for the second year of war amounts to 43 million tons:-

Ministry of Food	19 million
Ministry of Supply	23 million
Miscellaneous	1 million
	43 million tons per annum

or 3,600 thousand tons per month

9. Losses of tonnage (other than tankers) from all causes in recent months represents an annual depletion of tonnage available by 4½ million tons gross or 6¼ million tons dead weight. The recorded figures for vessels of 1,600 gross tons and over give the annual rates as follows:-

	Million Gross tons	Million Deadweight tons
British (based on 21 weeks 10/6 to 3/11)	3.1	4.2
Foreign (based on 20 weeks 10/6 to 27/10)	1.4	2.1
	4.5	6.3

[redacted]

APPENDIX II

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The position in British shipyards.

The maximum output to which British shipyards can attain in wartime is not likely to exceed 1,250,000 gross tons per annum. Pre-war planning did not assume any higher figure because it was realised that naval requirements would have to take first place.

(In the first year of war the actual amount of new tonnage produced was 760,000 gross tons.)

The output of new merchant ships is further affected by the heavy burden of fitting and repair work on existing ships arising from war-risk damage, collision in convoy, defensive arming, degaussing and protection against air attack. So serious have been the demands on labour for these purposes that the Ministry of Shipping is encouraging owners to carry out repairs abroad to the maximum extent possible by means of grants towards the extra cost.

Marine engineering labour has been particularly affected by demands made for war production in other branches of the engineering industry, and engines for merchant ships have had to take second priority to those for naval vessels, with the result that engine production has lagged behind the completion of hulls.

Notwithstanding the heavy demands for skilled labour in other directions, shipyard labour has shown a substantial growth since september, 1939, but, for the reasons given, little of this increase has been available for new merchant ship construction..

Finally, shortage of steel supplies has retarded output: this arises from the loss of ore supplies from Sweden, of heavy forgings for crank-shafts, etc. from Norway and Belgium, and of steel from Luxemburg/

STRICTLY CONFIDENTIAL

Luxemburg and France. Deficiencies have to be made good by imports from more distant sources, including steel plates from U.S.A.

Type of vessels being constructed.

In order to achieve the maximum of carrying power, the Ministry of Shipping has arranged that the Merchant Shipbuilding Department of the Admiralty are concentrating on the construction of simple types of cargo ships with speeds not exceeding 12 knots, and on tankers. Save for a small number of cargo liners ordered on Government contracts at the outbreak of war and for those liners building on private account (mostly ordered before the outbreak of war), there has been a rigorous exclusion of everything save tonnage for cargoes in bulk.

A tabular statement is annexed showing the different types expected to be completed between 1st October, 1940 and 30th September, 1941.

Construction outside the United Kingdom.

Apart from Hong Kong, where the yards are being employed to the maximum in producing merchant tonnage for the Ministry of Shipping (35,000 gross tons per annum), the only countries outside the United Kingdom capable of building ocean-going vessels are Canada and the United States.

In view of the obvious seriousness of the position through losses in recent months, the First Lord of the Admiralty and the Minister of Shipping have been authorised by the Government to arrange for the placing of orders for 60 cargo tramps in the United States, and it is understood that the work is being entrusted to the Todd Shipyard Corporation. These vessels will be delivered between the Autumn of 1941 and the end of 1942, and will mean an addition to the British Mercantile

Marine/

Marine of 400,000 gross tons; of this 300,000 gross tons will be produced in the third year of war, bringing the total output for the year from all sources to about 1¼ million gross tons of ocean going vessels excluding tankers, which is only a quarter of the present annual rate of loss of tonnage in Allied service.

Essential needs over and above the foregoing Programme

It is the opinion of the Minister of Shipping that the aim of tonnage output outside the United Kingdom in the third year of war, or as soon as possible, should be 3,000,000 gross tons, of which a small proportion may be built in Canada; that is to say, instead of 400,000 gross tons the United States production for Great Britain should be 3,000,000 gross tons at least. This should be divided as follows:-

Cargo tramps	2,025,000 gross tonnage	(300 instead of 60 ships)
Cargo and passenger liners (of 15-16 knots speed)	975,000 gross tonnage	(95 ships)

(It may be necessary to substitute some tankers for cargo tramps, but this is a matter for adjustment between the United Kingdom and United States production).

