

● P.S.F. Subject File

Office of Production Management 1941

Box 161

PSF: CPM folder  
Departmental  
1-41

THE WHITE HOUSE  
WASHINGTON

March 6, 1941.

MEMORANDUM FOR

~~THE SECRETARY OF WAR~~  
THE SECRETARY OF THE NAVY  
HON. WILLIAM S. KNUDSEN  
HON. SIDNEY HILLMAN

The enclosed "Confidential Memorandum" was sent to me by a trustworthy public servant of high character who had an active part in the Congressional investigation of the World War twenty years ago.

I wish the four of you who constitute the OPM would talk this subject over, confidentially, and let me have your conclusions as to whether I should set up some very small organization to prepare any and all data which may be called for in the future.

F. D. R.

THE WHITE HOUSE  
WASHINGTON

March 4, 1941

MEMORANDUM FOR THE PRESIDENT

Several days ago General Hines dropped in to see me. He had an idea about preparing for any Congressional investigations of the National Defense Program. You know, he had an active part in the World War investigation of the War Department.

At my suggestion, he prepared the attached confidential memorandum.

MAC

March 4, 1941

CONFIDENTIAL MEMORANDUM

As the National Defense Program progresses we can expect that both Houses of Congress either through their regular Committees or through Select Committees will inquire into the progress being made in regard to National Defense and the manner of expending funds in connection therewith.

At this time it would appear to be in the Administration's interest to have the manner and method of presenting information to these Committees worked out in advance so that the facts may be promptly and accurately presented in a logical and business like way. Several Departments and Agencies will no doubt be involved and called upon to present witnesses before the Committees. These Agencies undoubtedly have sufficient facts to answer any question that may be raised by the Committees, but the manner in which such facts are presented is of vital importance.

It is generally known before Committee inquiry is initiated which fields are to be covered, and therefore data can be prepared in advance of hearings for presentation to the Committee or Committees. The sequence in which such information is presented for each Department or Agency is of importance. The manner in which it is presented is of greater importance. When all facts are available and well presented, in most instances, a complete answer is made and the correct conclusions drawn. When only a partial story is told, or the facts are not well or logically presented, it frequently results in a conclusion being reached not entirely in keeping with the facts and one not actually justified by them.

It is therefore suggested that in each Agency, if such steps have not already been undertaken, some one person capable of making a good witness before a Committee, be put in charge of gathering and coordinating necessary information and making preliminary plans for its presentation to a Committee, and also regulating the order in which witnesses should appear for the purpose of presenting pertinent and necessary facts.

It is also suggested that if agreeable to the Committee or Committees, and it is generally their desire, some one be appointed who can assist the Committee in obtaining the necessary witnesses or information which the Committee desires on any particular subject; in other words, some one to act as a liaison officer between the Committees and the several Agencies that may be scheduled to appear before them.

Experience has shown that when action as outlined above is taken, the proceedings progress in a logical order, the facts are fully and carefully presented, and the Committee gets a correct picture of whatever situation is being looked into. Likewise, whatever publicity follows is generally of a favorable nature because a complete story is told, rather than part of one, and the correct picture when fairly presented to the press, enables the proper impression to be made at the outset.

Whenever investigations are started, necessarily, unless some procedure as outlined above is followed, suggestions will come to the Committee from many sources, friendly and unfriendly. People who know only a little about a particular matter will be called to testify and tell only a partial story. The first impression, because of lack of full information, may not be good, and like all first impressions may be lasting and detrimental to good work being done by some Agency in connection with the National Defense Program.

To summarize:

1. Have facts prepared now.
2. Maintain control by having some one see that witnesses knowing the facts and able to present them are prepared beforehand.
3. Agree to assist a Committee or Committees in securing accurate information.

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X  
BSF OPM

OFFICE OF PRODUCTION MANAGEMENT  
SOCIAL SECURITY BUILDING  
WASHINGTON, D. C.

