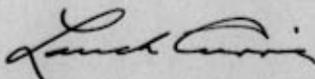
THE WHITE HOUSE  
WASHINGTON

March 17, 1941.

MEMORANDUM FOR THE PRESIDENT:

Re: Roy Howard.

T. V. Soong's Assistant,  
Dr. Rajchman, told me that on  
March 12 Roy Howard had drawn  
T. V. Soong aside and suggested  
to him the desirability of  
exploring ways and means of  
concluding a peace between China  
and Japan.



Lauchlin Currie

*PSF Currie*

THE WHITE HOUSE  
WASHINGTON

April 23, 1941

MEMORANDUM FOR LAUCHLIN CURRIE:

Please tell Marriner that I think his views should be presented to the Doughton Committee, and that the invitation to him should come from that Committee. The same thing applies to the presentation of views to the Ways and Means Committee by Mr. Leon Henderson, and possibly Chairman Eicher of the S. E. C.

Please keep the enclosed for me for later use.

F. D. R.

Enc.

*asked Minton to call Doughton*



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

OFFICE OF THE CHAIRMAN

April 22, 1941.

My dear Mr. President:

At your suggestion, Mr. Sullivan of the Treasury briefly outlined to me the Treasury's tax program. As a result of that conference and of previous extensive studies made of the tax problem, I have prepared a tax program as outlined in the enclosed memorandum. It is similar to the Treasury's proposals both as to its total yield and in the general revenue sources on which it draws.

It differs materially, however, in the method of computation of excess profits and the tax rates thereon, the Treasury's proposal, in my opinion, being entirely inadequate.

The proposals in the attached memorandum call for less revenue from individual surtaxes and certain excise taxes, which are offset by a greater revenue from excess profits tax.

Respectfully yours,

The Honorable  
The President of the United States,  
The White House.

April 22, 1941

### A TAX PROGRAM

Excess Profits Tax - The present statute, falling far short of the intention stated in the President's message of July 1, 1940, "to see that a few do not gain from the sacrifices of the many" in the task of arming for national defense, should be drastically revised. Labor can not well be asked to moderate its demands if employers are permitted to retain huge profits. After paying taxes reflecting increases already made and in prospect, many individuals will have less money left than they had before the defense program got under way; meanwhile, many corporations are making more money, even after taxes, than they ever made before. In contrast to individual earnings, these corporate earnings escape the full force of the individual surtaxes because they may be retained without penalty. An effective excess profits tax is the best way to make them bear their fair share of the tax load.

Specific Proposal - Fix the excess profits base at not more than 10 per cent or less than 6 per cent on invested capital, the exact figure within these limits to be determined by past earnings experience. Retain the present specific exemption of \$5,000. On excess profits over this exemption, levy rates as follows: 25 per cent on the first \$20,000; 50 per cent on the next \$25,000; 75 per cent on the remainder of excess profits. Retain the provisions of the present law providing for special treatment of hardship cases.

Special Defense Tax on Corporate Income - Raising the rate of normal corporate income tax would increase the value of the tax exemption privilege on income from over \$20 billion of outstanding Federal Government securities. In order to levy upon such income, enjoying immunity from normal tax but not from surtaxes, a fair share of the increased tax burdens which the community at large will be called upon to pay, a defense surtax on corporate income of 6 per cent, in addition to the present normal rate of 2 1/2 per cent, is proposed.

Personal Income Tax - This is the most equitable of all taxes and should be made the backbone of our tax structure. Up to now, however, we have failed to make as full use of the personal income tax as other democratic countries have done, with the result that it yields only about 20 per cent of total Federal revenue. Pressures on Congressional Committees have resulted in an income tax statute shot through with inconsistencies, inequities and immunities for minority groups of taxpayers.

Specific Proposal - (a) Tax the incomes of husbands and wives as a single income. The privilege of filing separate returns is a tax-avoidance device that in practice is valuable only to wealthy couples, and practically all wealthy couples make use of it. Professional services of a high order at the Government's disposal are adequate to remove the legal obstacles to this proposal.

(b) Lower the present personal exemption of \$2,000 for married persons to \$1,600. The revenue thus obtained from the better paid wage-earners, together with existing and proposed consumption taxes paid by this group, will go far toward making good possible losses in excess profits revenue if governmental price-control, in combination with rising wage rates, should restrict the growth of profits.

(c) Eliminate the present \$4,000 surtax exemption, but continue to allow deduction of personal exemption (reduced as proposed above) and credit for dependents for surtax purposes. Since an increase in the normal tax would increase the value of the tax-exempt privilege borne by outstanding Federal securities, increased revenue from the individual income tax should be obtained primarily by increasing the surtax rates. Accompanying upward revision of surtax rates the Defense Tax, amounting to 10 per cent of the tax computed at present scheduled rates, should be eliminated. The proposed schedule of rates is shown in Appendix A.

**Estate and Gift Taxes** - On June 19, 1935, the President said "The transmission from generation to generation of vast fortunes by will, inheritance or gift, is not consistent with the ideals and sentiments of the American people. Such inherited economic power is as inconsistent with the ideals of this generation as inherited political power was inconsistent with the ideals of the generation which established our government." The task of bringing law into conformity with popular ideals, begun in the Revenue Act of 1935, ought to be finished now.

1. Establish a single schedule of rates applicable to the cumulative total of gifts during life plus estate passing at death. Under present practice, gifts subject to tax in the lowest brackets of the gift tax can be used as a means of avoiding taxes in the highest brackets of the estate tax. Great accumulations of wealth can be transmitted by gift as well as by bequest, and a consistent public policy would tax both types of transfer at the same effective rates. Raise the now unduly low rates applicable to estates under \$10 million. The proposed schedule of rates is shown in Appendix A.

2. For the present exemptions of \$40,000 under the gift tax, \$40,000 general under the estate tax, and \$40,000 insurance under the estate tax -- a total of \$120,000 -- substitute a single exemption of \$25,000.

3. Broaden the legal concepts of "gifts" and "transfer at death" so that the estate tax will effectively reach all transfers of property that transmit wealth from one generation to the next. Transfers from life tenant to remainderman are among the widely used devices for avoiding estate tax.

4. Limit the right to make tax-exempt gifts and bequests to educational and charitable institutions either by limiting the amount of such transfers or by requiring the gift or bequest to be certified as truly in the public interest by qualified expert opinion. Such transfers often merely reflect the whims of the donor and serve no useful public purpose.

**Excise Taxes** - The following excise taxes would fall largely on goods requiring the use of scarce materials and skills needed for the defense program.

	Proposed rate	Existing rate
	(Per cent of manufacturers' price)	
Passenger automobiles and motorcycles	20	3.5
Automobile parts and accessories	15	2.5
Radio sets	11	5.5
Mechanical refrigerators	11	5.5
Firearms, shells, pistols, revolvers	25	11
	(Specific rates)	
Gasoline	2¢ per gal.	1.5¢ per gal
Tires	3.0¢ per lb	2.5¢ per lb
Tubes	5.5¢ per lb	4.5¢ per lb
Luxury goods (furs, jewelry, etc.)	Various rates	

**Revenue Yield** - The yield of these proposals on a full year basis may be roughly estimated as follows:

	(Millions of dollars)
1. Excess profits tax revisions	700
2. Special defense tax on corporate income	600
3. Individual income tax:	
(a) Tax incomes of couples as single incomes	225
(b) Lower married persons exemption to \$1,600	100
(c) Raise surtax rates and lower exemption	700
4. Estate and gift tax	500
5. Excise taxes	625

3,450

April 22, 1941

APPENDIX A

EXISTING AND PROPOSED SURTAX RATES

Surtax net income (Thousands of dollars)		Rate (per cent)		Surtax net income (Thousands of dollars)		Rate (per cent)	
		Existing	Proposed			Existing	Proposed
0 to	2	0	4	50 to	60	44	52
2 to	4	0	7	60 to	70	47	54
4 to	6	4	10	70 to	80	50	56
6 to	8	6	13	80 to	90	53	58
8 to	10	8	16	90 to	100	56	60
10 to	12	10	19	100 to	150	58	62
12 to	14	12	22	150 to	200	60	63
14 to	16	15	25	200 to	250	62	64
16 to	18	18	28	250 to	300	64	66
18 to	20	21	31	300 to	400	66	67
20 to	22	24	34	400 to	500	68	68
22 to	26	27	37	500 to	750	70	70
26 to	32	30	40	750 to	1,000	72	72
32 to	38	33	43	1,000 to	2,000	73	73
38 to	44	36	46	2,000 to	5,000	74	74
44 to	50	40	49	5,000 and over		75	75

EXISTING AND PROPOSED ESTATE TAX RATES

Net Estate		Rate (per cent)		Net Estate		Rate (per cent)	
		Existing	Proposed			Existing	Proposed
Exceeding	Equalling	Existing	Proposed	Exceeding	Equalling	Existing	Proposed
(\$000)				(\$000)			
---	10	2	3	1,000	1,500	32	46
10	20	4	6	1,500	2,000	35	49
20	30	6	10	2,000	2,500	38	51
30	40	8	12	2,500	3,000	41	53
40	50	10	15	3,000	3,500	44	55
50	70	12	18	3,500	4,000	47	57
70	100	14	21	4,000	4,500	50	59
100	150	17	25	4,500	5,000	53	61
150	200	17	25	5,000	6,000	56	63
200	250	20	30	6,000	7,000	59	64
250	400	20	30	7,000	8,000	61	65
400	450	23	35	8,000	9,000	63	66
450	600	23	35	9,000	10,000	65	67
600	750	26	39	10,000	20,000	67	68
750	800	26	39	20,000	50,000	69	69
800	1,000	29	43	50,000	---	70	70

Note: Under existing law "net estate" is computed by deducting a specific exemption of \$40,000; under the proposed law the specific exemption would be reduced to \$25,000.

BSF  
Currie

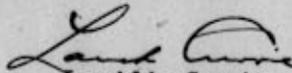
THE WHITE HOUSE  
WASHINGTON

April 25, 1941.

MEMORANDUM FOR THE PRESIDENT:

Re: Communication with China

With the knowledge and consent of Ambassador Johnson and Secretary Knox, I have been exchanging a few messages directly through naval radio with Major McHugh, the naval attache at Chungking, who enjoys the Generalissimo's confidence. This has been most helpful, but I feel uneasy about the arrangement. I would appreciate it very much if you would regularize the procedure by giving me your permission to communicate directly with McHugh on matters pertaining to lease-lend aid and I could then advise the State Department to this effect.

  
Lauchlin Currie

*Cassio Folder  
1-41*

THE WHITE HOUSE  
WASHINGTON

*PSA*

██████████  
April 26, 1941.

MEMORANDUM FOR  
THE SECRETARY OF STATE

I suppose this is all  
right. What is your judgment?

F. D. R.

DECLASSIFIED  
By Deputy Archivist of the U.S.  
By W. J. Stewart Date JAN 30 1973

PSF Exec. O'Co.

Currie Folder  
1-41

THE WHITE HOUSE  
WASHINGTON

April 30, 1941.

MEMORANDUM FOR

HON. HARRY L. HOPKINS

Will you speak to me  
about this?

F. D. R.

Memorandum to the President  
from Lauchlin Currie, dated April  
25, 1941, in re "Airplanes for  
China under Lease-Lend.

*file  
personal*

*PSF Exec. O'lc.*

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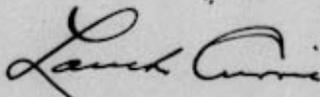
THE WHITE HOUSE  
WASHINGTON

May 5, 1941.

MEMORANDUM FOR THE PRESIDENT:

Re: Luncheon with Oumansky.

I was introduced to Oumansky at Hornbeck's cocktail party for Dr. Quo on Friday. He said he would very much like to discuss China with me and invited me to luncheon on Wednesday "if it would not embarrass me". I accepted, thinking that I might be able to pick up something interesting or significant which I could pass along to you.



Lauchlin Currie

Currie Folder

File  
Personal

PSF  
Adm Assts.

THE WHITE HOUSE  
WASHINGTON

May 8, 1941.

MEMORANDUM FOR THE PRESIDENT:

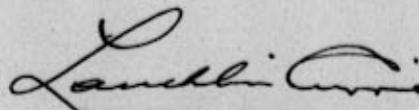
Re: Luncheon with Oumansky, May 7.

Oumansky spent a good deal of time detailing to me his difficulties in connection with (a) gold imports, (b) attempt at redefinition of combat zone to exclude Petsamo and Murmansk, (c) recognition of Baltic countries, and (d) export licenses. I looked sympathetic and asked a few questions, but made no comments.

What he appeared to be chiefly desirous of learning from me in connection with China was whether we were actually going to give substantial aid to China under lend-lease. I replied that I thought that the aid would be substantial and would be limited only by physical, not financial, reasons. He asked me whether I had encountered any feeling at Chungking that substantial American aid would enable the Chinese to dispense with Russian aid and adopt a more belligerent attitude toward the Chinese communists. I replied that I had encountered none. Finally, he inquired rather closely of me whether I knew of any impending "appeasement" move on our part viz-a-viz Japan. I replied that I did not. He appeared to be dissatisfied with my answer and said that he would not be at all surprised if Matsouoka did come here.

One rather interesting thing he told me was that Dr. Quo Tai Chi passed on some information to him from the Chinese Ambassador at Berlin, whom Quo Tai Chi had met at Lisbon. This was to the effect that the German foreign office was highly displeased with the Russian-Japanese Pact. Oumansky also said that the Russo-Japanese Pact would not lead to any weakening of the Far-Eastern Siberian army.

I questioned him as to the significance of the Stalin-Molotoff move. He interpreted Stalin's assumption of the premiership as a symbolic move, indicating the gravity of the crisis, and associated it with Lenin's position as premier in equally serious times.

  
Lauchlin Currie

PSF Exec. Oxc.

Curtis 1941

THE WHITE HOUSE  
WASHINGTON

July 19, 1941.

MEMORANDUM FOR THE PRESIDENT:

Re: Chinese Aircraft Program.

Attached is a Report of the Joint Planning Committee, concurred in by the Secretaries of War and Navy, and the Joint Board, on the Chinese Short-Term Aircraft Program. It was prepared in response to my request for recommendations to you.

The recommendations are as follows:

a. With regard to Policy:

1. That the United States and Great Britain, subject to United States and British requirements, furnish material aid to China by providing aircraft of pursuit, bombardment, and training types, together with accessories, spares, armament and ammunition, in quantities sufficient for effective action against Japanese military and naval forces operating in China and in neighboring countries and waters.

2. That the United States provide a cadre of American instructor pilots in China aided by such technical personnel and equipment as may be necessary to the accomplishment of the training of Chinese personnel as flight and maintenance crews. This instructor cadre will render advisory assistance in the maintenance and employment of all training and combat aircraft, and equipment pertaining thereto, which has been made available to China by the United States Government.

3. That to aid China in the proper utilization of the large amount of material resources being furnished by the United States, the United States send a military mission to China to act in an advisory capacity.

b. With regard to the Short-Term Aircraft Program for China:

1. That aircraft, together with accessories, spares, armament, and ammunition be made available to the Chinese Government as follows:

(a) 144 Vultee 48 C and D, Pursuit, from stocks or production already allocated to China by the Joint Aircraft Committee.

(b) 125 Republic P-43 Pursuit, now on contract to the Chinese Government.

(c) 33 Lockheed Hudson, Medium Bombardment, from stocks or production now allocated to the British.

(d) 33 DB-7, Light Bombardment, from stocks or production now allocated to the British.

(e) Accessories and spares to be scheduled for production or made available from stocks controlled by the United States or Great Britain, as the case may be, to accompany each group of planes.

(f) Armament and ammunition from stocks or production controlled by the British.

2. That delivery of aircraft indicated in recommendation b (1), (a) to (d), inclusive, be conditioned upon the diversion of adequate armament and ammunition to permit their efficient employment in combat.

The recommendations to which your attention is specifically directed are those dealing with the diversion of a limited number of medium and light bombers from the British, the diversion of a limited amount of armament and ammunition, now being produced in America for the British, and the proposal of a military mission.

On the diversion of bombers, armament and ammunition, I have prepared for you the accompanying directives which the Secretary of War can transmit to the Joint Aircraft Procurement Committee and the appropriate Ordnance Committee.

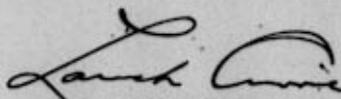
I had previously raised the question of a Military Mission to China with Mr. Welles. He feels strongly that all our relations with the Chinese Government should be tied in with the Embassy, that increased military representation in China, if necessary and desirable, should take the form of appointing a Military Attache of higher rank than the Colonel now there and of additional assistant military attaches assigned to different tasks, and that, finally, the lease-lend "expediter" in China should be a civilian. Mr. Hopkins concurs in these views. It so happens that one of the ablest officers in the Far East Foreign Service, John Carter Vincent, is now acting temporarily as Counselor at our Embassy in Chungking. He knows China, speaks Chinese, and is a close friend of Lattimore. His detail as lease-lend expediter would be agreeable to Mr. Welles and to me.

I would suggest, as a possible way of reconciling the views of the State Department and the War Department, that the man the War Department has in mind to head the mission, General Magruder, be appointed Military Attache with the understanding that in the event of hostilities, he would become head of a Military Mission. This is the arrangement the British have worked out in Chungking with their Military Attache, Major-General Dennys.

Memorandum for the President  
Re: Chinese Aircraft Program

-3-

I would also like to recommend that you approve the suggestion of detailing John Vincent as lease-lend expediter in Chungking.