Cargo and Passenger Liners.

The passenger and cargo liner position in the United Kingdom is rapidly becoming acute owing to the diversion of this type of ship to naval and military purposes, and to the substantial number of such vessels which have been lost while on naval service as armed merchant cruisers: these must be replaced by drawing on existing liners engaged in maintaining the much restricted, though vitally essential, services throughout the Empire. The construction of this type of vessel in place of cargo vessels would substantially diminish output in the United Kingdom, viz: 20 such ships would result in a diminished

tonnage output of 80,000 gross tons per annum. The maintenance of British Forces in the Near East entails voyages by the Cape which take four times the time occupied by direct voyages through the Mediterranean, and the provision of additional fast tonnage of these types for carrying troops and military stores is essential in order that vigorous prosecution of the war in the Eastern Mediterranean may not be jeopardized.

It is therefore a matter of the first importance that the United States Government should anticipate output by assisting the British Government to take over tonnage of which the construction is already well advanced and, in particular, vessels of the fast cargo and passenger type. Even twenty such vessels available in the next six months will help at a critical period. A first step in this direction is already being taken in the request made to the United States Government to place at our service for operational use with the British Navy two 18-knot tankers in private American ownership, but the disposal of which is controlled by the Maritime Commission.

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TABLE

SUMMARY OF ESTIMATED DELIVERIES - MERCHANT SHIPBUILDING,

IN EACH QUARTER FROM 1st OCTOBER 1940 - 30th SEPTEMBER, 1941.

TYPE OF VESSEL	OCT - DEC. 1940			JAN - MAR. 1941			APL. - JUNE 1941			JULY - SEPT. 1941			TOTAL		
	No.	G.T.	D.W.	No.	G.T.	D.W.	No.	G.T.	D.W.	No.	G.T.	D.W.	No.	G.T.	D.W.
CARGO LINERS	10	55985		11	87635		5	38530		3	23600		29	206750	
CARGO TRAMPS	27	156795		24	155055		30	202715		23	155020		104	669585	
TANKERS	6	48940		13	106450		8	66790		8	67550		35	289730	
COLLIERS	5	12800		9	23080		7	17250		1	2800		22	55930	
COASTERS	12	7175		20	12095		3	1390		3	2585		38	23245	
TOTAL	60	281,695		77	384,315		53	327,675		38	251,555		228	1,245,240*	

* Exclude sundry small vessels

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11th November, 1940

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PSF: Morgenthau

file confidential

THE SECRETARY OF THE TREASURY
WASHINGTON
December 23, 1940

The President,

The White House.

My dear Mr. President:

Supplementing my memorandum of November 7, in which I recommended the institution of a system of general exchange control, I should like to make the following suggestions.

Discussions in the Treasury have made it clear that the content of a system of exchange control will depend upon the objectives of the Government, especially in the foreign field but also in the domestic field. I feel that those objectives could best be served by your setting up an Exchange Control Policy Board, composed of the heads of those departments and agencies which are responsible for activities affected by exchange control, say, the Departments of State, Commerce, and the Treasury, and the Defense Commission. Their joint discussion of questions of policy would provide you with better counsel when important issues come before you for decision, and would also tend to insure interdepartmental cooperation.

The policy jurisdiction of this Board might well go beyond foreign exchange control. There are related fields within which policies could profitably be coordinated by such an agency. These would include shipping control, supervision of foreign government purchases, supervision of foreign governmental payments, export control, and possibly, in the future, foreign property control. A Board with these broader functions might, in the event of acute emergency, readily be converted into a Department of Economic Warfare.

