Diary

Book 716

March 29-31, 1944

March 29, 1944
9:05 a.m.

At the Secretary's request, Mr. Smith dictated the following resume of the discussion with Mr. John Hancock and Mr. Will Clayton to determine the disposition of the Surplus Property Disposal facilities of the Procurement Division.

Treasury officials present:

Mr. Gaston
Mr. Sullivan
Mr. Smith
Mr. O'Connell
Mr. Lynch
Mr. McConnell
Mrs. Klotz

The Secretary started off by saying that he had given a great deal of thought to the question of property disposal, and had come to the conclusion that, as Hancock originally believed, it ought to be under one head and all ought to be handled in one department. He said that in view of George's bill being introduced on Thursday, he thought this would be a good time to reconsider this whole situation and make a change to correspond with this bill if it is decided to make a change.

Hancock pointed out that he had held the view in the beginning that everything should be under one head, but had eventually changed his mind. He had looked around Washington and tried to find which department of Government would be best suited to handle this job. He realized that it would be almost impossible to set up an operation from scratch to handle so elaborate a job as this is going to be. When the Secretary and McConnell asked for the disposal job, Hancock said he was very relieved, because he felt that the Treasury had an organization already set up and with at least some experience. He felt this experience would be valuable in this job. He said he didn't know how effective an organization Treasury Procurement was, or whether it was up to doing the job as it stood, but at least they had people and some experience that should be valuable and certain properties in the way of warehouses, and so forth, that could be used.

Clayton agreed with Hancock, and pointed out that his organization was simply a policy organization and was not handling any property disposal as such. He said there were five agencies involved in handling property disposal, and all of them were subject to his supervision. He said he didn't know which agency would take Procurement, if Treasury decided to let it go.

Hancock then brought up the problems involved in getting out of the Procurement job. He asked the Secretary if he had made up his mind what he would say, and reminded him that all the reasons he had heard this morning added up to the fact that it was too big a job and the Secretary didn't want to tackle it. He said people would get the idea that it was a "hot potato," and the Secretary was letting loose of it.

The Secretary pointed out that that was pretty much the situation. He said the fact of the matter was that he had fifty to sixty million bondholders, and for this reason he didn't think the Treasury was the best organization in the Government to take the criticism that was bound to come.

Hancock pointed out that the Angel Gabriel could handle this job and would still be criticized. He said there would be endless criticism, some of it just, but twenty times as much of it unjust; but it would all be criticism.

The Secretary then suggested to Hancock that if he were to go back to Lehman Brothers and was about to float a substantial issue, he would want to make sure that the Lehman Brothers' name was clean and above scandals and criticisms. He would want to make sure that Lehman Brothers wasn't being discussed all over the country for wasting money and being incompetent, and so forth. Hancock said that made some sense.

The Secretary said that his mail, which was very heavy, was very quick to react to anything that went wrong with the Treasury. Any time the Treasury is accused of wasting money or is accused of anything of that sort, people are quick to write to him and to return their bonds for redemption. He wondered, under these circumstances, if the Treasury could stand the criticism that would come with Procurement.

Hancock then said that this particular criticism made some sense, and he was considerably affected by it. He said that if the Secretary were to go to the President with this criticism, he would probably get somewhere with this idea. The President would listen, because he felt it was an important reason for not handling Procurement.

Hancock, replying to the Secretary's question as to what he thought about this whole move, suggested that it was out of his jurisdiction, that this was an Executive Order and it was an Executive Order that had nothing to do with him.

The Secretary, realizing that all the discussion up to this point had revolved around moving the property disposal project without the benefit of Procurement's people or properties, suggested that the entire operation might be moved to some other department.

Clayton wanted to know what other department, and the Secretary pointed out that Commerce might handle it; to which Clayton had no reply, except to say that he didn't know what the reaction of Commerce would be to taking on this job.

Hancock said that Procurement was traditionally the Treasury's, and for that reason he had given no thought to the possibility of moving it. Hancock then said that there would be no problem of getting takers for the Procurement Division. He said there would be half a dozen people who would reach for it, largely for prestige reasons.