  
Lauchlin Currie

*PST Exec. Ojo. Currie fddm*  
*1-41'*

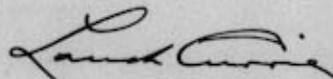
THE WHITE HOUSE  
WASHINGTON

August 25, 1941.

MEMORANDUM FOR THE PRESIDENT:

I'm attaching a cable from Lattimore which was doubtless inspired by Chiang. I think the idea back of it is a continuation of the effort to make it appear that China is an equal partner in the whole effort. Since I am associated in the Chinese mind with China, my presence in Moscow would imply that I'm "representing" China which, from Chiang's point of view, would be the next best thing to having one of his own men in on the deliberations. This impression, of course, would be reinforced by my going via Chungking. It would provide him with some answer to his internal critics who are charging that the Western powers are only using China for their own ends.

In addition, of course, something constructive could be done in coordinating Soviet-American aid to China.



Lauchlin Currie

~~SECRET~~  
Chungking, August 24, 1941

Currie  
The White House

Believe it would have excellent effect if President would appoint you participate Moscow discussions going there via Chungking in order to coordinate aid to China and Soviet.

Lattimore

DECLASSIFIED ~~SECRET~~

*PSF Exec. Op. - Currie*

THE WHITE HOUSE  
WASHINGTON

September 19, 1941.

MEMORANDUM FOR THE PRESIDENT:

Re: Head for Russian War Relief.

Mr. E. C. Carter, who has been organizing the only private Russian war relief organization in this country, consulted me on the question of a prominent person to head the permanent organization. He said that he would like to get Mr. Joseph Davies, but that Mr. Davies, while sympathetic, did not feel he could combine this post with his present post.

In view of the close vote of the American Legion Convention on the question of support for Russia, and various other indications of hostility with which you are familiar, I think the choice of the head of this particular organization is far more important than just securing money for relief. It occurred to me that if somebody like John D. Rockefeller, Sr., could be induced to head the organization this would do much to remove the hostility and timidity and would enlist more support for the military aid to Russia policy.

Would you like me to do anything further on this matter?

*Lauchlin Currie*  
Lauchlin Currie

*BF Exec. O/c.*

*Currie Folder*

THE WHITE HOUSE  
WASHINGTON

September 23, 1941

MEMORANDUM FOR LAUCHLIN CURRIE:

Will you speak to Joe Davies  
and Sumner Welles about this? I do  
not think John D. Rockefeller, Sr.  
is the ideal man.

F.D.R.

Memo of Currie's to the Pres. Sept. 19th  
in which he mentions John D. Rockefeller  
Sr. to head Russian War Relief

*PSF Exec. O'c. - Currie*

THE WHITE HOUSE  
WASHINGTON

October 11, 1941.

MEMORANDUM FOR THE PRESIDENT:

Re: Permanent Chairman of Russian War Relief.

In accordance with your suggestion, I took this matter up with Mr. Joseph Davies and Under Secretary Welles. Mr. Davies' first suggestion was Owen D. Young. Mr. Welles suggested that it might be desirable to have a prominent Catholic layman. He undertook to check with Monsignor Ready and Frank Walker. Monsignor Ready suggested Charles T. Fisher, one of the Fisher brothers, a Catholic, and president of the National Bank of Detroit. He is also prepared to sound him out. Mr. Welles tells me that Frank Walker thought this was a good suggestion. Assuming that Mr. Fisher is available, the only objection I see is that he is not a nationally prominent figure. Al Smith is prominent, but I suppose he wouldn't take it on. Still another possibility, though not a Catholic, is former Chief Justice Hughes, though Mr. Welles thought that his former record of hostility to the Soviet regime might be

*BF Exec. Oxc. - Currie*

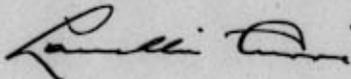
THE WHITE HOUSE  
WASHINGTON

October 29, 1941.

MEMORANDUM FOR THE PRESIDENT:

Re: Chairman for Russian War Relief.

Mr. Welles told me that he had been informed by Monseigneur Ready that Charles Fisher had been approached and would accept the chairmanship. Accordingly, after your approval, I suggested to E. C. Carter that the invitation be extended to Fisher. Mr. Welles then called me and said that Fisher would only accept if urged to by the Red Cross or Administration and he suggested I call Fisher and say that you hoped he would accept. I did so today. Mr. Fisher asked time to consider it and then called me back saying that he could not accept for personal reasons; that his bank needed all his time and he could not afford to take a leave of absence.



Lauchlin Currie

PSF Exec. Dir.  
Currie

THE WHITE HOUSE  
WASHINGTON

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*Currie Folder*

November 3, 1941.

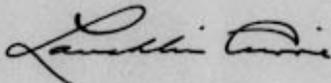
MEMORANDUM FOR THE PRESIDENT:

Re: Japanese threat to Yunnan.

The attached cable from Owen Lattimore contains some interesting gossip and brings out one new element in the situation, the shortage of food reserves in Yunnan.

I think we can help on that by providing food through lease-lend for the hundred thousand-odd workers on the Yunnan-Burma railroad project. I have despatched a cable to General Magruder inquiring as to the feasibility of this possibility.

I am making arrangements so that the thirty-four volunteer pilots en route to China should get there very shortly.



Lauchlin Currie

P.S. The Secretary of State has this cable.

Currie Folder

Chungking, November 2, 1941.

Cable to  
Dr. Lauchlin Currie:

Just returned from Yunnan. Military potentialities there worry provincial as well as central authorities. Governor Lung Yuan told me he had not been seriously alarmed hitherto but now urged me to entreat Generalissimo for greatly increased aid and small food reserve combined with transport slowness meaning that large scale military activity would cause grave complications. Consequently in Yunnan even mountainous terrain would cause Chinese defense more disadvantage and less advantage than elsewhere and medium size Japanese offensive well covered by air force and backed by transport might succeed in deep penetration. Control of air is decisive factor.

Returned from Kunming with Mowrer who reported British Malaya Burma air forces very confident their superiority to Japanese. Australian land and air forces would even like to undertake preventive intervention in Thailand. However divided councils among British with some much more passive than others. Duff Cooper especially critical of home government lack of initiative. He told Mowrer that three days before fall of Konoye Cabinet Craigie wired Mecca approximately, "Time now suitable for real peace with Japan hope this time American cynicism will not be allowed to interfere with realistic statesmanship".

Personally consider pivot of Southeastern Asia for immediate future is Yunnan not Thailand. Politically the key is immediate American initiative in coordinating defense of Yunnan against threat to Burma Road. Without American initiative danger that British will do too little and do it too late. With America and Great Britain becoming active Central Government could rapidly overcome remaining provincial and internal organizational difficulties on Burma Road and traffic would greatly increase.

Lattimore.

DECLASSIFIED

*PSF Exec. Ofc.*

THE WHITE HOUSE  
WASHINGTON

*Currie*

November 12, 1941.

MEMORANDUM FOR THE PRESIDENT:

Re: Staff of British Missions in this Country.

In accordance with your request, I am attaching a preliminary report. I think there may be some justification for raised eyebrows at the over-all total and, perhaps, at the number in Information and some other agencies. If you wish, I can secure a more detailed break-down, along with a statement of duties, from Sir William Douglas in about a week. Sir William Douglas is the Treasury official recently sent over to investigate the whole set-up.

*Lauchlin Currie*

Lauchlin Currie

### STAFF OF BRITISH MISSIONS IN U.S.A.

1. The attached statement shows the numbers of staff employed with the various British Missions, according to the best information which is readily available. For the most part the figures relate to the end of September, and there will have since been certain variations, but not such as to affect the broad picture. The statement does not include the large Inspectorate Staff, which is employed on day to day technical duties in widely dispersed factories, since the object has been to give a picture of the Headquarters Staff mainly serving in New York and Washington.

2. It will be seen that of the total number employed only some 18% of the male staff and 5% of the female staff have been brought out from the United Kingdom. The majority of these are serving officers and other ranks employed with the Naval, Army and R.A.F. Delegations on service and technical duties. The remainder of the staff have been recruited in America, and are largely U.S. Nationals, though there is a fair proportion of Canadians and a few locally recruited English. H.M.G. have impressed upon all Missions the necessity of keeping staffs and costs to the minimum consistent with efficiency. A senior Treasury Officer has been sent out by the Cabinet to go into these questions on the spot.

3. It would be difficult to ascertain, without some research, what proportion of the U.K. based male staff are of age for active military service, but it is certain that, apart from those in the Naval, Army and R.A.F. Delegations, the number is relatively small. A recent enquiry covering the British Purchasing Commission and the British Air Commission showed that only one U.K. based civilian was below the age of 30. It is the policy of H.M.G. not to send out any fit person of military age unless he has special qualifications and it is clear that he is of more value to the war effort here than in the armed forces.

RETURN OF STAFF IN BRITISH  
MISSIONS IN U. S. A.

	U.K. BASED			LOCALLY ENGAGED			TOTALS		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Supply Council	3	-	3	26	35	61	29	35	64
B.P.C.	63	1	64	1,994	1,121	3,115	2,057	1,122	3,179
Br. Adm. Del.	(A) 74	(B) 48	122	31	59	90	105	107	212
Br. Army Staff	(C) 117	(D) 12	129	48	139	187	165	151	316
B. Food Mission	8	-	8	8	19	27	16	19	35
B. Petroleum Mn.	1	-	1	5	14	19	6	14	20
C. S. O.	4	-	4	3	8	11	7	8	15
B. Shipping Mn.	9	-	9	1	12	13	10	12	22
B. A. C.	158	4	162	402	418	820	560	422	982
R.A.F. Del.	(E) 100	(F) 45	145	71	94	165	171	139	310
Information	23	-	23	105	101	206	128	101	229
M.E.W.	18	2	20	44	81	125	62	83	145
Embassy	45	16	61	27	80	107	72	96	168
	623	128	751	2,765	2,181	4,946	3,388	2,309	5,697
								(G)	470
								Ministry of War Transport	<u>6,167</u>

- (A) Includes 5 ratings  
 (B) Includes 33 W.R.N.S.  
 (C) " 32 other ranks.  
 (D) All A.T.S.  
 (E) Includes 8 other ranks.  
 (F) " 29 W.A.A.F.  
 (G) Detailed figures not yet available. Staff almost wholly engaged locally.

*Currie Filed*

THE WHITE HOUSE  
WASHINGTON

November 14, 1941.

MEMORANDUM FOR LAUCHLIN CURRIE:

Do you think I have any case  
to take up with the British Embassy?  
I doubt it.

F.D.R.

Memorandum for the President from Hon. Lauchlin Currie, 11/12/41, with enclosed preliminary report of the Staff of British Missions in U.S.A. Mr. Currie can, if the President's wishes, secure a more detailed break-down, along with a statement of duties, from Sir William Douglas in about a week. Sir William Douglas is the Treasury official recently sent over to investigate the whole set-up.

*fill personal*  
*PSF Exec. O/c. Currie*

THE WHITE HOUSE  
WASHINGTON

November 17, 1941.

MEMORANDUM FOR THE PRESIDENT:

Re: Lend-lease aid to China. *x150*

I think you will be interested to learn that by November 8 we had shipped to China, in addition to a lot of trucks, materials for arsenals, etc., etc., the following items of ordnance:

200 .50 caliber anti-aircraft guns.  
1000 Bren machine guns.  
68 .75 mm. pack howitzers.  
11,000 sub-machine guns.  
35 scout cars.  
700 Jeeps.

We expect to get more ordnance items off shortly and shipments of new pursuit ships will commence by the end of the month. Shipments of bombers are being held up because of failure of equipment to be sent from England.

*Lauchlin Currie*  
Lauchlin Currie

*x48*

*x102-A*

*x178*

*x249 Official*

AVGANGING  
THE WHILE

~~SECRET~~  
November 17, 1941.

ORDNANCE SHIPPED TO CHINA UNDER LEND-LEASE

by November 8, 1941

.30 and .50 cal. ammunition for 100 P-40's now in China . . .	1,500,000 rounds
.50 cal. Browning anti-aircraft guns . . . . .	.200 guns
cartridges, tracer, for Browning guns . . . . .	.270,000 rounds
"    A.P.    "    "    "    . . . . .	.562,000 "
"    Ball    "    "    "    . . . . .	151,000 "
.303 cal. Bren machine guns . . . . .	1,000 guns
cartridges, Ball, for Bren guns . . . . .	10,001,442 rounds
magazines for Bren guns . . . . .	24,00
75 mm. pack howitzers . . . . .	68 howitzers
H.E. shells for howitzers . . . . .	6,500 rounds
.45 cal. Thomson sub-machine guns . . . . .	11,000 guns
11 box magazines (11 rounds) for sub-machine guns . . .	55,000 magazines
Scout cars, M4 . . . . .	35 cars
1/4-ton 4x4 Command Reconnaissance Cars . . . . .	700 cars

~~SECRET~~  
DECLASSIFIED

*PSF Exec. Oxc. - Currie*

THE WHITE HOUSE  
WASHINGTON

November 26, 1941.

MEMORANDUM FOR THE PRESIDENT:

Re: Appointment for instructions re.  
proposed Anglo-American Economic  
Conference.

In accordance with your instructions some time back I have been keeping in touch with the groups working on post-war planning. A matter has now come up which I don't feel able to handle without seeing you. Plans have been made for an important conference of "official people in their private capacity". I would like to discuss certain angles of it with you and also get guidance on the general handling of groups working on post-war planning.

*Lauchlin Currie*

Lauchlin Currie

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THE WHITE HOUSE  
WASHINGTON

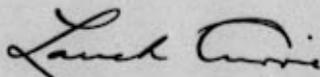
January 2, 1942.

MEMORANDUM FOR THE PRESIDENT:

Re: Sino-British Relations.

I have been distressed by a series of actions and misunderstandings that have given rise to unnecessary and possibly dangerous resentments, suspicions and frictions between the Chinese and British. I am in receipt of another strongly worded cable today.

It occurred to me that the matter is sufficiently important that you might like me to tell the Prime Minister some of the story which I am sure he does not know and make some suggestions looking toward establishing more cordial relationships.



Lauchlin Currie

PSF Exec. O&C.

Currie Folder

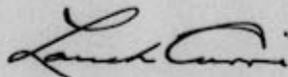
THE WHITE HOUSE  
WASHINGTON

January 19, 1942.

MEMORANDUM FOR THE PRESIDENT:

Re: Request for appointment.

I am becoming convinced  
that only heroic measures can  
save the situation in Burma.  
I should appreciate the immediate  
opportunity to acquaint you  
with certain information that  
has come to hand.



Leuchlin Currie

The President said  
to take up with Secy of State.  
Telephoned Currie 1/19/42

~~SECRET~~ Submitted to President  
THE WHITE HOUSE  
WASHINGTON

March 17, 1942.

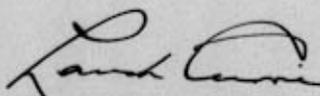
MEMORANDUM FOR THE PRESIDENT:

Re: Some Notes on the Military Situation in India.

I'm attaching some notes on the Indian military situation. The picture is not a reassuring one either in number of troops or in training and equipment. So far as I can discover, no equipment other than that accompanying the proposed reinforcements is going forward. Events can easily result in the diversion of the reinforcements which in any case are scheduled to arrive some months away. (I shall be surprised if it proves feasible to divert one division from the Middle East). The removal of the fleet to the West Coast of India is disturbing.

I do not think ordnance en route for China should be diverted to equip Indian forces. It is desperately needed in North Burma. Consideration might be given, however, to

- (a) dispatching additional equipment to bring the poorly armed British and Indian divisions up to strength. This applies particularly to tanks.
- (b) putting one or two American divisions in India.
- (c) basing additional submarines in Ceylon to operate against Japanese transports in the Bay of Bengal.



Lauchlin Currie  
DECLASSIFIED

By Deputy Archivist of the U.S.

By W. J. Stewart Date JAN 30 1973

March 17, 1942.

NOTES ON THE INDIAN MILITARY

SITUATION

1. Forces currently in India.

At the present time there do not appear to be more than 18,000 to 20,000 British troops in India, and about 60,000 regular Indian troops. In addition, there appear to be about 15,000 British troops and about 35,000 Indian troops in training. It was stated in January that the seven British and Indian divisions in training had in all 30 field guns, 60 tanks, and 130 anti-tank guns. It was further stated that all small arms were way under strength and that officer material was lacking. Of the regular troops an irreducible number is required for Northwest Frontier and internal security purposes.

2. Arms production in India.

Information available indicates that the monthly arms production in India is as follows:

Pack guns . . . . .	5
Light machine guns. . . . .	150
Rifles. . . . .	7,000
Small arms ammunition . . . . .	1,400,000
Light artillery ammunition. . . . .	60,000 rounds

In other words, current Indian arms production can make but a small contribution towards the arming and maintenance of the Indian army.

3. Forces in Ceylon.

The main force consists of one poorly-armed Indian division, comprising 8,000 to 9,000 men. In addition, there are a few coast guns and anti-aircraft equipments.

4. Naval forces in the Indian Ocean.

A considerable force of British battleships, cruisers, and destroyers is reported to have been ordered from Trinconalee in Ceylon to Bombay.

5. British reinforcements.

It is proposed to send one division to India from the Middle East and two infantry and one armored divisions from the U. K. The reinforcements from the U. K. are expected to arrive in May, June and July.

DECLASSIFIED

By Deputy Archivist of the U.S.