Just as there would be advantages in consolidating in a Policy Board of this kind the responsibility for policies for foreign exchange control and other related functions, there would, I believe, be advantages also in concentrating in a single department all licensing, enforcement, and other facilities employed in the administration of those policies. This would result in greater

convenience to manufacturers, exporters, representatives of foreign governments, and others directly affected, and from the Government's standpoint would mean unified supervision and better coordination and would give promise of quicker action and stronger enforcement. Major aspects of the present control program are of course handled in the Treasury, through the Foreign Funds Control Division, the President's Liaison Committee for Foreign Government Purchases, the Customs Service, the Coast Guard, and so on. These facilities could readily be supplemented and expanded as might be necessary to permit the administration in the Treasury of any desired system or degree of economic controls.

This suggestion of course contemplates that the Treasury would function purely as a ministerial agency for control administration. It would be the executive arm of the Policy Board, to which it would look for approval of its programs, and to which it would refer all questions of policy before taking action.

Faithfully yours,

H Morgenthau Jr.

THE SECRETARY OF THE TREASURY
WASHINGTON

December 27, 1940

Personal

My dear Mr. President:

I am inclosing herewith, for your information, a tabulated statement giving the latest figures on deliveries of airplanes.

Yours sincerely,

H. Morgenthau Jr.

The President,
The White House.

Enclosure.

~~STRICTLY CONFIDENTIAL~~

THIS OVERSIZE ITEM HAS BEEN
MICROFILMED IN SECTIONS.

DELIVERIES OF AIRPLANES, BY PURCHASERS AND BY TYPES OF PLANES

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January 1 - December 21, 1940

	Bombers	Pursuits	Trainers	Other military planes	Commercial planes	Total
TOTAL ALL PURCHASERS						
Jan. 1 - July 6	589	630	946	108	420	2,693
July 7 - July 20	63	71	96	6	40	276
July 21 - Aug. 3	56	99	131	6	54	346
Aug. 4 - Aug. 17	55	71	139	4	51	320
Aug. 18 - Aug. 31	54	85	131	14	53	337
Sept. 1 - Sept. 14	16	61	172	6	45	300
Sept. 15 - Sept. 28	28	104	171	9	77	389
Sept. 29 - Oct. 12	25	116	206	8	64	419
Oct. 13 - Oct. 26	28	50	184	8	35	305
Oct. 27 - Nov. 9	38	133	159	9	28	367
Nov. 10 - Nov. 23	39	93	96	6	19	253
Nov. 24 - Dec. 7	61	118	179	10	37	405
Dec. 8 - Dec. 21	63	113	136	2	72	386
Subtotal July 7 - Dec. 21	526	1,114	1,800	88	575	4,103
Total Jan. 1 - Dec. 21	1,115	1,744	2,746	196	995	6,796
ARMY						
Jan. 1 - July 6	34	50	532	65	-	681
July 7 - July 20	8	21	60	2	-	91
July 21 - Aug. 3	11	40	74	4	-	129
Aug. 4 - Aug. 17	7	29	82	1	-	119
Aug. 18 - Aug. 31	8	38	83	6	-	135
Sept. 1 - Sept. 14	4	16	78	1	-	99
Sept. 15 - Sept. 28	6	52	87	-	-	145
Sept. 29 - Oct. 12	4	34	86	-	-	124
Oct. 13 - Oct. 26	6	14	92	-	-	112
Oct. 27 - Nov. 9	6	6	67	-	-	79
Nov. 10 - Nov. 23	4	4	33	2	-	43
Nov. 24 - Dec. 7	4	10	96	-	-	110
Dec. 8 - Dec. 21	1	12	43	-	-	56
Subtotal July 7 - Dec. 21	69	276	881	16	-	1,242
Total Jan. 1 - Dec. 21	103	326	1,413	81	-	1,923
NAVY						
Jan. 1 - July 6	42	3	92	39	-	176
July 7 - July 20	-	-	12	2	-	14
July 21 - Aug. 3	3	-	13	2	-	18
Aug. 4 - Aug. 17	2	-	1	3	-	6
Aug. 18 - Aug. 31	4	3	3	8	-	18
Sept. 1 - Sept. 14	6	6	14	5	-	31