March 7, 1941

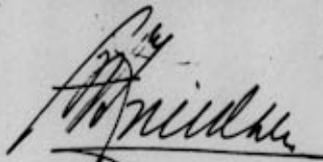
The President  
The White House

My dear Mr. President:

Replying to your memorandum of March 6th, please be advised that we have had a preliminary discussion of the matter in the Office of Production Management, and will report more fully early next week.

We agree that preliminary work should be started.

Respectfully yours,



William S. Knudsen

*PSF OPM folder  
2-41 departmental*

*file  
personal*

OFFICE OF PRODUCTION MANAGEMENT

SOCIAL SECURITY BUILDING  
WASHINGTON, D. C.

March 18, 1941

The President  
The White House

My dear Mr. President:

With further reference to your memorandum of March 6th on the subject of preparing data for a future investigation of the Defense Program, please be advised that the Office of Production Management agrees with your premise that data should be collected and prepared, and to that end has made arrangements within the Office of Production Management to handle the matter, which has been assigned to Mr. John Lord O'Brian, our counsel.

Respectfully yours,

*W. S. Knudsen*  
William S. Knudsen

OPM file personal

Federal Disbursements for Defense

PSF OPM folder  
2-41  
(came to file 4/14/41)

Acquisition of defense materiel and construction progress reflected in disbursements have accelerated substantially since January 1, 1941. A greater volume of the defense program, measured on this basis, was completed in the first three months of 1941 (1.8 billions) than in the last six months of 1940 (1.4 billions).

Actual expenditures for aircraft, ships and ordnance were:

	<i>July to</i> <u>July, 1940</u>	<i>Jan to</i> <u>March, 1941</u>
Aircraft	\$20,000,000	\$ 60,000,000
Ships	46,000,000	105,000,000
Ordnance	<u>12,000,000</u>	<u>51,000,000</u>
	\$78,000,000	\$216,000,000

Total expenditures for aircraft, ships, and ordnance in the last six months of 1940 were \$695 millions, an average of 116 million dollars per month as compared to \$592 million dollars for the three-months period January (1941) to March, an average of 197 millions per month.

Disbursement of government funds for new industrial facilities increased from less than \$500,000 in July 1940 to an estimated \$100,000,000 in March, 1941.

Total disbursements of government funds for new plant facilities during 1940 amounted to approximately 45 million dollars. Disbursements in the first three months of 1941 were about 240 million dollars.

Disbursements for bases, stations and fortifications were \$330 millions from July to December, 1940 and \$550 millions, January, 1941, through March.

The above expenditures are but a small percentage of the entire program. Their importance at this time would seem to lie in the rapid acceleration in virtually all categories of procurement except ordnance, for which more than 2 billion dollars in orders have been placed. The ordnance problem is due to the very limited facilities available for production when the major defense program began. Construction progress here indicates that output will soon be accelerated.

Above figures do not include payments on British orders from July, 1940 through March 31, 1941, estimated to have exceeded one billion dollars.

PS7: OPM Jakklet  
2-41

THE WHITE HOUSE  
WASHINGTON

April 23, 1941.

~~CONFIDENTIAL~~

MEMORANDUM FOR MR. KNUDSEN  
AND MR. HILLMAN:

Rather than have this go down  
the line in the War and Navy Departments,  
I think that you two should look into  
it personally -- obviously not through  
Mr. Wilson, who seems to be involved.  
Here is a real opportunity for what might  
be called a completely independent report.

F. D. R.

Memorandum  
Letter from the Attorney General, 4/18/41 to the  
President, with attached letter to the President  
from the Secretary of the Interior, 3/18/41, with  
attached ~~is~~ copy of letter which Hon. A. J. Wirtz  
received from Joe L. Hill, 3/15/41, in re excessive  
prices paid for oil by the War Dept., etc., sent to  
Mr. Knudsen; copy of memorandum and explanation of  
papers sent to Mr. Hillman.

AM:eb

April 16, 1941

The President,  
The White House.

My dear Mr. President:

By memorandum of March 16, you transmitted to me the enclosed letter dated the same day from Secretary Ickes, to which was attached a letter addressed to Under Secretary Firtz by Joe L. Hill.