By W. J. Stewart Date JAk - 3/3

JAN 30 1973

6. Equipment en route to India for China.

Sub-machine guns . . . . .	1,000
Bren machine guns. . . . .	1,150
Two-pounder anti-tank guns . . . . .	50
37 mm. anti-tank guns. . . . .	60
75 mm. pack and field howitzers. . . . .	77
(all with ammunition)	
Scout cars. . . . .	8
Pursuit planes. . . . .	140

7. Additional equipment to be shipped this week to India for China.

Rifles . . . . .	20,000
Machine guns . . . . .	480
75 mm. pack howitzers. . . . .	32
155 mm. howitzers. . . . .	36
Two-pounder anti-tank guns . . . . .	35
(all with ammunition)	
Pursuit planes . . . . .	49

8. Statement of Colonel Draper, from New Delhi:

"Japanese can amass at Singapore in two months equivalent of one armored and four infantry divisions, with 500 planes and necessary transports. Moving via Penang and Rangoon, covered by fleet at Andamans and by air from Burma fields, they can land near Calcutta and defeat the British forces now in India."

In Colonel Draper's judgment the safeguarding of India requires (a) a field at Ceylon able to defeat Japanese covering fleet, (b) sufficient air force to beat off land attack, (c) five good white divisions including armored troops with adequate air support, and several fair white divisions for internal security.

Currie Folder  
1-42 file  
Confid.

THE WHITE HOUSE  
WASHINGTON

April 4, 1942.

MEMORANDUM FOR THE PRESIDENT:

Re: Correction in Memo. on Forces in  
India and Burma.

The statement was made that February and March shipments from this country to India included 7,500 Bren machine guns and 3,500 Thompson sub-machine guns. This should read 11,000 Thompson sub-machine guns. It is proposed to ship 1,550 Bren machine guns in April.

*Lauchlin Currie*

Lauchlin Currie

[REDACTED]

THE WHITE HOUSE  
WASHINGTON

MEMORANDUM FOR THE PRESIDENT:

April 3, 1942.

Re: Forces in India and Burma.

I append the Order of Battle for India as anticipated June and December, 1942. I am informed by General Dewing of the British Staff that the frontier, internal security, and garrison troops would not be available to General Wavell unless under desperate need. Of the field forces that are available, those trained and fairly adequately equipped comprise two British divisions, one Indian armored division, and about two Indian infantry divisions. In other words, some five divisions.

Equipment is now going forward from both the U. K. and the U. S. February and March shipments from the U. S. include five light tanks, 223 medium tanks, 300 universal carriers, 7,500 Bren machine guns, and 3,500 Thompson sub-machine guns. More tanks, carriers, anti-tank guns, and rifles (20,000), are scheduled to be shipped from this country in April. It is my understanding that more tanks and heavier guns are going forward from the U. K. My earlier information that the fleet had been moved from Ceylon to Bombay appears to have been an error. There appears to be a feeling, however, that it would be rather hazardous to employ this fleet to engage the Japanese coastwise movements along the upper reaches of the Bay of Bengal.

In short, as far as India is concerned, we appear to be up against the old problem of time. In a few months a fair amount of equipment will have arrived in India. At the moment, however, it is obvious that India is very weakly held and the chances of repelling a determined attack on the Calcutta region do not appear favorable.

The British forces in Burma approximate 5,000 British and 5,000 Indian infantry troops, together with some British and Indian artillery regiments, anti-aircraft regiments, and anti-tank regiments, and what remains of a British tank brigade. The Chinese have six divisions, comprising approximately 45,000 men. Three of these divisions, however, are very poorly equipped. The Japanese are currently using one division against the British and one against the Chinese, with another in reserve. In addition, they have two more divisions at Chieng Rai, from which a good road leads into Burma coming out slightly below Mandalay. A portion of the Chinese troops is doubtless immobilized by this potential threat.

The British suffered severe airplane losses on the ground at Magwe, and the American Volunteer Group has now only six to twelve planes left. New pursuit planes should arrive for the AVG within a week to ten days, after which its strength should grow steadily as there are now over 190 pursuit ships en route for this group. Unfortunately the transport planes have been delayed in getting under way, so that it is not now possible to fly supplies, guns and ammunition in to Stilwell. I append lists of ordnance and aircraft that have been shipped under the Chinese program.

DECLASSIFIED

By Deputy Archivist of the U.S.

*Lauchlin Currie*  
Lauchlin Currie

By W. J. Stewart Date JAN 30 1973

~~SECRET~~

~~SECRET~~

ORDER OF BATTLE FOR INDIA

	<u>June 1942</u>	<u>Dec. 1942</u>
(a) <u>N. W. Frontier Defence</u>		
Miscellaneous Battalions	86	86
(b) <u>Internal Security</u>		
Battalions	58	58
(c) <u>Garrison Duties</u>		
Battalions	8	8
Pool for above Battalions		20
Above (except for Pool) are adequately equipped.		
(d) <u>Field Formations (a proportion under training).</u>		
Armored Divisions	1½	2½
Infantry Division		
British	2	3
Indian	4½	8½
Air borne Division	1	1
Miscellaneous Brigades	2	2

~~SECRET~~

DECLASSIFIED  
By Deputy Archivist of the U.S.  
By W. J. Stewart Date JAN 30 1973

April 2, 1942.

SHIPMENTS OF GUNS AND AMMUNITION  
(to China)

	<u>Arrived</u> <u>Rangoon</u>	<u>Enroute</u> <u>India</u>	<u>Total</u>
Bren gun	1,000	1,430	2,430
Ball cartridges	10,001,442 rds	14,150,112 rds	24,151,554 rds
Magazines	24,000	17,160	41,160
.50 cal. Browning			
A.A. gun	285	--	285
Cart. for Browning	1,036,000 rds	--	1,036,000 rds
75 mm. Field Howitzer	24	65	89
H.E. shells	6,500 rds	--	6,500 rds
75 mm. Pack howitzer	20	44	64
75 mm. shells	--	36,872 rds	36,872 rds
155 mm. Howitzer	--	36	36
2-pounder A.T. gun	--	60	60
A.P. shot	--	112,537 rds	112,537 rds
37 mm. A.T. gun	--	60	60
A.P. shot	--	60,000 rds	60,000 rds
.45 cal. Thompson sub- machine gun	11,000	1,000	12,000
Magazines	55,000	72,000	127,000
Ball cartridges	2,000,000 rds	3,000,000 rds	5,000,000 rds
.50 cal. M-2 M.G. (for P-48's)	72	--	72
.50 cal. cart.	804,300 rds	--	804,300 rds
.50 cal. met. link	304,300	--	304,300
Shells, fixed, H.E. for 3" A.A. gun	--	12,000 rds	12,000 rds
.30 cal. rifle	--	20,000	20,000
.30 cal. cart.	6,944,000 rds	6,000,000 rds	12,944,000 rds
.30 cal. link	3,556,100	2,460,000	6,016,100
Cart. Very, star 25 mm.	53,544	--	53,544

DECLASSIFIED  
By Deputy Archivist of the U.S.  
By W. J. Stewart Date JAN 30 1973

April 2, 1942

~~SECRET~~

SHIPMENTS OF AIRCRAFT  
(to China)

	<u>Arrived Rangoon</u>	<u>Arrived India</u>	<u>Enroute India</u>	<u>Total</u>
PT-22 (trainers)	40	30	--	70
P-43	--	30	64	94
P-66	--	--	46	46
P-40-E	--	--	50 (some have arrived)	50

DECLASSIFIED  
By Deputy Archivist of the U.S.  
By W. J. Stewart Date JAN 30 1973

GENERAL WATSON:

10 Apr. 1947

Colonel Taylor left this on my desk this morning.

Is it finished, and shall I file it?

ld

~~C.F.~~

THE WHITE HOUSE  
WASHINGTON

PSF  
Exec. Oxc.  
Currie

April 10, 1942.

MEMORANDUM FOR THE SECRETARY OF WAR:

For some time Lauchlin Currie of my staff has been concerned with matters relating to the Far East, and has been exercising general supervision over the Lend-Lease program for China. It is my desire that he have access to such information in the possession of the War Department as may be necessary for the efficient conduct of his work.

Yes file

x150  
x4193

~~CONFIDENTIAL~~

WAR DEPARTMENT  
OFFICE OF THE CHIEF OF STAFF  
WASHINGTON

April 22, 1942.

MEMORANDUM FOR GENERAL WATSON:

Subject: Information for Mr. Laughlin Currie.

x3719

As you indicated by telephone that Mr. Currie's suggested memorandum for the Secretary of War is being disapproved, I have not taken up the matter with the Chief of Staff.

The interested agencies of the War Department appreciate the need of keeping Mr. Laughlin Currie informed on matters relating to the Far East. After a discussion of the matter with the Operations Division, General Eisenhower telephoned Mr. Currie and arranged for a daily visit of one of his representatives to the War Department. The G-2 Division is equally ready to facilitate Mr. Currie's work.

All agencies are agreed that these liaison arrangements are much preferable to giving Mr. Currie blanket authority to have access to the dispatches and files of the War Department, which include operational matters the absolute secrecy of which is vital to the success of our war effort.

*M.B.T.*

x25-T

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BOO Dis. 5200.9 (9/27/58)

Date- 10-2-70

Signature- *JWR*

x25



~~CONFIDENTIAL~~

~~CONFIDENTIAL~~  
April 22, 1942.

MEMORANDUM FOR GENERAL WATSON:

Subject: Information for Mr. Laughlin Currie.

As you indicated by telephone that Mr. Currie's suggested memorandum for the Secretary of War is being disapproved, I have not taken up the matter with the Chief of Staff.

In talking with the interested agencies of the War Department, I find that they appreciate the need of keeping Mr. Laughlin Currie informed on matters relating to the Far East. Incidentally, there is nothing to indicate that such information as appears pertinent to his activities has ever been withheld. However, it is preferable to accomplish this through conference between Mr. Currie and his people on the one hand, and the appropriate War Department personnel on the other, rather than by a directive such as the one proposed. Contact between the two offices can be effected through the executive offices of the Operations and G-2 Divisions, where the officers will be happy to facilitate Mr. Currie's inquiries.

It is felt that such an arrangement is much preferable to giving Mr. Currie blanket authority to have access to the dispatches and files of the War Department, which include operational matters the absolute secrecy of which is vital to the success of our war effort.

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M.D.T.

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800 DIR. 5200.9 (9/27/58)

Date- 10-2-70

Signature- *gwb*

PSF Currie Folder

THE WHITE HOUSE  
WASHINGTON

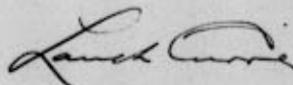
*File*

April 24, 1942.

MEMORANDUM FOR THE PRESIDENT:

*Pers. Completed*

Attached is a cable from Madame Chiang Kai-shek, and an extract from a personal letter to me from an unusually well-informed Foreign Service officer, which may interest you. I am also attaching the envelope in which it arrived, as of possible interest.



Lauchlin Currie

[REDACTED]

FROM MADAME CHIANG KAI-SHEK TO

LAUCHLIN CURRIE

April 23, 1942

In view British press comments that Cripps Mission not failure but paving way for better British-India relations I think you should know gist letters and private telegram just received from Nehru and use information according your discretion:

"Position here undoubtedly worsened owing failure Cripps Mission and there is intense anti-British feeling, this heightened by ill treatment of Indian evacuees and refugees from Burma, Malaysia. Cripps proposal meant no transfer of real power and even for defense we could not build up citizen-army which we considered essential. No compromise possible on these proposals. Effective defense necessitates cooperation between state and people and coordination of their efforts. This only possible under truly national government. In spite of difficulties we are trying utmost create spirit of opposition to and resistance aggressor and invader but divorced from state effort this cannot be very effective."

Personal observation of non-cooperation and sabotage of Burmese in war effort Burma with consequent disruption of all civil administration and helplessness on part British Government heighten our anxiety regarding India of no fundamental solution forthcoming.

[REDACTED]

DECLASSIFIED  
By Deputy Archivist of the U.S. <sup>1973</sup>  
JAN 30 1973  
By W. J. Stewart Date \_\_\_\_\_

The story of the negotiations as told in these clippings was supplemented for me by information provided by a man who was in a position to know a great deal of what went on. At the risk of repeating what you may already know, I shall report what he said. The first condition laid down by Cripps to his coming to India was that the Viceroy should be removed. This was not accepted, so Sir Stafford demanded and got full powers. The negotiations with the Indians progressed smoothly and an agreement was in sight. At this point Churchill, Amery and associates became alarmed lest the agreement be concluded. About April 9 Cripps apparently received a message from London limiting his authority and requiring the assent of the Viceroy and Wavell to any agreement reached, each to cable confirmation in his own code. That killed the negotiations. My informant further suggested that if Cripps wants to spill the story of what happened, he can, when he returns to England, precipitate a major political crisis for the Government.

The Indians are very bitter and depressed by what has happened. Many of the younger British civil servants are anxious, but complacency is still pretty much the rule higher up. The Viceroy has left for a tiger shoot until the end of the month.

Reports from Calcutta during the past few days indicate that informed observers there are still very pessimistic over what will follow the first heavy bombing or Japanese landings. The chief of police is said to anticipate rioting and looting. Some 800,000 persons are estimated to have left Calcutta. That would mean that between one and one half and two millions remain. There is one highway in and out of Calcutta which may be expected to present an unmatched scene of chaos when refugees and bullock carts move inland and troops and tanks advance to the rescue of the city. Another road, at present impassable to automobiles, is under repair. No plans have been made for the wholesale removal of industry to the interior. It is doubtful that the railways could move more than a small fraction of the machinery. And even if the machinery were moved, there would be an acute fuel problem, the principal coal supplies being in the threatened areas.

John Davies

OFFICE OF THE  
PERSONAL REPRESENTATIVE  
OF THE  
PRESIDENT OF THE UNITED STATES  
NEW DELHI.

OFFICIAL  
BUSINESS

Mr. Lauchlin Currie,  
Administrative Assistant to the President,  
The White House

WASHINGTON

— BF EXEC. O/C.

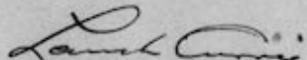
THE WHITE HOUSE  
WASHINGTON

May 21, 1942.

MEMORANDUM FOR THE PRESIDENT:

Re: Corporate Profits

You might be interested in the passages I have marked in the attached confidential study of corporate profits, prepared in the Research Division of the Federal Reserve Board.

  
Lauchlin Currie

Currie Folder  
file  
personal 1-12

May 19, 1942.

CORPORATE NET PROFITS AT TURNING POINT

by  
George Jaszi

The earnings of the profitable corporations of the country are the immediate base for the largest single portion of Federal revenues -- the collections of corporation income and excess profits taxes. These taxes will amount to nearly 35 per cent of total budget receipts in the current fiscal year. This percentage is likely to increase at higher levels of corporate profits and under the tax legislation now under discussion. Clearly the trend and position of corporation profits are of great significance.

The accompanying table shows net profits before Federal income and excess profits taxes, the amount of these taxes, and the net profits after taxes for all corporations except those reporting deficits. Reported figures are given for the years 1916-1939, estimates for 1940 and 1941, and a forecast for 1942, based on current prospects. While this table and the accompanying comments are not intended even to approach a complete review of the situation, they do bring out a few of the striking facts.

1. Profits before taxes reached a new all-time high in the calendar year 1941. Tax collections in March 1942 indicated aggregate profits of 16.6 billion dollars, compared with 11.4 billion the year before and 14.3 billion in 1929. (The experience of different industries and of individual companies of course varied widely.)
2. The \$6.5 billion Federal income and excess profits tax liability on 1941 profits (to be collected during the present year) is by far the largest ever recorded. It compares with a 3.2 billion liability on profits of 1918, the maximum in any one year of the first World War.
3. Of the 5.2 billion increase in profits shown for 1941 over the preceding year, the increase in taxes absorbed 4 billion, or nearly 80 per cent.
4. Even after taxes corporations showed net profits of 10.1 billion in 1941. This figure was exceeded only in 1928 and 1929 when net profits were 11.5 billion and 13.1 billion, respectively.
5. While the estimates for 1942 are subject to considerable error under prevailing conditions, it is likely that profits before taxes will establish a new high record in the current calendar year -- probably as high as 22 billion.

6. Tax collections on such profits would be still larger than the collections on 1941 profits -- more than twice as large if the Ways and Means Committee program were enacted into law (bringing in some 13.4 billion).

This amount of taxes would more than wipe out the estimated increase of 5.6 billion in profits before taxes. It would represent 60 per cent of such profits as against 36 per cent (partly estimated) collected on 1918 profits.

- || 7. Even so, if profits before taxes are as high as 22 billion in 1942, the profits remaining after taxes will be at the relatively high level of 8.8 billion, comparing very closely || with those of 1940. First quarter reports of the profits of large industrial corporations, which are of course only a very imperfect indicator of the total annual profits of all profitable corporations, are not inconsistent with this estimate.

Aggregate profits after taxes are thus likely to remain high this year even though they will probably reach a turning point owing to increased Federal taxation. There are reasons for believing that profits before taxes are also approaching a critical stage beyond which their course will differ significantly from that of the past two years. The recent rate of increase in total production will not indefinitely be maintained. To the extent that the volume of profits depends on the volume of production their growth is bound to become slower than it was in the past. Transition to a war economy continues to cause dislocations and losses. Intensive utilization of men, materials, plant, and equipment results in higher costs. The freezing of prices will presumably be somewhat more effective than the stabilization of wages. In the absence of a strong inflationary movement that breaks through the system of price control it is not likely that the recent growth of profits will be maintained beyond 1942.