July 7 - July 20	-	-	12	2	-	14
July 21 - Aug. 3	3	-	13	2	-	18
Aug. 4 - Aug. 17	2	-	1	3	-	6
Aug. 18 - Aug. 31	4	3	3	8	-	18
Sept. 1 - Sept. 14	6	6	14	5	-	31
Sept. 15 - Sept. 28	8	-	26	9	-	43
Sept. 29 - Oct. 12	8	13	23	8	-	52
Oct. 13 - Oct. 26	8	12	9	8	-	37
Oct. 27 - Nov. 9	14	11	26	9	-	60
Nov. 10 - Nov. 23	7	5	30	4	-	46
Nov. 24 - Dec. 7	10	6	52	10	-	78
Dec. 8 - Dec. 21	2	11	49	2	-	64
Subtotal July 7 - Dec. 21	72	67	258	70	-	467
Total Jan. 1 - Dec. 21	114	70	350	109	-	643
BRITISH EMPIRE AND FRANCE*						
Jan. 1 - July 6	500	384	203	2	10	1,099
July 7 - July 20	55	44	17	2	-	118
July 21 - Aug. 3	42	57	42	-	2	143
Aug. 4 - Aug. 17	44	38	27	-	2	111
Aug. 18 - Aug. 31	25	44	15	-	1	85
Sept. 1 - Sept. 14	5	39	37	-	-	81
Sept. 15 - Sept. 28	11	52	14	-	4	81
Sept. 29 - Oct. 12	13	69	36	-	6	124
Oct. 13 - Oct. 26	13	21	38	-	1	73
Oct. 27 - Nov. 9	13	103	19	-	2	137
Nov. 10 - Nov. 23	28	67	27	-	4	126
Nov. 24 - Dec. 7	47	80	21	-	4	152
Dec. 8 - Dec. 21	54	81	31	-	-	166
Subtotal July 7 - Dec. 21	350	695	324	2	26	1,397
Total Jan. 1 - Dec. 21	850	1,079	527	4	36	2,496
OTHER						
Jan. 1 - July 6	13	193	119	2	410	737
July 7 - July 20	-	6	7	-	40	53
July 21 - Aug. 3	-	2	2	-	52	56
Aug. 4 - Aug. 17	2	4	29	-	49	84
Aug. 18 - Aug. 31	17	-	30	-	52	99
Sept. 1 - Sept. 14	1	-	43	-	45	89
Sept. 15 - Sept. 28	3	-	44	-	73	120
Sept. 29 - Oct. 12	-	-	61	-	58	119
Oct. 13 - Oct. 26	1	3	45	-	34	83
Oct. 27 - Nov. 9	5	13	47	-	26	91
Nov. 10 - Nov. 23	-	17	6	-	15	38
Nov. 24 - Dec. 7	-	22	10	-	33	65
Dec. 8 - Dec. 21	6	9	13	-	72	100
Subtotal July 7 - Dec. 21	35	76	337	-	549	997
Total Jan. 1 - Dec. 21	48	269	456	2	959	1,734

Office of the Secretary of the Treasury, Division of Research and Statistics. December 26, 1940.

* Deliveries under French contracts were made up to June 30, 1940.

PSF: Morgenthau folder 12-25-43

THE SECRETARY OF THE TREASURY
WASHINGTON

File personal confidential

My dear Mr. President:

I recently asked Mr. Philip Young, my representative on the Interdepartmental Committee for Coordination of Foreign and Domestic Military Purchases, to give me some examples of the benefits derived from their work.

I am forwarding for your information the enclosed memorandum, which indicates that we are receiving definite tangible benefits from the work of this Committee.

Sincerely yours,

Henry Morgenthau Jr.