Mr. Hill apparently complains that the War Department was paying excessive prices for oil, and that he had made an offer to the Defense Commission to supply oil to the Army and Navy at a much lower price, if the Government loaned him money to extend his facilities.

It occurs to me that this is a matter involving very largely the exercise of judgment and discretion on the part of the purchasing agencies. Perhaps you may care to transmit the matter either to the Director General of the Office of Production Management, or to the Secretaries of War and the Navy.

Respectfully,

Attorney General

From Desk of  
Wayne Coy, Liaison Officer  
Office For Emergency Management

PSF OPM Folder  
2-41

File  
personal

Miss Lully -

This brings this matter  
up to date  
W.C.

5/10/41

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

M E M O R A N D U M

May 9, 1941

To: The President  
From: Wayne Coy *WC*  
Subject: House Bill Creating Director of Priorities

For your information:

All of the departments and agencies concerned --  
The War, Navy and Treasury Departments and the Maritime  
Commission, The Office of Production Management, and Office  
of Price Administration and Civilian Supply, have agreed to  
put in reports opposing the Cox (Ga.) amendment to the Vinson  
Priorities Bill. (H.R. 4534)

This amendment would in fact prohibit you from dele-  
gating the priority power to anyone other than the Director  
of Priorities, to be appointed by you and confirmed by the  
Senate. The amendment also provides that the Director of  
Priorities shall exercise his powers only after approval by  
the joint Army-Navy Munitions Board and with the assistance  
of industry committees.

- 2 -

At a conference Friday afternoon with Senator Byrnes the objections to the amendment were summarized. One of the homely illustrations which appealed to Senator Byrnes as a basis for knocking out the amendment in the Senate Committee was that under the present set-up, a decision reached by you, Mr. Knudsen, Mr. Hillman, Mr. Stimson and Mr. Knox that aluminum for four-engine bombers took priority of two-engine bombers would be controlling. Such a decision would be binding on Mr. Stettinius as a subordinate officer of OPM. Under the amendment a difference of view between OPM and the Director of Priorities in such a situation might well end up in a stalemate.

Senator Byrnes said that he would talk to some of the members of the Senate Naval Affairs Committee about the matter and it was agreed that Messrs. Knudsen and Stettinius and, if needed, Secretaries Stimson and Knox or their representatives and Leon Henderson would testify before that Committee on Tuesday morning, May 13.

Senator Byrnes feels that the amendment can be eliminated in the Senate Committee. A letter from you to the Chairman of the Senate Naval Affairs committee may not be needed.

2

Thursday

BERNARD M. BARUCH  
597 MADISON AVENUE  
NEW YORK

My dear Pa - Please give  
this to the P.

How in hell can he  
make a decision worth a d -  
with all this hovey being  
handed him -

Bonnie

The advance def. did not  
about that shortage in the  
army printing shell tell I  
commence to be in - How the  
bry tried to cover up - B

THE WHITE HOUSE  
WASHINGTON

*file  
H.L.H.*

June 7, 1941

MEMORANDUM FOR MISS TULLY:

I HAVE GONE OVER MOST OF  
THESE MATTERS WITH THE PRESIDENT  
AND THE BALANCE I AM GOING OVER  
SOON. I THINK THIS CAN BE FILED  
AS I HAVE A FULL MEMORANDUM OF  
IT.

H.L.H.

THE WHITE HOUSE  
WASHINGTON

May 9, 1941.

MEMORANDUM FOR  
HARRY HOPKINS

Will you speak to me  
about this?

F. D. R.

*BSF* OPM Folder  
2-41

BERNARD M. BARUCH  
597 MADISON AVENUE  
NEW YORK

April 16, 1941.

My dear Mr. President:

Herewith are the requested memoranda which I think cover the making of a more effective and closer-knit O.P.M.

Apropos of your remarks on the tank situation and the lack of armor-piercing shells, I was interested because just two days before I had been driving that point home to the Ordnance Department. I think that hereafter when they bring matters to you or Harry Hopkins, they are going to be careful about what can be delivered.