PROFITS AND FEDERAL INCOME AND EXCESS PROFITS TAXES  
OF CORPORATIONS REPORTING PROFITS - 1916-42  
(Billions of dollars)

Year	Profits before Federal income and excess profits taxes	Federal income and excess profits taxes	Profits after taxes
1916	1/ 9.2	0.2	1/ 9.0
1917	1/ 11.1	2.1	1/ 9.0
1918	1/ 8.8	3.2	1/ 5.6
1919	1/ 9.8	2.2	1/ 7.6
1920	1/ 8.3	1.6	1/ 6.7
1921	1/ 4.7	0.7	1/ 4.0
1922	1/ 7.8	0.8	1/ 7.0
1923	9.3	0.9	8.4
1924	8.7	0.9	7.8
1925	11.0	1.2	9.8
1926	11.3	1.2	10.1
1927	10.7	1.1	9.6
1928	12.7	1.2	11.5
1929	14.3	1.2	13.1
1930	8.5	0.7	7.8
1931	4.8	0.4	4.4
1932	2.7	0.3	2.4
1933	3.6	0.4	3.2
1934	5.4	0.6	4.8
1935	6.9	0.7	6.2
1936	9.7	1.2	8.5
1937	9.8	1.3	8.5
1938	6.7	0.9	5.8
1939	9.0	1.2	7.8
2/1940	11.4	2.5	8.9
2/1941	16.6	6.5	10.1
2/1942	22.2	3/13.4	8.8

Source: Statistics of Income

1/ Tax exempt interest and domestic dividends received estimated.

2/ Estimated.

3/ Based on tax proposals of Ways and Means Committee.

**WAR DEPARTMENT**  
OFFICE, SECRETARY, GENERAL STAFF

**DISPOSITION SLIP**

Subject of paper: \_\_\_\_\_

To	TALLY No. <i>580.82 Africa (5-290-42)</i>	DATE
_____	A. C. of S., G-1	
_____	A. C. of S., G-2	
_____	A. C. of S., G-3	
_____	A. C. of S., G-4	
<input checked="" type="checkbox"/>	A. C. of S., <i>OPD</i> P. INO <i>5/20/42</i>	
_____	The Adjutant General	
_____	Legislative and Liaison Division	
_____	C. G. Ground Forces	
_____	C. G. Air Forces	
_____	C. G. Services of Supply	
_____	Bureau of Public Relations	
_____	Coordination & Record Section	

For—

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Information. | _____ Prep. of reply.                           |
| _____ Necessary action.                          | _____ Signature.                                |
| _____ Preparation of study.                      | _____ Direct reply.                             |
| _____ Note and foreword.                         | _____ Note and file.                            |
| _____ Remark or recommendation.                  | _____ File.                                     |
| _____ Comment or concurrence.                    | <input checked="" type="checkbox"/> D. C. of S. |
| _____ Inviting attention.                        | (notation of direction) of Sec. War.            |

By direction of D. C. *R. W. YOUNG*

*CEL* Lt. Col. General Staff  
Asst. Secretary, General Staff

*7.11.5/30*

THE WHITE HOUSE  
WASHINGTON

~~Operations~~  
~~Gen~~

May 29, 1942. PSF

MEMORANDUM FOR

GENERAL MARSHALL

Exec. Oxc.  
Cattie

FOR YOUR INFORMATION AND  
PLEASE RETURN FOR MY FILES.

on the subject of F. D. R. African  
Air Supply House.

AD-502  
580.82 office  
(5-29-42)

THE WHITE HOUSE  
WASHINGTON

May 25, 1942.

FOR THE PRESIDENT:

From Lauchlin Currie

Letter from Edgar Snow  
on the vulnerability of the African  
Air Supply Route.

① MBBSA 580.82 Africa (5-27-42)

CONFIDENTIAL

*Currie Folder*

Letter from Edgar Snow to Lauchlin Currie

CAIRO, April 25, 1942.

Undoubtedly our Military Mission here (General Maxwell) is fully aware of the situation I am going to describe below, and no doubt it is already engaged in working out measures to improve security (though I haven't been able to establish this as a fact), and probably also the War Department is fully informed. But I am writing you because it can do no harm to have the facts known in the White House and because action ought to be taken quickly.

The subject of this letter is the vulnerability of our African Air supply lines to enemy attack. From Liberia clear to Cairo we are operating our planes based on a series of airfields none of which is adequately protected or even protected at all. Millions of dollars are being poured into these developments and the African supply line is of utmost importance in building up and maintaining bases for operations in the Middle East and India and it seems to me we should be undertaking much more seriously the solution of problems of their defense.

We now have important depots and airfields at Marshall, in the Firestone Plantation and at Fisherman's Lake, in Liberia; at Freetown and elsewhere in French Equatorial Africa; at Lagos and Accra and Maiduguri, in Nigeria; at El Geneina, El Fashir, El Obeid and Khartoum in the Anglo-Egyptian Sudan; and we are building other fields and laying in stores of gasoline and military equipment at other points.

As far as I could learn from personal observation and interviews, we have little or no security at any of these points. With Laval in power in France and French Africa reportedly falling more and more under German influence, the danger to our supply line is obvious. Any one or all of the airfields mentioned, with the possible exception of Lagos (and another field we are using at Kano) could be taken by one or two squadrons of enemy paratroop planes, and some of these fields could be taken by a dozen well armed soldiers landed in transport planes.

Khartoum itself might be taken for a few hours, as far as the airfields are concerned, and all the supplies and stores destroyed. There is not a single anti-aircraft gun on either the British or American airfields, and there is no organized defense for them. There are, I have been informed by people on the spot, no air raid defenses organized at any of the other fields mentioned, or at least nothing but the most superficial arrangements. We only have about 40 American soldiers scattered across the continent at different fields and they are all technicians.

I don't see any reason why the Germans based in French Africa and using only French warplanes could not in a couple of days, by surprise attack, immobilize the whole supply line we have built up across central Africa. With a few squadrons they could land enough men, simultaneously, at each airdrome to carry out complete destruction of buildings and stores and supplies, gasoline dumps,

*W. B. S. a  
580.82  
Africa  
(5-29-42)*

etc., capture or kill trained personnel and radio equipment, destroy cars and trucks, and immobilize the whole line. In the case of Khartoum, they could possibly land enough men to seize and hold the city and thus threaten the whole of Egypt and the rear of the British Army, and conceivably march into Eritrea and create a major diversion, if not destroy what material and construction we have established there.

It seems to me that the following measures should be taken immediately to safeguard this supply line over which we are now delivering large numbers of planes, parts and vital air personnel to the Middle East, Russia, India and China, and the closure of which might critically affect the position on each of those fronts-- especially if ocean-lanes are further closed to us in the Indian Ocean and the Red Sea:

1. Establish sufficient troops, British or American, in Liberia and Nigeria, for adequate security there.
2. Bring in anti-aircraft guns and machine guns and gunners for use at all the principal airdromes.
3. Train all personnel at all airfields in the use of tommy guns machine guns and small arms, and arm them.
4. Organize, as soon as possible, a military base in Liberia or Nigeria, or some other favorable spot on the West African coastline, from which troops can be rushed to any threatened point on the line of air communications.
5. Accelerate without further delay the building of a trans-African highway linking up the main airdromes and air bases from Liberia to Eritrea.

I pass this information along for your use in any way you think fit, to improve action which doubtless is already being taken.

BF Exec. Oxc. -  
Carrie

THE WHITE HOUSE  
WASHINGTON

June 11, 1942.

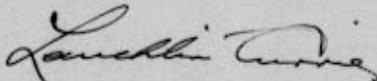
MEMORANDUM FOR THE PRESIDENT:

Re: Comment on attached letters from Madame Chiang Kai-shek.

The recurring theme throughout the longer and more personal of these two letters is the familiar one of being treated as equals and partners. Madame Chiang appears to be now a little fearful of the foreign repercussions to her Sunday Times article and intimates that she had to adopt that tone for internal consumption.

The shorter letter, reporting on the interview between the Generalissimo and General Magruder is interesting as indicating the almost pathological degree of suspicion and hostility toward the British. I suspect that this suspicion is also back of the Generalissimo's present suggestion of a unified command, since he would expect that an American would be placed over the British.

I still think it would be worthwhile to attempt to get our relations on a better basis of more mutual confidence. This feeling is reinforced by my learning today that the Ferry Command in India expects to be able to fly into China only 128 tons in June, 264 tons in July, and 400 tons a month in August, September and October.



Lauchlin Currie

C  
O  
P  
Y

HEADQUARTERS OF THE GENERALISSIMO

CHINA

Chungking, Szechuan  
18 May, 1942

Dear Dr. Currie,

I have received your letters of February 10th, February 14th (through Mr. Davies), and April 1st. You have no idea how much I appreciate your writing me and letting me know the tenor of opinion in Washington. All of your letters and cables are given careful consideration, and I pass on the information to whatever department it would most benefit. I have been wanting to write you by safe hand, for evidently my letters to you through the mail have not reached you. Fortunately there was nothing particularly private or confidential in them, but now that General Magruder is returning I take this opportunity to send you a word.

In recent months I have been very much worried because public opinion in China is getting very restive. As you know, the Chinese are the most patient of all peoples, but even their patience has a limit and when that limit is reached the repercussions may be far more serious than the ordinary person imagines, especially if he happens to be right in China and does not gauge too carefully the ever-changing and shifting shades of feeling.

Since the Pacific War, the reverses that Britain has suffered have affected the morale of our people far more than is generally recognized. I happen to be one of those unfortunate beings who senses a thing and sees possible consequences long before the symptoms are apparent or noted. For instance, I see with great distress that, unless China after the war is accepted as an equal in international affairs and there really will be the creation of a new world society in which men of every race are considered and treated as equals, the Chinese people will rise in such indignation that there may be another war far more terrible than the war which we are now passing through. The Generalissimo and I have committed ourselves to our people regarding that new world society. This is not imagination on my part. If you remember, years before the Pacific War began, I foresaw the terrible suffering which Japanese aggression would bring to nations other than China, and I wrote repeatedly warning the Democracies of what I felt, but most people thought that it was pure propoganda. I had so hoped that my downright honesty and frankness in calling attention to the ever-approaching dangers would awaken the Democracies to take forthright and effective steps in stopping aggression before it touched their front

doors and that the Democracies could be saved from the suffering which China was passing through.

I wrote the "New York Times" article not with any sense of vindictiveness and bitterness or with a sense of unfairness but as a matter of conscience. I did so hoping that, if I could call attention to the necessity of the Democracies accepting China not patronizingly but willingly and because they think it is the right thing to do, we might be able to avert future disasters. Since the printing of the "Times" article, however, the British element in Chungking particularly seem to think that I am pro-American and anti-British and certain circles are spreading this belief among the Australians, the Dutch, etc., and even influencing some Americans on that score. When I wrote the article I realized that I would incur unpopularity, but that did not deter me because I have never worked for popularity and I have no desire for it. If I had, I would never have written those scathing "Resurgam" articles, criticising my own countrymen, but pointing out our own national weaknesses. Nor would I have written the article "Chinese Thought on Democratic Policy" some two years ago criticising the Democracies. What people think about me personally is of little moment, but what happens to China and what effect Chinese repercussions will have on the world are of such importance that I am willing to sacrifice everything so that right dealing and justice may be done to China.

Of late months our people have become more and more disgruntled because they felt that after five years of hardships the Democracies still do not accept China as an equal partner. An example of that is the fact that in the Joint Staff in Washington China is not represented as a member. Then also, since the outbreak of the Pacific War, our people have been feeling that our leaders are being either blinded or fooled by the inadequacies and incompetence of the British troops. The general opinion, therefore, is that, if China is being treated as she now is when the Democracies feel that she is necessary to the final victory, how is she going to be treated when victory is assured and she is no longer needed by the Democracies? Also a question which comes up over and over again is: What made our leaders send troops to Burma, when all that the British do is talk and withdraw their troops and put the blame of any failure on Chinese troops when the conditions by which the Chinese troops entered Burms were such that there could be no possible chance of success? Why, it is asked, did the Generalissimo send his best troops there just to be sacrificed in an empty gesture of supporting the Allied cause especially when the Allies do not consider China as an ally in the real sense of the word?

And so, you see, it was necessary for me to explain to our people that we, at the top, do see what is happening and we appreciate the terrible sacrifices and hardships our people have undergone; and I must, furthermore, write in such a way that it would encourage our people to fight on. We know what is happening and we want to keep our people prepared to fight on, but the Allies must assure them of perfect equality in the new world society and now.

Dr. Lauchlin Currie - 3

I am not expressing any of these thoughts to the British here, because I do not wish it to be thought that I am climbing down from the stand I am taking. I am not. I either live or die by this stand because I believe it is the only honest stand. But I want you to know what is happening here. You can use this knowledge as you see fit. I think you ought to let Omita read this letter because he would quickly grasp the situation as he has been here. //

I may be coming to America soon as my gastric trouble is causing me a lot of discomfort and really incapacitating me to a large extent. I am having a horrible time with my gums which constantly flare up with infection, according to Dr. Agnew who has just returned from Canada. The trouble is not with my teeth but with gastritis, and if the fundamental cause is not removed I shall keep on having the distress.

Chennault seems to be getting along well with Bissell although they have not had much contact. I am getting along quite nicely with Bissell, because he seems to be a very conscientious, hardworking, efficient person. I have tried, so far as possible, to smooth out difficulties between the two and I think I have succeeded. Every time that Chennault has written to me about Lend-Lease material he has spoken very, very appreciatively of your efforts and said that if it were not for you the A.V.G. could never have come into existence. I know how you feel about the A.V.G. because having put your heart and soul into it you must rejoice, as I do, every time they have a big success.

I am sorry you are not getting much news from China Defense Supplies, but I suspected as much and so I shall keep on giving you information. I have not given you as much as you would like because sometimes the news seems to be so diffused and not worth telegraphing. But knowing your great interest in everything that is happening here, I shall send you whatever may be of use.

Yours sincerely,

/s/ Mayling Soong Chiang

(Madame Chiang Kai-shek)

Dr. Lauchlin Currie  
The White House  
Washington, D. C.

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P  
Y

HEADQUARTERS OF THE GENERALISSIMO

CHINA

Chungking, Szechuan  
18 May, 1942

Dear Dr. Currie,

I have just come up after having interpreted for the Generalissimo in his talk with General Magruder who is leaving tomorrow morning. The gist of the talk is this:

The Generalissimo feels that America and China have a common objective which is peculiar to our two peoples because we are both non-aggressive and really love peace. It is necessary, while we are at war, to think of how we are going to consolidate the gains we will have made when victory is ours. When I speak of gains I do not mean material gains. I mean the maintenance of peace in the Far East. The Generalissimo spoke to Magruder about the necessity of having an agreement or alliance between China and America positively to guarantee peace in the Pacific.

This is the general principle. How it is going to be carried out, of course, will need a great deal of study but with the pronouncements the President has made from time to time regarding the military, the economic and the social platforms which he has espoused, the Generalissimo heartily concurs.

We feel that the President can make the greatest contribution to the world by implementing his ideals through actively espousing the cause of freedom of all races, especially the weaker races in the Far East, since there is a greater population in this area than in any other part of the world. The President is the only man who can do this because he has the vision and the courage. During the whole of his term, in spite of overwhelming obstacles, he has been able to keep steadfastly to his ideal of maintaining human freedom and human dignity in every part of the world where man may be found. Even in our darkest moments we have detected in him the bright star of hope on the horizon leading us onward to a new world system in which will be established real, permanent peace. He is an idealist, but one who has the practical realism to carry out his ideals.

The Generalissimo also told Magruder that he hopes that in no circumstances will America give the impression that she is assisting Britain to reduce China to the status of a Dominion because in the War Council there are, in addition to America and Britain, the Dutch, who have no more territory, Australia, Canada, and China. But China is not represented on the Joint Staff. China would unwaveringly follow President Roosevelt's lead, but would not be disposed to follow Britain. If China is really an ally then why has she not equal partnership on the Joint Staff? Great Britain does not realize the fact that she is sowing seeds of future dissension by placing China on a par with her Dominions. The repercussion will be that the feeling of the Chinese people may lead to a third war especially with a discontented India to be reckoned with.

As I am suffering from a terrible toothache, I am unable to dictate more, but probably Magruder will have an aide memoire of the interview which he will show to you when he sees you.

Yours sincerely,

/s/ Mayling Soong Chiang

(Madame Chiang Kai-shek)

Dr. Lauchlin Currie  
The White House  
Washington, D. C.

MCK-s/pc

*File Confidential*

*BF Exec. Oxc.*

*Currie Folder*

THE WHITE HOUSE  
WASHINGTON

June 19, 1942.

MEMORANDUM FOR THE PRESIDENT:

Re: Sino-British Relations.

In connection with my proposed trip it would be most helpful if I might have a discussion on Sino-British relations with the Prime Minister. I should like very much to have a discussion with him along the following lines:

- (a) The fact and the causes of the steady deterioration of Sino-British relations and the violence of anti-British sentiment in China.
- (b) The seriousness of this, both in the war and post-war period.
- (c) Our desire to preserve a united front and to improve Sino-British relations, and our distaste of having one country played off against the other.
- (d) But, to do this, the necessity of Britain meeting some of the Chinese requests. Specifically the British might:
  - 1. Make a portion of the unconcluded loan available for the post-war period.
  - 2. Consent to the training of Chinese troops in India.
  - 3. Make active preparations for an invasion of Burma.
  - 4. Dispatch a few planes to fight alongside American squadrons in China.
  - 5. Explore the possibility of concluding a pact, similar to the Russian pact, with China, with tacit Presidential approval.