The President

The White House

MEMORANDUM

December 28, 1940

TO: The Secretary

FROM: Mr. Young

RE: Examples of Benefits Derived from Coordination by the President's Liaison Committee

I list below a few examples where the activities of the Liaison Committee in coordinating the views of the War Department, Navy Department, State Department, Reconstruction Finance Corporation, Advisory Commission to the Council of National Defense, and operating divisions of the Treasury Department have been of specific benefit in assisting foreign purchasers of arms, ammunition, and materiel of war:

I. Machine Tools for Brazil.

The Brazilian Naval Purchasing Mission requested clearance on the placing of orders for a number of machine tools intended for use in the Brazilian Navy Yard at Rio de Janeiro to complete a plant being constructed for the production of standard U. S. 5" shells. These were all denied by the Advisory Commission to the Council of National Defense with no indication of Army or Navy action. Instead of forwarding these denials, we suggested to the Army, Navy, and Defense Commission that the denials be reconsidered, since this plant was being established in cooperation with the U. S. Naval Mission which had been working very closely with the Brazilians in the development of their Navy Yard facilities at Rio de Janeiro, and its establishment is definitely in line with the State Department's attitude toward the South American countries. As a result of our action, Colonel Knox discussed the problem with Mr. Knudsen, and we received on December 28 approval from the Army, Navy, and Defense Commission on the placing of these orders.

II. Medium Tanks for the British.

The development of the British program for medium tanks illustrates the work of the Committee in standardization of production, in developing financial arrangements to take care of facilities needed by the British, and the necessity for continued coordination once a program is established.

Meetings were arranged early in August for the discussion by the Army, Navy, Defense Commission, and manufacturers of the problem of producing medium tanks in the United States for this country and the British. Based on these conferences and resulting technical discussions by the Army, the British, and the Defense Commission, a completely standard medium tank is adopted by both governments.

To put this tank in production for the British required extensive addition to facilities for final assembly, for engines, for transmissions, for armor plate, etc. This raised a definite question of the financial plan to be followed. An example of the technique developed is that used in the case of the Continental Motors Corporation, which is making the engines for these tanks. During the month of August our records show more than 25 conferences and over 75 telephone conversations with reference to the financing of Continental. These efforts brought into the picture the Army, the Defense Commission, and the Reconstruction Finance Corporation, and resulted in an agreement that the plant would be financed by the Defense Plant Corporation (Reconstruction Finance Corporation) with reimbursement to come from a rental charge added to the price of each engine. This was the first RFC financing worked out for the British and is familiarly known as the "Continental plan". It has been followed in other cases since, and will be used with modifications in several additional contracts which are now pending.

It has been evident, however, from our experience in the tank program that coordination does not stop when the program is set up, but must be a continuing function. In the case of the order for tank engines placed with Continental Motors, a total of 5,500 engines was ordered, of which 2,000 were for the U. S. Army and 3,500 for the British. Capacity was to be set up for the production of 20 engines per day. These arrangements were completed early in September.

In December it came to our attention that the Advisory Commission to the Council of National Defense and the Ordnance Department of the U. S. Army had recommended without consultation with the British that the U. S. Army Air Corps place an order with Continental for 1,500 engines from this same facility on the assumption that there would be surplus engines above U. S. and

British requirements. We discussed this with the British, and found that if their figures were correct, approximately 1,100 tanks would be produced without engines in 1941 if the Air Corps order were allowed to stand with no addition to Continental's productive capacity.

Accordingly, the Liaison Committee arranged a conference between the Air Corps, the Ordnance Department, the Defense Commission, and the British, after which the Defense Commission made an intensive analysis of the engine and tank production situation. They now agree that Continental's capacity must be expanded to 30 per day, and that even with this expansion it may be necessary to re-allocate or reduce the Air Corps order if we are to avoid having tanks produced without engines. They are also establishing the U. S. and British tank programs on a joint basis, which will be supervised by a joint Army-British-Defense Commission Committee, under the same plan which has been developed for the aircraft program.