I am glad that you now think and speak in terms of airplanes and tanks as complete operating units.

That was certainly an interesting lesson you gave me on convoying.

Sincerely yours,

*Bernard M. Baruch*

Hon. Franklin D. Roosevelt,  
The President of the United States,  
Washington, D. C.

April 16, 1941.

PRIORITIES

Priority policies made by the President alone.

Priority administration (details) made by O.P.M.

Priority on transportation now in the Interstate Commerce Commission, priority on shipping which is in the Shipping Board and priority on coal, oil and electricity which lie now, I understand, in the Interior Department should be centered in O.P.M. with representatives of those departments on the Priorities Committee.

This does not take from any of them their executive functions but allows the central priority organization to give all priorities a synchronizing and coordinated whole.

The power to commandeer should remain with the present departments, but no commandeering should be permitted without the approval of the Chairman of the Priorities Committee or Board of the O.P.M.

April 16, 1941.

#### WAR SUPPLIES COMMITTEES

(For military and civilian needs)

In order that priorities, prices and conservation directions should be carried out, it is necessary to organize committees of industry to which should be given prices, priorities, rules and regulations.

These committees of industry should be composed of representatives of large and small business and should be self-policing for the specific prices, priorities, conservation, substitution, rules and regulations made by the government agencies. They should do only those things specifically charged by the government. If they undertake any others, the Sherman Anti-Trust law becomes operative.

Prices will have to be more generally regulated or controlled. I see no way of getting away from a ceiling over all prices. It is not fair to regulate one man's prices and not another's.

April 16, 1941.

**FOOD ADMINISTRATOR**

Referring to the subject of your inquiry for a food administrator, the man who gets that job should have administrative experience and the confidence of the public. It is too important a job for an unknown man to handle. In the last World War, Hoover came to the United States as the Belgian Food Relief Administrator.

April 16, 1941.

CONSPECTUS

There are many other instances like the lack of armor-piercing shells which I am sure I uncovered in the Ordnance Department.

All of this shows what I had in mind when I said a year ago that 20% in money and 33 1/3% in time could have been saved over the figures of the War Department with the organization they had in mind.

The Army production must be reorganized.

I am pushing this and will continue to do so until I am stopped by you.

I do not see how you can make a move unless you know what you can depend upon.

Nothing will cure any of these nebulous figures and prospective accomplishments so much as a flow sheet or conspectus undertaken at your request by someone independent of all the other organizations.

OPM 7/10

BERNARD M. BARUCH  
597 MADISON AVENUE  
NEW YORK

May 7, 1941.  
THE WHITE HOUSE

MAY 8 11-15 AM '41  
RECEIVED

My dear Mr, President:

I am sorry you are not quite up to the mark. I know how crowded your schedules are and can quite understand your not seeing me.

All that I had to say is in the enclosed memorandum.

Sincerely yours,

*B. M. Baruch*

Hon. Franklin D. Roosevelt,  
The President of The United States,  
Washington, D. C.

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May 7, 1941.

Unless production is greatly increased, tragic results lie in front of us. The principal difficulty in production lies in the final priority authority which should be immediately centralized in O.P.M. Encourage the speeding up of O.P.M. activities. This must be accompanied by faster organization of commodity sections and committees of industry. There must be no duplication of these sections by the O.P.M. and the Price Control authority. The same committees must be used by both.

Some improvement has been made in the Ordnance organization by the Assistant Secretary of War. There will be great improvement if the priority authority is re-organized. There is not enough planning for the future and too much effort made to break bottlenecks instead of avoiding them.

The man in charge of the flow sheet should be a civilian but should have attached to his office one Army man and one Navy man, and from one to three first class production men, otherwise not of much use.

A study should be made of the Production and Ordnance Departments of the Navy. I am sure such a study will show a desire to keep within their bureaucracy the enormous expenditures for new materiel and sources of supply. This is only human but cannot be permitted in the present circumstances.