If the results of the discussion are completely negative, no harm will have been done, provided the discussion will have been kept secret; if the Prime Minister shows a cooperative attitude, I think I might be able to accomplish something worthwhile in clarifying and improving Sino-British-American relations.

*Leuchlin Currie*  
Leuchlin Currie

*File Personal*

*PSF Exec. Oxc.*

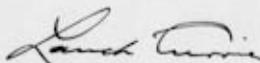
*Currie Folder*

THE WHITE HOUSE  
WASHINGTON

June 23, 1942.

MEMORANDUM FOR THE PRESIDENT:

I hesitate to bother you at this time but if I am to go to China I do feel it important that I see the Prime Minister not only for the reasons I mentioned before — Sino-British relations — but also because what good I can do depends a lot on my "face" and I would lose a good deal of that if I cannot say that I saw him while Dr. Soong, I gather, has.



Lauchlin Currie

File Memo:

Mr. Currie did meet the Prime Minister on June 25th in accordance with above.

F.D.R.

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Personal* BF Exec. Of Currie Folder

THE WHITE HOUSE  
WASHINGTON

June 27, 1942.

MEMORANDUM FOR THE PRESIDENT:

Re: Diversion of Lockheed Hudsons

I understand that the Army has referred to you a proposal to divert some 30 Lockheed Hudson bombers from the Chinese program to Egypt. You may want to have some of the background before coming to a decision.

You may recall that in the summer of '41 because of the shortage of medium bombers in the American program, the Joint Staff and the Secretaries of War and the Navy recommended to you that the Chinese requirements for bombers be met by diversion from the British program of 33 Lockheed Hudsons and 33 DB-7s. You approved this and Sir Archibald Sinclair approved on behalf of the British. Months were consumed in getting the British type of equipment from England. After December 7th, the Army took over the 33 DB-7s. The January and February allotments of pilot replacements for the A.V.G. were directed to be trained to fly the Lockheed Hudsons to their destination. However, mishap followed mishap and the planes were only scheduled to get away this week. Consequently, under the Lend-Lease program, the Chinese have received no bombers and have been deprived of the use of some 30-odd pursuit pilots that had been allocated for that area. In the meantime, of course, other bombers had been allocated to the 10th Air Force which is under Stilwell.

In view of the long and rather trying history of these particular bombers, it would be desirable, if at all possible, to have them proceed to China in accordance with the original plans. I would advise this course even if reinforcements could not be provided for the Egyptian area except through diversion of B-25s from the 10th Air Force to Libya. The B-25s are "Army ships" whereas the Chinese have come to look upon the Lockheed Hudsons as their own. I do not think that this particular problem will arise again as there is little more to go forward on the Chinese Lend-lease air program as contrasted with the 10th Air Force.

*Lauchlin Currie*  
Lauchlin Currie

BSF Exec. Oxc. - Carrie

## DRAFT RESOLUTION FOR A. I. C. C.

RECOMMENDED BY THE WORKING COMMITTEE

The All India Congress Committee has given the most careful consideration to the reference made to it by the Working Committee in their resolution dated July 14, 1942, and to subsequent events, including the development of the war situation, the utterances of responsible spokesmen of the British Government, and the comments and criticisms made in India and abroad. The Committee approves of and endorses that resolution and is of opinion that events subsequent to it have given it further justification, and have made it clear that the immediate ending of British rule in India is an urgent necessity, both for the sake of India and for the success of the cause of the United Nations. The continuation of that rule is degrading and enfeebling India and making her progressively less capable of defending herself and of contributing to the cause of world freedom.

The Committee has viewed with dismay the deterioration of the situation on the Russian and Chinese fronts and conveys to the Russian and Chinese peoples its high appreciation of their heroism in defence of their freedom. This increasing peril makes it incumbent on all those who strive for freedom and who sympathise with the victims of aggression, to examine the foundations of the policy so far pursued by the Allied Nations, which have led to repeated and disastrous failure. It is not by adhering to such aims and policies and methods that failure can be converted into success, for past experience has shown that failure is inherent in them. These policies have been based not on freedom so much as on the domination of subject and colonial countries, and the continuation of the imperialist tradition and method. The possession of empire, instead of adding to the strength of the ruling Power, has become a burden and a curse. India, the classic land of modern imperialism, has become the crux of the question, for by the freedom of India will Britain and the United Nations be judged, and the peoples of Asia and Africa be filled with hope and enthusiasm. The ending of British rule in this country is thus a vital and immediate issue on which depend the future of the war and the success of freedom and democracy. A free India will assure this success by throwing all her great resources in the struggle for freedom and against the aggression of nazism, fascism and imperialism. This will not only affect materially the fortunes of the war, but will bring all subject and oppressed humanity on the side of the United Nations, and give these Nations, whose ally India would be, the moral and spiritual leadership of the world. India in bondage will continue to be the symbol of British imperialism and the taint of that imperialism will affect the fortunes of all the United Nations.

The peril of today, therefore, necessitates the independence of India and the ending of British domination. No future promises or guarantees can affect the present situation or meet that peril. They cannot produce the needed psychological effect on the mind of the masses. Only the glow of freedom now can release that energy and enthusiasm of millions of people which will immediately transform the nature of the war.

The A. I. C. C. therefore repeats with all emphasis the demand for the withdrawal of the British Power from India. On the declaration of India's independence, a Provisional Government will be formed and Free India will become an ally of the United Nations, sharing with them in the trials and tribulations of the joint enterprise of the struggle for freedom. The Provisional Government can only be formed by the co-operation of the principal parties and groups in the country. It will thus be a composite government, representative of all important sections of the people of India. Its primary functions must be to defend India and resist aggression with all the armed as well as the non-violent forces at its command, together with its Allied powers, to promote the well-being and progress of the workers in the fields and factories and elsewhere, to whom essentially all power and authority must belong. The Provisional Government will evolve a scheme for a Constituent Assembly which will prepare a constitution for the Government of India acceptable to all sections of the people. This constitution, according to the Congress view, should be a federal one, with the largest measure of autonomy for the federating units, and with the residuary powers vesting in these units. The future relations between India and the Allied Nations will be adjusted by representatives of all these free countries conferring together for their mutual advantage and for their co-operation in the common task of resisting aggression. Freedom will enable India to resist aggression effectively with the people's united will and strength behind it.

The freedom of India must be the symbol of and prelude to this freedom of all other Asiatic nations under foreign domination. Burma, Malaya, Indo-China, the Dutch Indies, Iran and Iraq must also attain their complete freedom. It must be clearly understood that such of these countries as are under Japanese control now must not subsequently be placed under the rule or control of any other colonial Power.

While the A. I. C. C. must primarily be concerned with the independence and defence of India in this hour of danger, the Committee is of opinion that the future peace, security and ordered progress of the world demand a World Federation of free nations, and on no other basis can the problems of the modern world be solved. Such a World Federation would ensure the freedom of its constituent nations, the prevention of aggression and exploitation by one nation over another, the protection of national minorities, the advance-

ment of all backward areas and peoples, and the pooling of the world's resources for the common good of all. On the establishment of such a World Federation, disarmament would be practicable in all countries, national armies, navies and air forces would no longer be necessary, and a World Federal Defence Force would keep the world peace and prevent aggression.

An independent India would gladly join such a World Federation and co-operate on an equal basis with other nations in the solution of international problems.

Such a Federation should be open to all nations who agree with its fundamental principles. In view of the war, however, the Federation must inevitably, to begin with, be confined to the United Nations. Such a step taken now will have a most powerful effect on the war, on the peoples of the Axis countries, and on the peace to come.

The Committee regretfully realises, however, that despite the tragic and overwhelming lessons of the war and the perils that overhang the world, the governments of few countries are yet prepared to take this inevitable step towards World Federation. The reactions of the British Government and the misguided criticisms of the foreign press also make it clear that even the obvious demand for India's independence is resisted, though this has been made essentially to meet the present peril and to enable India to defend herself and help China and Russia in their hour of need. The Committee is anxious not to embarrass in any way the defence of China or Russia, whose freedom is precious and must be preserved, or to jeopardise the defensive capacity of the United Nations. But the peril grows both to India and these nations, and inaction and submission to a foreign administration at this stage is not only degrading India and reducing her capacity to defend herself and resist aggression, but is no answer to that growing peril and is no service to the peoples of the United Nations. The earnest appeal of the Working Committee to Great Britain and the United Nations has so far met with no response, and the criticisms made in many foreign quarters have shown an ignorance of India's and the world's need, and sometimes even hostility to India's freedom, which is significant of a mentality of domination and racial superiority which cannot be tolerated by a proud people conscious of their strength and of the justice of their cause.

The A. I. C. C. would yet again, at this last moment, in the interest of world freedom, renew this appeal to Britain and the United Nations. But the Committee feels that it is no longer justified in holding the nation back from endeavouring to assert its will against an imperialist and authoritarian government which dominates over it and prevents it from functioning in its own interest and in the interest of humanity. The Committee resolves, therefore, to sanction for the vindication of India's inalienable right to freedom and independence, the starting of a mass struggle on non-violent lines on the widest possible scale, so that the country might utilise all the non-violent strength it has gathered during the last twentytwo years of peaceful struggle. Such a struggle must inevitably be under the leadership of Gandhiji and the Committee requests him to take the lead and guide the nation in the steps to be taken.

The Committee appeals to the people of India to face the dangers and hardship that will fall to their lot with courage and endurance, and to hold together under the leadership of Gandhiji, and carry out his instructions as disciplined soldiers of Indian freedom. They must remember that non-violence is the basis of this movement. A time may come when it may not be possible to issue instructions or for instructions to reach our people, and when no Congress Committees can function. When this happens, every man and woman, who is participating in this movement must function for himself or herself within the four corners of the general instructions issued. Every Indian who desires freedom and strives for it must be his own guide urging him on along the hard road where there is no resting place and which leads ultimately to the independence and deliverance of India.

Lastly, whilst the A. I. C. C. has stated its own view of the future governance under free India the A. I. C. C. wishes to make it quite clear to all concerned that by embarking on mass struggle it has no intention of gaining power for the Congress. The power, when it comes, will belong to the whole people of India.

Second trip to China  
(July 1942)

BF Exec. Oxc  
Currie

Original of this  
memorandum marked  
"OK-FDR"

TENTATIVE DRAFT OF INSTRUCTIONS TO LAUCHLIN CURRIE

I - In general, the broad purpose of the mission is to:

- (a) accede to Chiang's request for personal talks,
- (b) attempt to clear the air of suspicion and hostility,
- (c) reassure the Chinese Government of America's determination to support China and to defeat Japan,
- (d) bolster Chinese morale and Chiang's position during the current critical period by letting the impression be created that important developments are impending,
- (e) dispel any impression that recent British-American-Russian agreements were meant to exclude China or minimize the Pacific theater of war in any way,
- (f) support Stilwell's position on training Chinese troops in India and in general make known our desires that he should be the channel for all communications, discussions, and requisitions relating to strictly military matters,
- (g) attempt to improve Sino-British relations,
- (h) attempt to secure a more determined war effort by China.

II- To accomplish these broad purposes you are authorized, in your discussions with Chiang, to:

- (a) explore the full story of our military support to China, and of our production and shipping in relation to requirements, indicating that we have met Chinese requests wherever possible, and the reasons for the failure to meet others,
- (b) bring out tactfully and as occasion arises, the unjustifiable character or the unreasonableness of some of the Chinese accusations, behavior and requests, again from the American point of view.

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copy to China

- (c) indicate our determination to preserve the United Nations front with Britain and Russia. We are prepared to make suggestions and express hopes, etc.; we are not prepared to dictate to Britain on matters which are primarily British,
- (d) reemphasize the main lines of our strategy. From our point of view, Germany is the greater menace and the European battlefront is the most crucial this year. In view of requirements and shipping, support to the Far Eastern area must be currently limited to defense and laying the groundwork for future offensive action. There is not the slightest intention of withdrawing from the Far Eastern area or of stopping the war short of a complete defeat of Japan, and if there were, public opinion would not stand for it,
- (e) emphasize the importance of Stilwell, of his relationship to the Army and the Combined Staffs, and the President's reluctance to intervene in strictly military operations. Stilwell is in a much better position to make an effective presentation of the military requirements of the Chinese theater than any Chinese on the Combined Staff,
- (f) give assurance that China will be fully consulted on all matters touching the post-war settlement and adjustments,
- (g) imply, however, that Sino-American relations, and particularly economic aid, in the post-war period will undoubtedly be influenced by internal developments in China. The trend away from democratic and progressive concepts is discouraging to American friends of China and augurs ill for future political stability in China and for China's peaceful development,
- (h) indicate our disappointment over the failure to establish a real united front with the Communists in China and the consequent immobilization of hundreds of thousands of China's best troops,

- (i) suggest the desirability of making a public speech in China stressing our growing military might, especially in the air; China's part as one of the leading United Nations in the war and post-war period; and our unalterable intention of crushing Japanese militarism. Speech to be prepared and reviewed here before departure,
- (j) receive complaints and requests sympathetically and undertake to transmit them to the President; at the same time, however, seeking to dissuade Chiang from making such requests as appear to be unreasonable or impractical.

**III** - You are further authorized to observe and report back to the President:

- (a) on matters relevant to our military operations in India and China,
- (b) on matters relating to economic and political trends in China.

Currie Folder PSF Exec. O/c.

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THE WHITE HOUSE  
WASHINGTON

September 17, 1942.

Telephoned  
Punch to take  
this up with  
Secy. Hull & if he  
decided  
was OK  
with the  
Pres.

Dear Grace:

I mentioned Ben Cohen to the President as an admirable American representative at New Delhi. He told me to pass the suggestion along to Berle. Berle objected that the Indian Moslems would object to Ben as a Jew!

If this is considered to be controlling, which I hope it is not, I have another suggestion. The President could send me out for about three months or so in my capacity as his Administrative Assistant -- his eyes and ears in that part of the world. I could be the senior American representative at New Delhi, while avoiding the vexing question of rank -- Ministerial, Personal Representative, etc. -- keep an eye on developments in the whole China-India-Burma area, and be in a position to keep the President informed on the possible basis for compromise in the evolving Indian situation. I think I have some talent at negotiation, creating trust, avoiding indiscretions, and of getting on top of complicated situations. If Wheeler is to follow Stilwell, I could work beautifully with him as chief American military representative in the area, and I have always got along well with the State Department.

I send this to you so that you can tear it up after you have finished with it.

Yours,

Leland

BF Exec. O/C  
Currie

Original letter from Mr. Price to  
the President was not in Mr. Currie's  
files.

THE WHITE HOUSE  
WASHINGTON

BSF

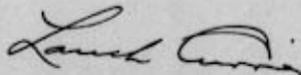
October 20, 1942.

MEMORANDUM FOR THE PRESIDENT:

Re: Letter from Ernest B. Price,  
1149 North Inglewood St.,  
Arlington, Va.

I made inquiries both of Colonel Donovan and of Major Bruce as to the nature of the activities of the Office of Strategic Services in China. They both told me that they had not yet been able to get started on their intelligence activities in China. All the negotiations they had carried on, however, had been with Tai Li, who is under the Generalissimo, directly in charge of secret service. They both volunteered the opinion that any espionage or intelligence work in China could be successful only if carried on with the full knowledge and cooperation of the Chinese secret service.

I shall be glad to talk to the sender of this letter, Mr. Price, if you would like to have this matter followed up further.



Lauchlin Currie

China

October 29, 1942.

MEMORANDUM FOR THE PRESIDENT:

Re: Letter from Ernest B. Price,  
1149 North Inglewood St., Arlington, Va.

The main charge in this letter is that the Office of Strategic Services is attempting to carry on intelligence work in China without the knowledge of the Chinese. I interviewed its sender, Mr. Price, who was formerly with the Office of Strategic Services, and found that he inferred that this was so because certain Chinese in Washington did not know of the activities of Colonel Donovan's representatives in China. I checked separately with Colonel Donovan and with Major Bruce, who has specific charge of such activities. They both assured me that they would not dream of attempting to carry on military intelligence or espionage activities in China without the full consent of the Generalissimo; that they felt if they were going to get any information worthwhile they would have to work very closely with Tai Li, Head of the Chinese Secret Service, who operates directly under the Generalissimo. Actually they were not able to do much as yet and were dissatisfied with the present arrangement whereby their representatives were responsible in the first instance to General Stilwell.

Mr. Price seemed chiefly concerned with getting a job. I think my talk with him obviates the need of a reply to his letter.

Lauchlin Currie

LC:em

1149 N. Inglewood Street  
Arlington, Virginia  
November 3, 1942

Mr. Lauchlin Currie  
Room 228, Department of State  
Washington, D. C.

Dear Mr. Currie:

It has occurred to me, since our conversation a few days ago when you were so courteous as to receive me, that there was one point which I may have failed to make clear, either in my letter to the President of October 8, or in my remarks to you.

"For the sake of the record," as one might say, I should like to clarify that point here.

When I said that to attempt to go around the Chinese officials, whether those in China or China's representatives in this country, in carrying on any sort of operations in their country, was impolitic and unwise, I intended to stress the difficulty, if not outright folly, of trying to fool the Chinese. While I do believe that the time has come to take the Chinese in as full partners in this war, I do not believe we need to blind ourselves to the difficulties inherent in such cooperation. I doubt if anyone has had more experience with the corruption and perfidy of which certain types of Chinese leaders are capable than have I. We cannot deal with even the best of them on any other basis than the most cold-blooded and cool-headed realism: on the basis of a matter-of-fact realization of what is our mutual best interest. We shall get further, however, if, with these precautions, we take the Chinese into our confidence, make them fully partners in this war.