Thus, through the efforts of the Liaison Committee, full consideration has been given to an order which might otherwise have resulted in considerable delay to the British tank program.

III. Machine Tools Available from Foreign Orders.

During the summer we initiated frequent discussions with representatives of the Foreign Funds Section on items coming to their attention which might be of interest to the national defense program or vital to our economic defense. It soon became apparent that there was a substantial quantity of machine tools completed or under production for foreign account which could no longer be exported, since the countries in question were engaged in the war or were occupied by the Axis Powers. Arrangements were immediately made to bring these items to the attention of the Advisory Commission to the Council of National Defense through a form called "Foreign Funds Machine Tool Advice", and through the Advisory Commission to the attention of the Machine Tool Committee of the Army and Navy Munitions Board. In several cases this procedure has made it possible for an American manufacturer to secure a badly needed machine tool for use in the defense program, when otherwise it might have remained in storage or been sold to a domestic manufacturer not engaged in defense production.

7.4.

PSF: Morgenthau

THE SECRETARY OF THE TREASURY
WASHINGTON

Personal

December 30, 1940

My dear Mr. President:

I thought you would be interested in the inclosed article in the New Republic entitled "The Halifax Blunder".

Yours sincerely,

H Morgenthau Jr.

The President,
The White House.

Enclosure.

THE NEW REPUBLIC

December 10, 1940.

The Halifax Blunder

THE KINDEST COMMENT that could be made on the appointment of Lord Halifax as Britain's Ambassador to the United States would be to say that it is a hideous mistake. It may be much worse. It may be a signal, a wink, to certain agitated old ladies of Wall Street and their journalistic confessors not to take Ernest Bevin too seriously. Did not the Minister of Labor a few weeks ago, strenuously declare that labor and the common people generally must be given a place in the British diplomatic service as well as in other departments of government? A whole section of American appeasement is built on the fear that labor is gaining "too much power" in England; Mr. Kennedy's famous Boston interview was largely concerned with this hand-made nightmare.

The appointment of Lord Halifax will reassure the American appeasement circle. What reassures them will disturb the mass of Americans who must do the work and pay the taxes on which our policy of help to England rests. They will do so willingly to serve democracy; it is an affront for the voice of that democracy to be one of the chief appeasers, the father of the Runciman mission to Czecho-Slovakia, the opponent of strong English-French alliance in the years before the war; the author of a smug introduction to Lord Lloyd's wicked book, "The British Case," which, two months after the war began, impudently praised Benito Mussolini's concept of government.

We are not yet prepared to believe that the Halifax appointment represents a crystallization of British policy in the wrong direction. It may be only another sign that British policy is still in a state of transition, from the crusted horrors of the last few years, to something fit to express the hopes of decent men for a fair and free world. But one of those crusted horrors, Captain Margesson, the Conservative whip, who has indiscriminately given his all to every marplot who has managed to wangle the premiership, is the new War Secretary; a party hack leads, at least nominally, the effort on which the hopes of mankind rest. Some of that dullness and edgelessness which marked the "bilge-water" days of Conservative rule seems to have returned.

We are for England, but are compelled to be remorselessly candid because the world is not playing at a game; it is inventing its future. We hope our candor will be of assistance to those in England who are also fighting for the right kind of future. We are impressed, to a certain extent, by the ingenious argument that the "inner council" of appeasement has now been scattered; Halifax to Washington, Hoare to Madrid, Lord Simon to the judiciary apparatus. Eden, once replaced by Halifax as Foreign Secretary, now replaces him; and Viscount Cranborne dons a peerage to carry his hatred of Hitlerism into the House of Lords. It is also hinted that Sir Gerald Campbell, the able former British Consul General in New York City, will go to Washington as a Minister with Halifax, and this is good. But we still hold that America deserves to be something more than a pocket in which to store old appeasers; many Americans want to know what kind of war this is; the answer now given them is a poor one. Halifax will be watched. It is a high democratic duty to place upon him the burden of proving himself.