The Secretary pointed out that some people in the room believed that he should not give it up for that same reason. He asked again if there would be problems in getting rid of it, and both Clayton and Hancock assured him that if there weren't plenty of bidders, it would be the first time that ever happened in Washington.

The Secretary then asked about George's bill, and asked whether or not this contemplated move would be involved in any way in this bill or in the discussion about it. He wanted to know whether or not the introduction of this bill was forcing his hand one way or another.

Hancock and Clayton agreed that this particular bill would probably not bring up the question as to who was handling what.

The Secretary then said, "Then we have plenty of time. There is no need to decide this within the next few days?" Hancock said there was no reason that he could think of for deciding it in any given time. He said that he didn't think Congress would get around to doing anything very thorough for quite a while. He said Congress was promising him a lot of speed, and at the same time was taking a recess until April 12.

The Secretary then asked Hancock and Clayton to keep the matter quiet and not discuss it with anybody unless he called them. He asked Hancock if he had told Baruch about it, and Hancock said he hadn't. He said he saw no reason to, and under normal circumstances wouldn't.

The Secretary said he would think about it and decide whether or not to carry the thing any further. Hancock said that if anybody talked to Baruch, he wanted to do it; he didn't want anybody else to talk to Baruch.

The Secretary said he would not talk to anybody, and that nobody else would be notified unless Clayton and Hancock were notified first.

March 29, 1944
9:30 a.m.

DISPOSAL OF SURPLUS PROPERTY

Present: Mr. Gaston
Mr. Sullivan
Mr. Smith
Mr. O'Connell
Mr. Lynch
Mr. McConnell
Mrs. Klotz

H.M.JR: Does anybody have any ideas?

MR. GASTON: I think we are stuck with it.

MRS. KLOTZ: That is priceless!

H.M.JR: You are getting very "Will Rogers," Herbert.

MR. SULLIVAN: Anybody got any more ideas about how anxious Hancock and Clayton are to take it away from us - specifically you, Fred?

MR. SMITH: I didn't have any idea.

MR. SULLIVAN: You told me Thursday Clayton and Hancock are trying to get this away from us.

MR. SMITH: I did not. I said they would in time if it went hay-wire.

MR. SULLIVAN: You told me how they were trying to get it away from us.

MR. O'CONNELL: I thought at the first part of the discussion that either intentionally or because they hadn't thought of it - they apparently hadn't thought a transfer of this sort would involve a transfer of the organization, and so forth, because they kept talking about starting from scratch and building a new one.

H.M.JR: Yes, well, I put it that way to them, because yesterday during the day you people convinced me that I should keep Procurement, but just give them the surplus.

MR. O'CONNELL: Yes, but I thought you were thinking in terms of the possibility of giving them surplus, including the surplus organization, because it is possible--

H.M.JR: I don't see how you could separate the two. I mean, I don't know what is surplus organization and what is Procurement organization.

MR. SULLIVAN: It is all one organization. You can't separate the ordinary functions of Procurement and the sale of any kind of surplus without requiring a great duplication of personnel. It is all the same administrative staff except for the specialists; it is pretty much the same personnel all the way through.

MR. GASTON: Well, it seems quite apparent that if there is to be a transfer, first their view is that you have got to have the Procurement organization - if there is to be a transfer, it has to be to some permanent organization of Government. I suppose Commerce is the only one. There you get into what Budget thinks.

MR. O'CONNELL: Federal Works Agency, as I understand it, has been not only willing but anxious to take over the Procurement Division for a long time. You know we split the Procurement Division once before in connection with the organization plan and the Public Buildings part of Procurement went to the Federal Works Agency.

I understood within the past few months the Federal Works Agency, which, of course, is not a busy organization these days, would be very happy to inherit all or part of the Procurement Division.

MR. GASTON: That would be the other possibility.

MR. O'CONNELL: But I think Hancock was probably thinking of them when he mentioned the fact there were a number of agencies that would be happy to get it.

H.M.JR: I was surprised when he said, "Well, I will have to tell Mr. Baruch."

Well, let's think it over some more. At least I have learned this much, that it doesn't have to be settled between now and the time it goes on the Hill.

MR. SULLIVAN: Who is going on the Hill tomorrow?

MR. LYNCH: I think Hancock, himself, and representatives of six Procurement Agencies.