Merely lending them a half a billion dollars, without letting them buy anything with it, as seems to be pretty much the case so far, gets us nowhere. What we ought to do is to sit down with them, figure out what they need and what we can--or must--spare, see that it reaches them, and then see that it is actually and properly used. They would understand that; respect us for it. The same thing applies, of course, to intelligence operations in China.

Sincerely yours,

*Ernest B. Price*

Ernest B. Price

November 4, 1942.

Dear Mr. Price:

I was glad to hear further from you, though I assure you that I did not misunderstand your position. I agree fully with you that we should take the Chinese into our confidence and make them full partners in this war.

Yours sincerely,

Lauchlin Currie  
Administrative Assistant  
to the President

Mr. Ernest B. Price,  
1149 N. Inglewood Street,  
Abingdon, Virginia.

— 157 Exec. Dir.  
Currie

read by Pres  
returned

THE WHITE HOUSE  
WASHINGTON

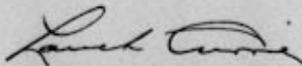
October 27, 1942.

MEMORANDUM FOR THE PRESIDENT:

Re: Willkie's speech.

This speech is calculated to present your policy and views in a false light, both at home and abroad. I am particularly concerned over its effect in China. I discussed it briefly with Sumner Welles this morning and we both feel that if you are asked to comment on the speech this afternoon you might be well advised to take the line that you are delighted with Willkie's vigorous reaffirmation of the principles of the Atlantic Charter, the Four Freedoms and of the successive lend-lease acts. You are glad that Mr. Willkie so heartily concurs in your interpretation of January 2nd and again of February 23rd of the Atlantic Charter that it properly applies to all the peoples of all the world. You welcome his support of the view that the building of a politically and economically just post-war society requires America's full participation. You grieve with him that because of the lateness of our start and the shortage of shipping, we have not as yet been able both to send our Allies as many goods as we would have liked nor to open a large-scale counter-offensive in Europe.

While you are thus refusing to be manoeuvred into a false position, you might on the one hand have Stimson stress our military aid and direct effort at the moment, which is considerable, and on the other, have Wallace, in his November 8th speech, reassert Administration leadership in stating the moral issues of the war.

  
Lauchlin Currie

October 27, 1942.

Wendell Willkie, October 26, 1942.

"The 200,000,000 people of Russia and the 450,000,000 people of China -- people like you and me -- are bewildered and anxious. They know what they are fighting for. They are not so sure of us. Many of them have read the Atlantic Charter. Rightly or wrongly, they are not satisfied. They ask: What about a Pacific Charter? What about a World Charter?"

"Their doubts were expressed to me in simple, unmistakable questions. "Is there to be a charter only for the millions of the Western Hemisphere?" they asked. "Is there to be no charter of freedom for the billion people of the East? Is freedom supposed to be priceless for the white man or for the Western world but of no account to us in the East?"

The President has at least twice and in the most explicit terms made clear that the Atlantic Charter applied to the whole world. For example, in his press conference on January 2, 1942, in answer to the question whether he intended to have a Pacific Charter, he said that the Atlantic Charter applied to the whole world, that it was called Atlantic only because it happened to have been promulgated in the Atlantic. Again, in a radio address on February 23, 1942, the President made the following statement:

"We of the United Nations are agreed on certain broad principles in the kind of peace we seek. The Atlantic Charter applies not only to the parts of the world that border the Atlantic but to the whole world; disarmament of aggressors, self-determination of nations and peoples, and the four freedoms -- freedom of speech, freedom of religion, freedom from want, and freedom from fear."

THE WHITE HOUSE  
WASHINGTON

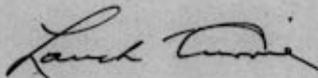
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personal*

November 13, 1942.

MEMORANDUM FOR THE PRESIDENT:

Re: Attached dispatch on  
Chinese Communists.

This is the first account  
I've seen for a long time from  
anyone who has actually come into  
contact with the Chinese Communists,  
and is on that account quite inter-  
esting.



Lauchlin Currie

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THE WHIT

BF Currier folder 1-42

American Army Headquarters,  
Chungking

BF

Memorandum for the  
Ambassador

October 11, 1942.

This morning I sat in on a general conversation with Mr. Rene D'Anjou at the office of the American Information Service in Chungking. Mr. D'Anjou, who claims to be affiliated with the Fighting French, escaped from Peiping during January and has just arrived recently in Chungking.

Shortly after he left Peiping he came in contact with Chinese Communist units which assisted him in his flight. He was, however, detained for more than two months at the headquarters of the Chin-Cha-Chi-Jehol Government, some eight miles north of the Putao River in Pingshan District, Shansi, while the Communists made full inquiries regarding him. He was well treated and allowed considerable freedom. General Hieh was in command of Communist forces in this area. General Hsiao Keh was second in command.

Mr. D'Anjou said that he had the impression that the Communists were not assuming the offensive, because (1) they lack arms, and (2) they are conserving their strength.

The Communists are very active, he stated, in political education. For example, the peasants even along the periphery of Communist control in Hopei knew of the Free French, the Dutch and the Yugoslavs. Special emphasis is laid on the indoctrination of the youth. Propaganda is anti-fascist and anti-Japanese. He saw no evidence of propaganda directed against the Central Government. No Chinese national flags were however to be seen, nor the hammer and sickle red flag. Pictures observed were of Marx, Lenin, Stalin, Mao Tze-tung and perhaps Chu Teh; very few of the Generalissimo; none of Sun Yat-sen. Nevertheless, the Three People's Principles were embodied in Communist principles which also included Democracy and Universal Suffrage.

The Three-Three system was practiced: representatives of three groups participated in elections-- the Communists, the Kuomintang and those unaffiliated with any party. Mr. D'Anjou saw this system in operation, remarking that there seemed to be little doubt that the Communists managed to dominate the elections.

He said that an Englishman by the name of Lindsay who was in Communist territory with him and who had once or twice before visited that region believed that the Communists had improved their relations with the local population and had extended their influence. Mr. D'Anjou's own impression was that the peasantry in areas which had suffered from Japanese depredations were strongly pro-Communist while those in unravaged sections were

critical of the Communists -- not so much because of the Communist rule as because of an innate dislike of any government. Taxation he reported to be comparatively light and rents fixed at 37 $\frac{1}{2}$ % of property value.

Opium was stringently prohibited. Mr. D'Anjou saw no evidence of its use. He understood that it was grown and exported to Japanese-controlled territory and to Central Government areas for revenue.

The system of political commissars in the Communist Armies, Mr. D'Anjou stated, continued in effect. The system permeated the ranks down to the squad in which there is a "political fighter".

The disciplining of troops was described. For the first serious infraction of rules a soldier is talked to by his officer. With a second misdeed he is compelled to make a public confession, thereby losing face. He is punished for a third infraction by being confined to his room. He is dismissed upon breaking rules a fourth time. Capital punishment is not imposed, excepting on traitors.

Mr. D'Anjou estimated that the Communists held in concentration camps about 30 Japanese prisoners in northwest Shansi, some thirty in Hopei and more than thirty in Yen-an. They were subjected to political training and were used to teach the Chinese popular Japanese songs. Chinese troops were supposed to learn one new Japanese song a month. The songs were nostalgic in character and, sung by the Chinese at night near Japanese outposts, were believed to reduce the Japanese to a state of acute melancholia. Revolutionary themes were often substituted for the sentimental texts.

The Communists were consciously not attempting to accelerate revolutionary processes, in Mr. D'Anjou's opinion. They professed to believe that China had to pass through a stage of democracy before attaining to communism. They said that their revolutionary cadres were not sufficiently developed and spread throughout the country. Mr. D'Anjou believes that the leaders still cling firmly to their Communist principles.

Medical conditions in Communist territory were described as "terrible". There was an acute shortage of medicines. Both the Central Government and the Japanese maintained a tight blockade on medical supplies. Mr. D'Anjou was told that 50% of the people suffered from malaria and 60% from alimentary complaints.

The Communists followed a policy of self-sufficiency. They prevented the importation of Japanese goods (excepting radio parts and medicines, which they sought to obtain with little success).

Only a trickle of supplies passed through the Central Government blockade, but the Communists were successful in exporting salt for revenue into other parts of Free China.

In passing from Communist territory into Central Government territory Mr. D'Anjou traversed about three miles on no-man's-land. The first Government troops he encountered was a detachment of Kansu Mohammedan cavalry, well-equipped, well-disciplined and courteous. Central Government defenses, in the form of pill-boxes and watch-towers, were 15-20 miles in depth. The closer he got to Sian, the worse was the treatment he received at the hands of Central Government troops. In Sian he was held for six weeks by the Fourth Section of the Generalissimo's Headquarters where he was questioned as to why he had spent so much time in Communist territory and where he was beaten. A Netherland subject, who had come out of Peiping with him, was severely beaten without reasonable cause, suffering a broken shoulder.

Mr. D'Anjou observed that his captors were outspokenly scornful of the western democracies and high in their praises of the Germans and even mentioned the Japanese with a note of approval. He was later told by non-military Chinese that the officers at Sian were notoriously pro-fascist. When he reached Chungking an attempt was apparently made to make amends for the treatment he received in Sian. A general and a colonel were assigned to tend to his wants.

John Davies

*file personal. PSF Exec. Dir. Currie folder 1-42*

THE WHITE HOUSE  
WASHINGTON

November 13, 1942.

MEMORANDUM FOR THE PRESIDENT:

Personal

Re: Ambassador to China.

The intimation that you had changed your mind on this was a considerable blow as there is no post that appeals so to me. However, I'll accept cheerfully any decision you may make. I'm only concerned that you should know the background. The following are some pertinent considerations:

On the plus side.

1. I would be a popular appointment with practically all Americans, both Right and Left, dealing with China, and the press would be good.
2. I am popular with most Chinese officials. I have close Chinese friends who are good sources of information.
3. I am thoroughly familiar with all aspects of our relations with China in the past two years.
4. My record indicates that I can be relied upon to push for democratic and peaceful solutions of China's internal and immediately external problems.

On the con side.

1. The Generalissimo is apparently opposed. This, I am sure, is not because he does not like me personally nor doubts my ability, integrity and interest in China. It is, I am afraid, a reflection of a determination on his part to pursue policies which he knows from our past association I would not approve. If he hopes to make an ally of America against the U.S.S.R. in the Far East, to bring about a forcible liquidation of the Chinese communists, and to secure financial and economic help from America regardless of the trend toward or away from democratic processes in China, I would be an awkward representative to deal with and he would prefer a man who did not care so much for the maintenance of the conditions of peace and democracy in the post-war world. My good friend, the Vice-Minister of Information, has got word to me recently that Chinese publicity abroad was going to take a nose dive in the next six months, which has an ominous sound.

Memorandum for the President.  
Re: Ambassador to China.

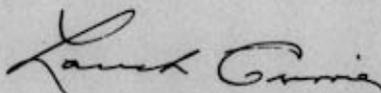
November 13, 1942.  
Page 2.

Personal

Suggested course of action.

If you have not already settled the issue, and if you accept my interpretation of Chiang's attitude, I would suggest keeping the door open, and indicating your wishes quite markedly to Madame Chiang when she visits you. After all, you did not object to the substitution of Wei for Hu Shih. Madame Chiang's response would then give you a clue.

It would also be most helpful in reinforcing the liberal line I took if you would have me around a bit during her visit and indicate that I possess your confidence and represent your views. My attitude will be that I am governed entirely by your wishes.



Lauchlin Currie

*PSF Exec. Oxc. - Currie*

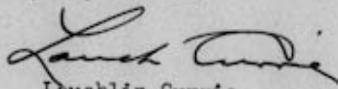
THE WHITE HOUSE  
WASHINGTON

December 8, 1942.

MEMORANDUM FOR THE PRESIDENT:

Re: Request by Chinese for conversion of  
part of loan to gold.

Mr. Hsi, head of the Central Bank of China, consulted me yesterday on Dr. Kung's desire to have fifty million dollars of the five hundred million dollar loan converted into gold. I received the impression that it was then the intention to ship this gold out of the country. I replied that this matter was entirely in the hands of the Treasury Department.

  
Lauchlin Currie

PSF Currie folder  
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confidential

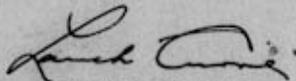
THE WHITE HOUSE  
WASHINGTON

April 2, 1943.

MEMORANDUM FOR THE PRESIDENT:

Re: Health Conditions in the  
Chinese Army.

The attached report made by two foreign doctors was sent to this country by courier by Madame Sun. It is extraordinarily interesting and depressing. It checks with other information we have received. I think you might care to glance through it, as it has a most important bearing on the fighting quality of the Chinese army. The source of the report should be protected.

  
Lauchlin Currie

14E

Chungking, January 10, 1943.

Health on the Ichang Front [REDACTED]

Oral statement by two foreign doctors who worked in this sector for two years.

The loss of life due to malnutrition and disease is exceedingly great. For example, the 11th Division, which was once regarded as one of the Generalissimo's best divisions, and the 119th Division each required 3,000 new recruits within twelve months in order to replace men who had died or been evacuated to the rear with disabling ailments. Conditions seem to be similar in all divisions in this sector with the exception of the 18th, whose exemplary commander, General Lo, succeeded after giving one of the doctors all possible assistance in preventive and other measures, in decreasing the losses during the period January 1942-November 1942 to 400 dead and 1,000 evacuated sick.

The average state of health of the troops and officers is such that both doctors doubt whether they would have sufficient strength today to do any serious fighting. Only one of the divisions of the two group armies surveyed, the First Honor Division (composed of soldiers already once wounded) is fairly satisfactory in a military sense. A good standard of discipline and integrity among the officers exists only in the 18th division. The deterioration of morale due to economic reasons is especially evident in the 199th division, where desertions recently included 20 officers a month. Even in the model 18th division a surgeon holding the rank of major declared that he would run away, saying "although I may get leave to visit my wife in Wanhhsien, I cannot do so because I am not able to maintain her on my 175 dollars a month. She herself earns five hundred a month teaching. She will simply tell me, "What sort of a husband are you?"

The facts about nutrition are as follows: The 18th Division is the only one in which soldiers really get the full daily ration of 24 oz. of rice which divisional commanders receive for each registered soldier. In other units, the men get no more than 20 oz., and no commander wants to see the ration go below this for fear of weakening his troops. Apart from rice, only pickled vegetables with salt and red pepper are issued. The rations are quantitatively insufficient. In quality, the deficiency is appalling, because the ration contains practically nothing but carbohydrates. Fresh rice contains proteins (although in insufficient proportion to compensate for the absence of animal proteins), but there are none in the 2-3 year old rice normally issued. Original vitamin value is also completely destroyed in old rice and pickled vegetables. For these rations, \$8-\$10 a month are deducted from the soldier's pay of \$16-\$18 a month. Moreover, the tremendous rise in prices has made practically valueless the soldier's remaining cash, which he could previously use to buy some extra green vegetables, bean curd, fats, and even some meat or fruit.

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By Deputy Archivist of the U.S.

By W. J. Stewart Date JAN 30 1973

The large numbers of troops quartered here through several years have denuded the countryside of livestock and created a general food shortage from which the civilians also suffer and which deepens from year to year. Prices are even higher than those in Chungking. Carrots, for instance, which the soldiers used to buy as a valuable supplement to their diet, have risen in one year from 30 cents to \$4.00 a pound. Even captains and majors, with \$145-\$175 a month cannot buy sufficient extra food for adequate nutrition. Hunger oedema is general among the men and beginning to appear among the officers. There is also another factor that affects health. In community feeding from a common bowl, everyone tries to eat as fast as he can to get his share, food is insufficiently masticated and absorbed, indigestion is frequent, and weaker individuals suffer from lack of appetite in spite of malnutrition. The new "discipline" of the army encourages such bolting, as only three minutes are allowed for a meal. Under this system, the stronger men get the food and the weaker ones decline still further. In the hospitals, patients generally have to crawl out of bed to take part in community meals on the floor, while those who cannot leave their beds get only the leftovers or nothing at all, especially since there is understaffing and nurses and dressers in military hospitals are overworked and unsympathetic.

The main categories of diseases are due to malnutrition or epidemics. Sixty to seventy percent of all patients in military hospitals suffer from hunger oedema mainly, or in addition to other complaints. The usual answer to a doctor's questions is that patients have had symptoms of hunger oedema for from three to six months before being sent to hospital. Many of the numerous deaths in transport companies and among recruits are directly due to hunger. The usual complaint is, "I have no pain, but I have no strength." The practice of hiding the worst affected before announced inspections makes it difficult for doctors inspecting military units to get the real rate of acute malnutrition, but even with these concealments, it is very high. Absence of special diets and of vitamin preparations in the hospitals makes re-establishment of health practically impossible among sufferers who finally come for treatment. A strange theory prevails -- that since they expend less energy, sick soldiers need a smaller ration than healthy ones. Malnutrition reduces resistance, and men die like flies at times when relapsing fever, typhus, dysentery and smallpox -- regular epidemics -- prevail. Epidemic control is bad, and although delousing stations are mandatory in the army, many units do not have them, and many of those that have do not use them on the pretext that fuel is too expensive or for other reasons. One of the doctors had this experience. Last year 1,000 new recruits arrived at the place where his hospital was located, all very lousy. His request that he be allowed to delouse them before they went on along their way was refused on the plea that there was not enough food to keep them for the two extra days involved. The result was that the entire division to which they went was infected with louse-borne diseases at the end of two weeks; several hundred men died. Transport companies are great carriers of infection. In one unit of 600 men, half died in the course of a single trip.