PSF: Treasury

File personal

THE SECRETARY OF THE TREASURY
WASHINGTON

December 31, 1940

My dear Mr. President:

I have been thinking over what you said about the necessity of your sending a Minister as well as an Ambassador to London.

I doubt very much if we can find anyone who would be really helpful on munitions. Therefore, I am going to take the liberty of suggesting that you consider sending Mr. John Wiley as Minister to London.

Mr. Wiley is now with the Treasury on loan from the State Department. I believe that you know him even better than I do and, therefore, there is nothing I need tell you about his many good qualities. However, I would like to add this: that if you decide to send Mr. Wiley as Minister to London, there are many things that he could do there for the Treasury in addition to his regular duties.

Yours sincerely,

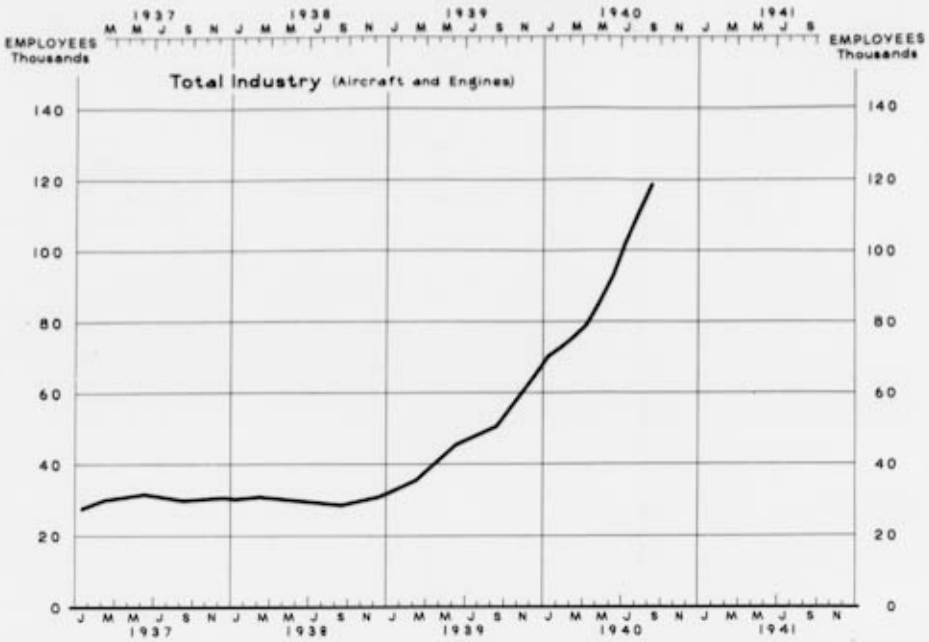
H Morgenthau Jr.