Further detailed examination of the railroad problem shows they <sup>as far</sup> are doing as good a job as anybody and have not fallen down on the job. With due notice, they think they can handle all the traffic that will be placed upon them when the Isthmian and coast-wise steamships are taken. I cannot quite agree with that.

The committee studying new substitutes for minerals, metals and agricultural products should be prodded, as well as the commission which is studying new inventions.

Adolf Hitler and his economic adviser, Funk, have advocated the destruction of our system of free enterprise by their barter system. Italy, Russia and Japan have joined them. Why should we not take measures now? They cannot be called acts of war. Take such steps as would make it more difficult for them to undertake their contemplated action and make it easier for us to defend our system. That might mean the immediate embargo of gold from Russia and Japan. Up to a year ago, it would very seriously have affected Japanese economy.

Hopkins has brought up a most important need for immediate action - what might be called economic strategy. This was accepted by you in 1938 and recommended as a part of the mobilization scheme, which generally has not been adopted - but rather avoided. The object should be to get from neutrals what we and our friends need and keep these things from our enemies. Now it could be done, without creating a new agency, under the Import and Export Bank which is in charge of Will Clayton, a top man.

In connection with this the Rockefeller committee should be immediately active, with a tie-in with our Ambassadors, Ministers, Consular and Governmental agencies all over the world.

Whatever body is established to do this, there should be a chairman who would have the final say subject to reversal by the President. But associated with him should be a

3.

representative of the Departments of State, Treasury, the Army, the Navy, Commerce and Agriculture and the Maritime Commission, the O.P.M. and the Price Control committee. They should consider a recommendation to Congress that taxes on profits of all exports, above an average of the last three years be reduced 50% with the exception of profits on the exportation of lethal instruments.

Re the Food Administration, I do not see the necessity of it yet. The best man I have heard of so far is Donald Davis, now President of General Mills Company, formerly with the Food Administration - good background - good education - 51 to 53 years of age. Milo Perkins is also good.

PSF OPM Folder

THE WHITE HOUSE  
WASHINGTON

June 14, 1941.

MEMORANDUM FOR  
THE SECRETARY OF THE INTERIOR

FOR YOUR INFORMATION

F. D. R.

Letter from the Secretary of the Interior, 3/18/41 with enclosed copy of letter which was received by Hon. A. J. Wirtiz from Hon. Joe L. Hill, a State Senator of Texas, in which Mr. Hill complains that the War Dept. was paying excessive prices for oil, and that he had made an offer to the Defense Commission to supply oil to the Army and Navy at a much lower price, if the Govt. loaned him money to extend his facilities, letter from the Attorney General, 4/18/41 to the President, in re above, letter from Hon. Wm. S. Knudsen and Sidney Hillman, OPM, 6/11/41, with accompanying memorandum to Isador Lubin from Arthur Faber, OPM, 5/24/41, in re Southport Petroleum Company, Texas City, Texas, 100 Octane Aviation Gasoline. Copy of letter from Mr. Knudsen and Mr. Hillman retained for our files.

June 11, 1941

The President  
The White House

My dear Mr. President:

We wish to refer to your memorandum of April 23, 1941, with request to survey the properties of the Southport Petroleum Company at Texas City, Texas.

The report is attached and shows the company is worth about \$3,000,000 with a rather small earning record of \$700,000 net over a period of four years. The company has no facilities for manufacturing 100 octane gasoline and needs \$1,500,000 for this purpose.

Present capacity totals 40,000 barrels per day for all companies with a proposal to expand this to 50,000 barrels per day, which is the top requirement figure. Whether it would pay to place this new company in production is questionable.

The price paid for 100 octane gasoline under the stockpile arrangement averaged slightly less than 14 cents, f.o.b. refinery, which included six months' storage charges. There is no proof available that the Southport Company could better this price by 2½ cents per gallon and at the same time amortize the \$1,500,000 over five years.

While the company is responsible enough, the undertaking would be a speculation.

Respectfully submitted,

William S. Knudsen

Enclosure

Sidney Hillman