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By Deputy Archivist of the U.S.

By W. J. Stewart Date JAN 30 1973

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Attempts to remedy the situation have had little success in this sector, apart from the exceptional case of the 18th division. The order to cultivate vegetable plots is usually ignored by commanders who are afraid their units will be moved away and unwilling to spend money to sow for the unit replacing them to reap. Request for fresh, nourishing rice instead of the mouldy stuff issued to the army have been ignored, even when coming from hospitals. One doctor asked a unit of the San Min Chu I Youth Corps for help in organizing special diets. Rice was issued, but these people ate most of it themselves, and soldiers put on special diets practically revolted, because they knew that to be on the special diet list meant to get much less than the others. One said, "I will surely die from this special diet." There is good notice of inspections, and the worst cases and abuses are effectively hidden. Refusals to give funds for epidemic control are sometimes cynical. Told that his men would die if he did not put up delousing stations, which he claimed were too expensive, one general said, "Never mind. The one thing we have plenty of in China is men."

What can be done by good officers really concerned for their men is shown by the case of General Lo of the 18th division. This general said that he did not want the parents of men who died in his command without meeting the Japanese to "curse him as an enemy." He asked for a Red Cross Unit with one of the doctors in charge. The doctor was immediately interviewed, the general taking copious notes on his recommendations. General Lo complained that in less than four years he had lost a number of men equivalent to the full strength of his division without fighting and without many desertions. He said he did not mind desertion so much as death from illness, because a deserter, by working somewhere else, would still be of help to his country. Before he met the doctor, the General had no idea that relapsing fever, a scourge in this region, was transmitted by lice. His three divisional doctors had never told him. One of the divisional medical officers himself came down with relapsing fever. At first he refused to believe that anything was wrong with him at all, then he refused the single salvarsan injection which effects a cure because he said he set no stock by such treatment. But when the general heard what had to be done he put up delousing stations, sanitary latrines, sand filters for water, drinking water biolers and so forth. The result was a reduction of annual deaths from 1,500 to 400 and of evacuated sick cases from 3,000 to 1,000 during the same period. Even in the 18th division, of course, the conditions are only bearable relative to the terrible state of the others, and the sick and death rate is extremely high in absolute terms.

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During the last six months the state of medical work in the frontline area has further suffered. The units of the Medical Relief Corps of the Chinese Red Cross, headed by Dr. Robert Lin, no longer

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By Deputy Archivist of the U.S.

By W. J. Stewart Date JAN 30 1973

really exist, and Dr. Lim himself has been forced out by political pressure. In the Ichang area, the units have received no pay for five months and have been decimated by desertion of members who had no more funds to go on with. The doctors, nurses and dressers who remain are concentrated in the Group Headquarters waiting for long overdue reorganization, and have done no work for the same period-- five months. It is impossible to expect even the very limited medical resources and personnel at the front to continue functioning while the Red Cross medical service and its supplies (which have been transferred by administrative order three times during the past months, from one organization to another) continue to be a political football, which squabbles at the top while the field disintegrates.

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By Deputy Archivist of the U.S.

By W. J. Stewart Date JAN 30 1973

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WASHINGTON

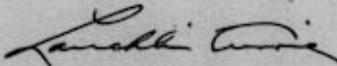
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May 18, 1943.

MEMORANDUM FOR THE PRESIDENT:

Re: Attached memorandum.

I am attaching some reflections I have had after reading hundreds of dispatches and letters from China and talking to many people who have recently returned from there. They may have some bearing on the difficult problems that are up at the moment.



Lauchlin Currie

May 18, 1943.

SOME REFLECTIONS ON AMERICAN CHINESE POLICY

An attempt is made in this memorandum to present and examine certain basic considerations underlying the formulation of current American political and military policy towards China.

Will China Collapse? - Here it is essential to distinguish between economic deterioration and "collapse". The former is unquestionably taking place. Inflation is resulting in a rise of prices of from ten to twenty percent per month and the will and ability to collect taxes on the well-to-do and decrease expenditures is lacking. The possibilities are that the paper money will become completely worthless. Such an eventuality or even a continuation of the existing course of inflation would decrease still further the efficiency of the Chinese economic and war machine -- the mere business of living will absorb more time and attention, more inequities and inequalities as between groups and individuals will arise, morale will deteriorate still further. The Army and the Bureaucrats will protect themselves by an extension of the present practice of collecting taxes in kind and the burden on the peasants, the only ones who cannot escape such taxes, will increase.

This is a gloomy picture but it does not necessarily imply a "collapse", but merely a continuation of the trends that set in around 1938. A point may eventually be reached where isolated peasant riots and revolts may occur (several such took place recently), but so long as the army is fed and the leadership remains united such revolts cannot lead to a breakdown.

There is one possibility that could result in a cessation of what little active resistance prevails and that is a bad crop failure in Free China. Such an occurrence could be exploited by the Japs in such a way as to result in wholesale desertions of troops and mass exodus of peasants to the Occupied Areas.

Is the Generalissimo's Position Threatened? - Here, again some prevailing differences of opinion might be removed by making a distinction between the Generalissimo's position and his power. His position as probably the only individual capable of being recognized as the leader of the various groups and cliques, both in and outside the army, is believed to be secure. His power to command and secure obedience, on the other hand, is severely circumscribed. His strength lies partly in his ability to play one faction off against another (even in his own family!) and in recognizing the limitations on his own power. His weakness, however, lies in the fact that he has no

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By W. J. Stewart Date

JAN 30 1973

politically strong mass support and leans entirely on the Gentry (landlords), Bureaucrats and Army. Consequently, he can do little to bring about any reforms that interfere with the prerogatives and privileges of these groups and is consequently debarred from taking such actions as would establish a trend toward the creation of a modern, efficient, patriotic state. He can exhort the Party and the Army to be efficient, to be honest, to deny themselves special privileges, to resist nepotism, to win the support of the peasants and the soldiers and the students. He cannot take appropriate action to secure such results. Owing to our natural tendency to personify, we are apt to concentrate our thoughts and energies too largely on winning the support of the Generalissimo to such and such a policy rather than to assessing the possibility that the policy in question can actually be carried out in China today.

What are the Motivations Underlying Chinese Policy? - The men surrounding the Generalissimo and the groups in turn surrounding them are with few exceptions men jockeying and maneuvering for position, power and privileges. Many can hardly be characterized as honest, efficient or patriotic men. They are distrustful of Western democratic influence as tending to threaten their privileges. They want American military and financial aid but not American culture or ideas. On the other hand, they are even more distrustful of Russia, whom they accuse of giving moral support to the Chinese communists and whom they fear will give physical support in the future. These considerations give some clue to the current dominant anti-foreign, anti-communists lines in Chungking policy. The disproportionate amount of emphasis placed on the abolition of the unequal treaties arises partly out of a desire to conceal the absence of any positive reform program and partly out of a desire to stir up and keep alive the distrust of the Western powers and discredit their democratic pretensions.

Men like the Minister of War, the Minister of Education and the Head of the Secret Police must necessarily feel profound distrust of our policy and influence. It would be most unrealistic to expect their actions to be motivated in the slightest by any feelings of friendship for us or gratitude for what we may do. We do have genuine and admiring friends in China. These, however, are largely in the university faculties and lower ranks of the Bureaucracy, and the former are being gradually starved and demoralized.

The conclusion appears inescapable, therefore, that we are dealing with a large group of men who have definite interests with which they fear we may interfere, who have no particular affection for us, and who are determined to secure as much from us as possible while

By Deputy ~~Assistant~~ of the U.S.

By W. J. Stewart Date JAN 30 1973

parting with as little as possible. If it were possible for us to win the war with no help from China and with no prejudice to China's ability to secure its war aims, and at the same time strengthen the ability of the Kuomintang to perpetuate its power, resist reforms and suppress the Communists, this would constitute the ideal outcome from the Chinese Government's point of view.

Our national interest, on the other hand, would best be served by the maximum use of a united Chinese army and people, by progress toward a more efficient, honest, democratic state, and by the avoidance of civil war.

Our Bargaining Position - The Chinese have in every way sought to create the impression that our bargaining position is weak. Basically this rests on the thesis, constantly repeated, that the Japs can be defeated only from operations from the mainland of Asia. We must, therefore, the argument runs, at any costs keep China in the war. From time to time the threat or warning of "collapse" or, in more veiled terms, the "defection of important elements to Wang Ching-wei" is made.

Actually the Chinese Government's bargaining position is quite weak and ours is strong. Chiang and the various party leaders have time and again and in numberless ways, shown that they share in our complete conviction of ultimate victory over Japan. To go over to the Japs would merely mean, in their eyes, going over to the losing side and leaving the future of China to the Chinese communists. In addition, of course, Kuomintang leaders look to America for billions of dollars in the post-war period while the Army, in particular, look to us for the airforce and industrial underpinning of an ordnance industry that will permit the suppression of the communists and will provide the requisite strength for the eventual clash with Russia they all expect. Moreover, both Chinese governmental and private cash balances (including those of Ministers) are in this country and would presumably be forfeit under certain conditions. Finally, it is not inconceivable that Japan can be defeated otherwise than from the mainland of Asia and it would do no harm to drop hints to this effect. It is inconceivable that Japan would be unbeatable if we had no allies on the mainland.

Some Possibilities. - The underlying factors sketched above obviously must enter into the determination of our Far Eastern military and political policies. Before, for example, completely

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By Deputy Archivist of the U.S.  
By W. J. Stewart Date JAN 30 1973

committing ourselves to a defeat of Japan through China policy, we must assess the amount of help we may realistically expect from China (a) in retaking Burma, (b) in offensive action against Japanese forces, (c) in defensive action against Japanese attacks, (d) in organizing transportation in China. These, in turn, depend upon the full exploitation of our bargaining position in securing a revolutionary change in the will and ability of Chinese armies to fight. The dangers that must be faced are that certain elements in China will seek to secure the maximum in supplies while refraining from combat with the Japs; and that the building up of a powerful American airforce in China will induce the Japs to attack before a sufficiently strong ground force to defend airbases can be built up and trained. So long as advanced airbases and land forces have to be supplied from India, logistics will favor the Japanese. It may be taken for granted that before we are in a position to threaten Japan seriously from China the Japanese will make a supreme effort to destroy our base of operations.

Another direction in which our bargaining position must be exploited fully is in the political and economic field.

Neither the Government nor the Communist forces can be expected to make their full contribution to the war against Japan when they expect to have to engage in a war of extermination against each other. Moreover, such a war following or just preceding the defeat of Japan would be prejudicial if not for the preservation of the peace of the world certainly for the atmosphere in which a good peace can be contrived. There is grave danger that another Spain is in the making, where great powers line up in support of the different factions.

The solution of these problems requires statesmanship of a high order on the part of America. No occasion should be lost to demonstrate our friendship for the Chinese people; with the Government, however, the efficacy of sentiment and friendship is limited. We must insist on certain things being done and, assured that our diagnosis of the situation is correct, be prepared to disregard threats and reproaches in the realistic pursuit of our interests. It will, in the long run, cost us little more to defeat Japan from the islands and sea than from the mainland. It will cost us nothing to withhold financial aid in the post-war period. Our task will be enormously facilitated if the Chinese Government learns that we view the situation in this light and that our military and financial aid has a price. Unless we stick to that price, our aid will not serve the cause of the United Nations but will, on the contrary, be definitely harmful.

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By Deputy Archivist of the U.S.

By W. J. Stewart Date

JAN 30 1973

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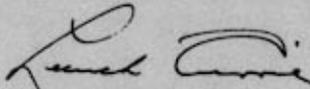
THE WHITE HOUSE  
WASHINGTON

May 27, 1943.

MEMORANDUM FOR THE PRESIDENT:

Re: Attached cable on the fighting  
on the Ichang front.

If you have not already seen this cable I think you would be interested in glancing over it, especially in view of the newspaper space devoted to this in the past week. An example of how things gain credence in retelling was afforded in the handling of this story in the Times. It first broke last Friday in the form of a UP dispatch from Chungking attributing the story to a military spokesman. In the Times' Sunday Review of the Week the source was dropped and it was stated as a simple fact that 60,000 Japanese troops were moving on Chungking.



Lauchlin Currie

PARAPHRASE

A ~~strictly confidential~~ telegram of May 25, 1943 from the American Charge d'Affaires at Chungking reads substantially as follows:

The publicity board aroused foreign correspondents at 1:30 a.m. on the morning of May 24 and gave them a special bulletin attributing to a "Central News report" information to the effect that it had been stated by "official sources" that the actions being taken at the present time by the Japanese in the western part of Hupeh Province indicate that the Japanese are attempting to launch westward along the Yangtze River an offensive on a big scale. Inasmuch as the Chinese Military have not tried to contact and inform the American Military and Naval Attaches, the report was not given to Chinese correspondents and was not carried by the Central News Service or in the Chinese press, and as it was not given out as a statement of the military spokesman, some foreign observers have conjectured that the motive for the report and the dramatic way of issuing it might have been the wish to gain at this particular time special notice abroad and in this way influence any plans for the conduct of the war which are being made at the present time.

In the opinion of the Naval and Acting Military Attaches there is as yet not sufficient evidence that the Japanese have brought up additional forces in large enough numbers to carry out an offensive on a major scale. There is as yet no confirmation of reports that the Japanese are using two new divisions in addition to the four divisions already in that general area and the Chinese Intelligence has not accepted such reports. It is likely that there is in progress a drive on a limited scale to complete the clearing of the Yangtze River between Ichang and Yochow to eliminate the Chinese threat to Ichang and to encircle the rich rice-producing lake. There are indications that weak resistance is being put up by the Chinese.

DECLASSIFIED

State Dept. Letter, 1-11-72

By R. H. Parks Date JAN 30 1973

T-180  
PSF Exec. O/c. Currie folder 2-13  
file personal

THE WHITE HOUSE  
WASHINGTON

October 25, 1943.

MEMORANDUM FOR

HON. LAUCHLIN CURRIE

Will you talk with me  
about this?

F. D. R.

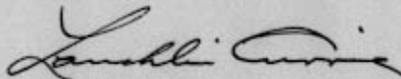
Secret memorandum prepared for General Stilwell by one of his aides, dated September 17, 1943, entitled "Policy Conflicts Among the United Nations, and forwarded to the President by Mr. Currie, under date of Oct. 20, 1943.

THE WHITE HOUSE  
WASHINGTON

October 20, 1943.

MEMORANDUM FOR THE PRESIDENT:

This memorandum was prepared for General Stilwell by one of his aides. The general liked the analysis and expressed the hope that you might look at it. It is pretty critical of the British, but this, I am afraid, is the prevailing sentiment of our people in the Far East.



Lauchlin Currie

BSF Exec. Oxc.

Currie folder  
2-44

THE WHITE HOUSE  
WASHINGTON

January 6, 1944.

MEMORANDUM FOR THE PRESIDENT:

Re: Current Criticism of F.E.A.

You may have noticed some criticism recently of F.E.A. I should like to make a few observations on it.

1. There is good reason to believe that it emanates from certain people who were eased out of both C.E.W. and Lend-Lease and their old friends now in F.E.A. This explains how Pat Jackson and Tom Stokes can line up together.

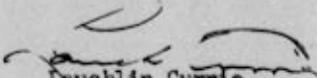
2. There is a minimum of criticism of the policies being followed by F.E.A., or even any lack of policy.

3. Because of (2) it seems likely that the critics will run out of ammunition.

4. It is true that the R.F.C. has procrastinated in turning over contracts to F.E.A. Mr. Crowley has worked this out patiently, believing that controversy should be avoided.

5. The progress of consolidation has been slow, partly because of difficulties of recruiting the right personnel, partly because of the agencies being scattered in so many buildings. Progress toward a smooth working organization is being made daily.

6. In the meantime, all the work of the constituent agencies is going forward and in some respects has been improved. Examples are (a) better working relations with State here and abroad, (b) move toward simplification of export license system, (c) more businesslike handling of lend-lease, (d) move toward restoration of private trade in North Africa and the Middle East.

  
Dauchlin Currie

THE WHITE HOUSE  
WASHINGTON

January 10, 1944

MEMORANDUM FOR

JUSTICE BYRNES ✓  
and  
JUDGE ROSENMAN

What do you think?

F. D. R.

Enclosure

**OFFICE OF WAR MOBILIZATION**

WASHINGTON, D.C.

January 11, 1944

*file  
personal.*

James F. Byrnes  
Director

MEMORANDUM FOR THE PRESIDENT:

SUBJECT: Criticism of F. E. A.

You should not be bothered with this story at this time but as you inquire, here it is.

The criticism of FEA comes from several sources. Currie is right in saying some of it comes from people within the organization who came over from OEW and are sore because some of their leaders were dismissed.

More of the criticism originates in the State Department. Hull telephoned me about two weeks ago that he felt FEA would blow up. I told him Crowley had the same idea about the State Department. Hull and Crowley can agree without difficulty. Their subordinates cannot. It is the same old differences that existed between State and Lend-Lease and State and OEW. There are even many of the same personalities.