The President,

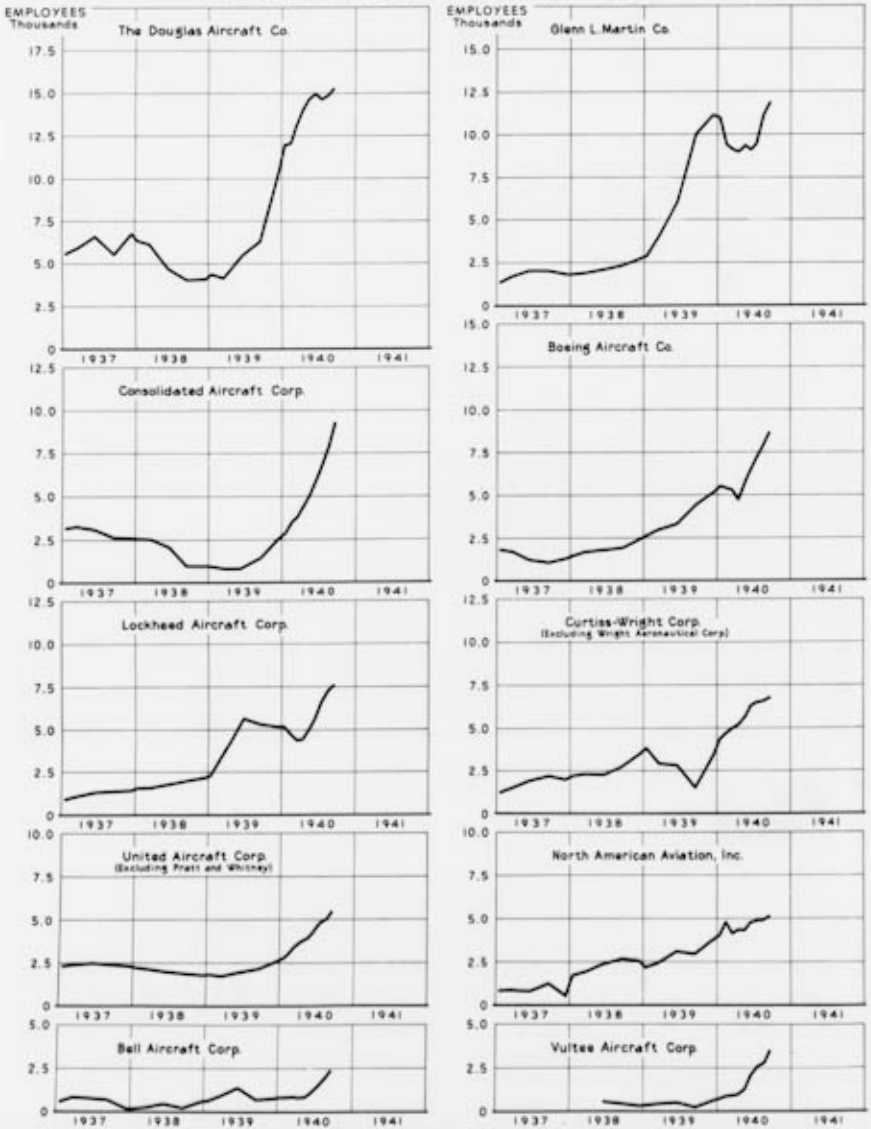
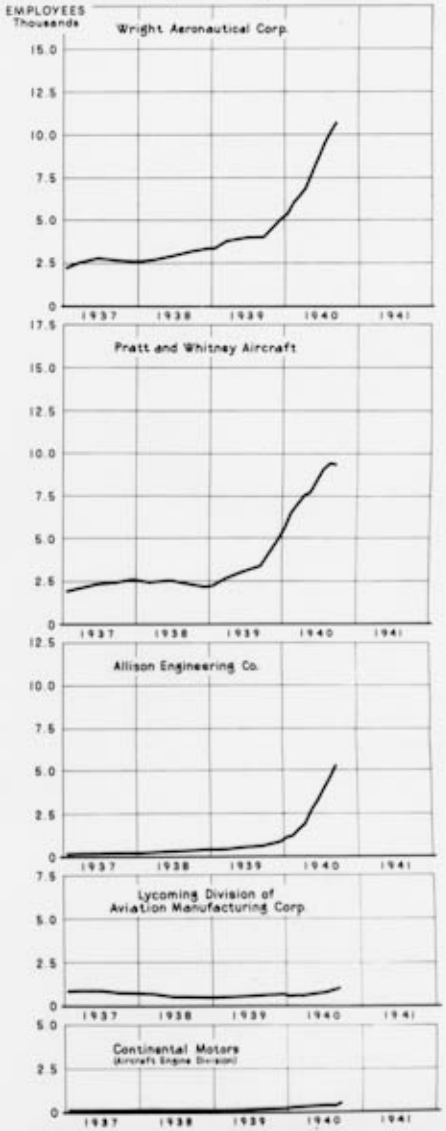
The White House.

EMPLOYMENT IN AVIATION MANUFACTURING INDUSTRY

Factory Wage Earners



Selected Aircraft Manufacturing Companies



Selected Airplane Engine Companies