Crowley has charge of economic matters abroad, subject to the State Department when foreign policy is involved. The situation breeds quarrels. Some State Department officials contend that all economic matters inevitably affect policy. Some Lend-Lease officials contend they have the right to act in all matters unless they are advised by State Department that their action will affect political policies. I called Hull's attention to this situation and urged him to insist that his people should realize the necessity for tactful cooperation with FEA. I talked to Crowley along the same lines.

I think Currie is right that there is little criticism by the Press of policies. It is generally of organization. Some of it is doubtless inspired by the extreme followers of Perkins and dissatisfied State officials, but not all of it.

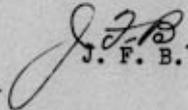
Considerable criticism is directed against Currie by friends of Crowley. It is in no way personal. They say that he is an economist but has had no experience as an administrator and no qualifications for the "hot spot" Crowley gave to him in molding two or three organizations which had conflicting interests. Another criticism is that in the effort to help Crowley, Currie and two or three others on the same level, prevent the Division Chiefs from presenting to Crowley problems which he could promptly dispose of. Still another is that Leo has a tremendous job demanding six days a week and still has to give time to Alien Property Custodian and FDIC.



I have heretofore talked with Crowley about these criticisms. He plans within about two weeks to send you a Report as to Alien Property Custodian and at that time will recall that he was to continue only for a while and he will ask that you make another appointment. He tells me he will suggest a man to be appointed as head of FDIC.

Crowley realizes the necessity of improving his housekeeping. However, he correctly points out that he has been making great improvements in the last month. He is over the worst troubles.

Crowley wants to get Milton Eisenhower to serve as General Manager. I have promised to help him and shall take the liberty of using your name if necessary to get him to accept.

  
J. F. B.

THE WHITE HOUSE  
WASHINGTON

January 10, 1944

MEMORANDUM FOR

JUSTICE BYRNES  
and  
JUDGE ROSENMAN ✓

What do you think?

F. D. R.

Enclosure

C  
O  
P  
Y

THE WHITE HOUSE  
WASHINGTON

January 6, 1944.

MEMORANDUM FOR THE PRESIDENT:

Re: Current Criticism of F.E.A.

You may have noticed some criticism recently of F.E.A. I should like to make a few observations on it.

1. There is good reason to believe that it emanates from certain people who were eased out of both O.E.W. and Lend-Lease and their old friends now in F.E.A. This explains how Pat Jackson and Tom Stokes can line up together.

2. There is a minimum of criticism of the policies being followed by F.E.A., or even any lack of policy.

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6. In the meantime, all the work of the constituent agencies is going forward and in some respects has been improved. Examples are (a) better working relations with State here and abroad, (b) move toward simplification of export license system, (c) more businesslike handling of lend-lease, (d) move toward restoration of private trade in North Africa and the Middle East.

(Signed) LAUCH CURRIE  
Lauchlin Currie

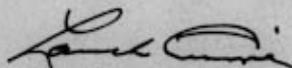
*L. Currie folder 2-44*  
*file*  
*secret*

THE WHITE HOUSE  
WASHINGTON

July 3, 1944

MEMORANDUM FOR THE PRESIDENT:

You may be interested in the attached data on the object of the first raid on Japan by the B-29's.

  
Lauchlin Currie

Memorandum on Yawata Plant of Nippon Seitetsu

The Yawata plant of Nippon Seitetsu is the largest completely integrated iron and steel plant under Japanese control, with equipment capable of handling all processes from coke oven to finished rolled steel products.

The coke oven installations are the second largest under Japanese control. There are 11 coke oven batteries with a total of 755 ovens which carbonize approximately 3,203,000 metric tons of coal annually (yields approximately 1,906,000 metric tons of metallurgical coke) or about 16 percent of the total coke oven capacity available to the Japanese. Facilities are also available for processing the important by-products--ammonia, benzene, toluene, phenol, etc.--obtained from the coking operations. The by-products output also represent about 16 percent of the total quantity of these products available to the Japanese from their coking operations.

There are 13 blast furnaces with a total annual rated capacity of 2,543,000 metric tons of pig iron, or about 18.3 percent of the total available to the Japanese. Steel making facilities include open hearth, electric and Bessemer type furnaces with total ingot capacity of about 3,007,000 metric tons annually, or about 22 percent of the steel ingots available to the Japanese.

There are primary and secondary rolling mills producing blooms, bars, shapes, rails, wire rods, sheet piling, sheets and plates, and strip and tin plate; facilities are also available for making steel castings and forgings. The total plant capacity for finished rolled steel products is estimated at about 2,250,000 metric tons annually or about 22.6 percent of the total available to the Japanese.

From the above, it is obvious that total destruction of the Yawata Works would decrease significantly Japan's coke oven and iron and steel making facilities.

Far East Enemy Division

June 17, 1944

DECLASSIFIED  
By Deputy Archivist of the U.S. 1373  
JAN 3 1973  
By W. J. Stewart Date JAN 31 1973

*PSF Exec. O/c. - Currie*

THE WHITE HOUSE  
WASHINGTON

December 4, 1944

MEMORANDUM FOR THE PRESIDENT

From LAUCHLIN CURRIE

*L.C.*

Re: FEA

Should there be any substance to the stories of the imminent disposition of FEA, I should very much appreciate the opportunity of giving you my ideas on the matter before any definitive actions are taken. I think I am in perhaps the best position to know the current operations and possible continuing activities of FEA and have some definite ideas on what might be done.

Audrey

Mr. Currie is sending  
over copy of a memo which  
the President also signed  
today so you can date  
them & file confidential

EST

PSF Exec. Oxc. - Currie

THE WHITE HOUSE  
WASHINGTON

January 19, 1945.

MEMORANDUM FOR MISS TULLY:

Attached are two carbons of a memo to Mr. Currie which the President signed this morning. Mr. Currie failed to leave the carbons with you. I am dating the original as of today.

Mr. Currie also brought back a letter signed by the President, to His Excellency, Eduard von Steiger, President of the Swiss Confederation. He left your carbons with you. I am dating the original as of today.

*Eleanor Myer*  
Eleanor Myer  
Secretary to Lauchlin Currie

*Currie folder* 2-45

January 19, 1945.

**MEMORANDUM FOR LAUCHLIN CURRIE**

In heading the American delegation to Switzerland to negotiate a new trade agreement you will receive your instructions from the Secretary of State.

In addition you are authorized, so far as may be possible without interference with your primary mission, to inform yourself on current thinking in British Government circles on post-war commercial policy and exchange and financial matters and, if time permits, to inform yourself on current conditions in Italy and report back to me.

(FDR)

January 19, 1945.

My dear Mr. President:

The time has arrived to renegotiate certain aspects of our war trade agreement with your country. I regard this matter as of such importance that I have designated my assistant, Mr. Lamellen Currie, as head of the American delegation. He will inform your government of our position.

We have respected the traditional neutrality of your country and have sympathized with the just difficulties of your position. Be forebore pressing our demands when you were isolated by our enemy and were in no position to do other than carry on a large trade with him. Now, however, the fortunes of war have changed. We are now in a better position to meet your most urgent needs and defend your liberties if they are threatened. I know in these circumstances that you will be eager to deprive the Nazis of any further assistance. It would indeed be a trial to any freedom-loving Swiss to feel that he had in any way impeded the efforts of other freedom-loving countries to rid the world of a ruthless tyrant. I speak strongly as every day the war is prolonged costs the lives of some of my countrymen.

I hope also that you will lend every assistance to our efforts in the post-war period to track down and seize the property of our foe.

We are deeply grateful for the aid your Government has rendered us in connection with our men imprisoned in Germany, and in other ways. I trust that the present mission will be successful and that we may look forward to the early date when Switzerland

will join with the victorious powers in building a new world organization for peace and prosperity.

Please accept the inauguration medal I am sending by Mr. Currie as a slight token of my high esteem.

Very sincerely yours,

(FDR)

LC:cm

His Excellency,  
Edvard von Steiger,  
President of the Swiss Confederation,  
Bern, Switzerland.

— PSF Exec. O'c.

*Currie folder 2-45*

THE WHITE HOUSE  
WASHINGTON

*Imp file  
file Confidential*

January 19, 1945.

MEMORANDUM FOR THE PRESIDENT:

I am attaching some brief notes sent to me in strict confidence by Leon Henderson. The important issue that appears to be shaping up is whether the longer term directives will be prepared by civilians or the military.

*Lauchlin Currie*

Lauchlin Currie

NAVY  
THE WHILE

19 Jan '45

Important planning now being done at SHAEF by G-3 -- Major General Bull under Generals Bedell Smith and Morgan. G-5 is not fully aware of this, nor Wickersham. The dominant Army group at SHAEF has not advised Wickersham that his people will not be used initially to staff the ministries. This group emphasizes the zonal concept rather than central ministerial control. It is felt that Eisenhower may not want the top job which may go to General Bradley. Bradley's army group may be used initially for the twelve ministerial divisions with many of McSherry's people becoming the economic group. This part of SHAEF is making no provision for asking help from FEA. It wants no interference from civilian agencies and accepts Murphy with a small political staff as the only civilian influence.

Colonel Howard's ideas are different, He wants to recruit a dozen or more businessmen with German experience on FEA payroll, or in uniform, for use both during the SHAEF period and later. It was Wickersham's idea that Howard would recruit these for the U.S. group control, but Howard himself was thinking of bringing them right into SHAEF instead. (It is understood that since his arrival in the U.S. Howard has indicated that he was going to recruit men in uniform only.)

There were indications that Winant had learned that the Joint Chiefs of Staff did not want to clear further directives to EAC. The Joint Chiefs would prefer to have the U.S. Commander in Chief free to negotiate and subject to directives from the Joint Chiefs only. The point of influence was shifting from the EAC to SHAEF. Winant was disturbed by this tendency, and did not agree with the idea of reducing the importance of EAC and was considering forcing an issue on this point.

In regard to the work on planning being done either at SHAEF or in Wickersham's organization, it was felt that plans on transportation, communications, power, agriculture, and labor were fairly well along. Plans in respect to allocations of raw materials, rationing, price control, activities similar to those of WPB or OPA were way behind, and were the matters on which the Army needed most help.

British thinking is well ahead on this. Sir Percy Mills is recruiting a staff of two or three hundred people for the Economics Division of the British "Element" which is what corresponds to the U.S. Group CC. After the SHAEF period the British "Element" is to be under the Foreign Office. Indications were that the corresponding Russian Group would be civilian.

PSF - Exec. O.C. Currie folder 2-45

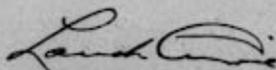
THE WHITE HOUSE  
WASHINGTON

~~Hold~~  
file

January 27, 1945.

MEMORANDUM FOR THE PRESIDENT:

I am attaching for the record  
a brief discussion of my  
activities while on loan from  
the White House to FEA.



Lauchlin Currie

January 29, 1945.

REPORT OF ACTIVITIES WHILE ON LOAN TO FOREIGN ECONOMIC ADMINISTRATION.

For your information I should like to make a brief report on my activities during the period of my loan to the Foreign Economic Administration. I served there as Deputy Administrator for policy matters and took no responsibility for administrative matters, which were under the supervision of another deputy.

1. General. My initial tasks were to ensure unified and consistent policies for the four agencies merged into the FEA and to work out a basis of proper working relationships with the State Department. On the policy side I think I may safely say that there were no major policy issues that either split the organization or remained unresolved. While doubtless policy decisions could have been improved, at least none created any widespread criticism or controversy.

In the field of working relations with other departments I took particular satisfaction in the agreement signed with State on November 11, 1943. This agreement provided for the predominance of foreign policy considerations and for the right of the Department here and its representatives in the field to be kept fully informed and to intervene at any time when, in the judgment of the Department or ambassadors, foreign policy or foreign relations in any substantive sense were involved. In exchange FEA's responsibility for economic operations including the formulation of programs, the selection of personnel, and the conduct of negotiations, was recognized. This agreement has worked splendidly in the field and provides, I believe, the proper basis for relating foreign policy to economic operations abroad.

2. Specific.

a. Economic Warfare. For the most part, State and FEA have gone along together in increasing pressure on the neutrals as our military position improved. Under my direction and with the support of Mr. Crowley, FEA took the lead in exacting highly important concessions from Sweden in first reducing substantially and later eliminating completely the shipment of ball-bearings to Germany. Again, recently, FEA has advocated a stronger line on Switzerland and has throughout pressed that a more stringent economic policy be adhered to with regard to Argentina. It is, of course, only proper that an agency primarily concerned with economic warfare should advocate more drastic measures than one concerned solely with foreign policy.

b. Lend Lease. Shortly after the establishment of FEA I handled the negotiations that resulted in arresting the growth in British dollar balances. This was done by arranging for the importation of many raw materials on reverse lend lease and by eliminating various items of a politically vulnerable character from direct lend lease to the British. These

negotiations, I believe, strengthened lend lease and extended the application of the pooling principle.

The other two important series of lend lease negotiations I handled for FEA had to do with a 3-C agreement with the Russians and a Phase II agreement with the British. The Russian agreement has not as yet been signed. While the British were disappointed in certain respects with the tentative Phase II agreements, I am satisfied that they provided for a fair and equitable basis for a lend lease program after the defeat of Germany.

Throughout my tenure the British continued to exert considerable pressure for a modification of the White Paper governing British exports. This pressure was resisted throughout.

We notified the Chinese that in the future civilian-type goods for China would in the first instance be assigned to the FEA special representative, following the pattern set by the Army in consigning military-type goods to the ranking American officer. This was done to give some added protection against the misuse of lend-lease material and to secure a larger measure of control in the disposition of it.

c. Liberated Areas. Agreements were reached under which FEA undertook to finance certain essential civilian requirements for the Army for the liberated areas of Italy, Greece, and Yugo-Slavia.

As of August 1, 1944 I concluded an agreement on behalf of FEA with the Army whereby FEA would finance all civilian relief supplies certified by the Army for Italy. In addition FEA has supplied civilian personnel to the Army for work with the Allied Commission. I also worked out the agreement, which finally secured your approval, of making available to the Italian Government the dollar equivalent of American soldiers' expenditures in Italy; immigrant remittances, and the proceeds of Italian exports, to be used in financing an industrial rehabilitation program in Italy. This account now amounts to some \$160 million and should prove of substantial aid in putting the Italian economy on a self-sustaining basis. While FEA has no direct responsibility for Italy we pressed throughout for more generous treatment and our nomination of General O'Dwyer to the post of Vice President of the Allied Control Commission, in charge of the Economic Section, led directly to a drastic change in our Italian policy.

In the case of Greece I urged and secured acceptance of the view that the military period be made as short as possible, so that UNRRA could take over full responsibility for relief.

In the case of France we made available the facilities of lend-lease and Treasury procurement for the procurement of civilian supplies on a cash reimbursable basis. In the meantime we did everything we could to expedite the release of French balances in this country so that the French Mission would be in a position to make its own arrangements with American suppliers. My own view throughout has been that so long as France possessed gold and dollar balances amounting to some two and a half billion dollars there should be rigid screening of French civilian requirements on a straight lend-lease basis.

d. Germany. FEA has throughout contributed a large number of civil guides, mostly descriptive in character, for the use of the Army Occupation Forces. More recently it has been working directly with the State Department on the more technical aspects of economic controls to be imposed on Germany. I worked out an agreement with the Army which was later confirmed by you, that FEA would recruit for the Army civilian personnel to work in the economic field. Finally, we dispatched Leon Henderson on a survey mission to England and France in this general field. A good deal of preparatory work has been done in planning how German assets concealed abroad might be ascertained and secured.

e. Disposal of Surplus Property Abroad. Under the original Executive Order this task was to be assigned to the FEA. My responsibility in this field was again for policy. I first appointed an advisory committee of four outstanding business men, whose report later served as a basis for the formulation of policy in this field by a sub-committee of Mr. Clayton's Advisory Committee. I served as Chairman of this committee. It is hoped that our report will be of service to whatever agency is finally given this important responsibility.

f. Import Procurement. There were few important policy matters with which I had to deal in this field. However, I took the initiative in cleaning up a long-standing unsatisfactory condition in Brazil, and as a consequence we were able to procure double the amount of mica, a highly strategic material, than we had procured heretofore from Brazil.

g. Export Licensing. In this field I pressed generally for simplification of procedures and for the establishment of a broad set of principles to be followed in granting licenses.

h. Development. The work in this field was confined largely to developing a guide for the post-war industrialization of China. The basic idea was to develop a plan for a relatively modest producers' goods industrial base for China, which would be consistent and balanced. The bulk of the detailed calculations and plant designs was contributed by some fifty American firms. This guide has now been adopted by the Chinese Government.

i. Post-War International Economic Policy. I represented FEA throughout on the Executive Committee on Foreign Economic Policy and participated actively in the work of that committee. In testimony

before the Colmer Committee I outlined a ten-point program designed to stimulate our exports in the post-war period. In the Phase II negotiations with the British, I secured a written pledge from Lord Keynes that the sterling dollar pool would not be used as a device to push British exports at the expense of American exports. This should prove useful in at least retaining existing American markets in the sterling area.

Conclusion. In this assignment I felt I could best serve your interests by keeping FEA as smooth-running as possible. I made every effort to resist the temptations offered by my dual position to bring matters directly to you, only occasionally asking for guidance on attitudes to be adopted on emerging problems. So far as I can recollect no jurisdictional disputes had to be referred to you and no major policy decision was over-ruled by you.

Lauchlin Currie

*BF Exec. O/c. - Currie*

NOTE FOR LAUHLIN CURRIE FOLDER

See: China folder for letters pertaining to his  
visit to China.