MR. SULLIVAN: I say, who is going up there for Treasury tomorrow?

MR. LYNCH: I don't know. I wanted to bring it up and get it settled today.

H.M.JR: Who would have gone up, normally?

MR. LYNCH: I think John and Bob would be the ones, the same people who have been going over to Joint Contract Termination Board.

H.M.JR: Why not do whatever the normal thing is?

MR. LYNCH: I would think that would be the thing to do.

H.M.JR: You are still Executive Secretary to this group, aren't you?

MR. McCONNELL: I should think Tom and John.

MR. LYNCH: Well, the three of us can arrange that.

MR. O'CONNELL: The problem is the whole problem of contract termination; Bob and Tom and I were hoping to get together with the people here to have a discussion of views as to the bill, and at that time make an agreement as to who would go up. John and Tom, I should think, or Bob also - any two of them.

MR. SULLIVAN: I think all three should go and Bob and Tom should handle the contract termination part. But then you come to the other point as to what we are going to do in the sale of surplus consumer goods.

MR. GASTON: Does that come up?

MR. LYNCH: I don't think that will come up specifically, John, because this bill covers so much. The points in controversy, where they haven't yet reached a definite agreement as between the Committee and Hancock's people with the agencies, do not involve property at all.

The one point about property, as far as Scott Russell's position is concerned, is that he doesn't want to give too much attention to property at this time because it involves so many controversial questions.

In other words, as he sees it, and as Senator George sees it, the only hope of getting legislation through quickly now is to avoid all controversial aspects about property, which means not who handles property or what the existing organization is, but what you are going to do about plants, about the aluminum plants and the steel plants and the pipelines, and the aircraft plants, and things like that.

This bill doesn't deal with them specifically, and what they are going to recommend, what I assume George would say to the Senate is to say that this bill contains no provision respecting such important matters as that,

that they are appointing a head man to be in charge of property disposal who is to come back in sixty days or ninety days with his recommendations as to policy to be enacted by Congress.

So the play is to avoid controversial questions as to property.

MR. SULLIVAN: Well, then, the only testimony would be on contract termination, which you and Bob would handle.

MR. LYNCH: Yes, and six specific provisions of the bill as to which there is a difference of opinion as between Russell and the Procurement.

MR. SULLIVAN: All relating to contract termination.

MR. O'CONNELL: That is right.

MR. LYNCH: That is right. Such questions as what to do about subcontractors who are affected by insolvency of upper-tier contractors.

H.M.JR: Is it understood, then, for tomorrow?

MR. SULLIVAN: Yes, they are the ones who are going to testify.

H.M.JR: Will you be present?

MR. SULLIVAN: Yes, I will be glad to come up if I am out.

H.M.JR: Will you be up there, too, McConnell?

MR. McCONNELL: Yes, sir.

H.M.JR: They let Republicans go up there, you know.

MR. McCONNELL: I am not sure of that.

H.M.JR: Only before dawn.

MR. O'CONNELL: The Republicans are safer up there than anybody else.

H.M.JR: Sure, I think you had better have one Republican up there, anyway.

MR. LYNCH: On that point, Mr. Secretary, I would like to say now, because we are together here--

H.M.JR: What about - Republicans? (Laughter)

MR. LYNCH: That the ones who have been following such matters here, that we hope we can have a meeting about two o'clock today and make definite arrangements as to the hearing tomorrow.

H.M.JR: Well, I don't have to be there, do I?

MR. LYNCH: No.

H.M.JR: Is it agreeable that we let Lynch sort of carry the ball to see that the right person is there? Is that right?

MR. McCONNELL: That will be agreeable.

H.M.JR: Is that all right with you?

MR. SULLIVAN: Certainly.

H.M.JR: It is your (Lynch's) job to see that the person gets his cue and is there on time. O.K.?

MR. LYNCH: Yes, sir.

H.M.JR: If they don't behave, let me know.

Anything else? All right.

March 23, 1944
10:03 a.m.

HMJr: Hello.

Edward Brown: Hello.

HMJr: Morgenthau speaking.

B: Who?

HMJr: Henry Morgenthau.

B: Oh, how do you do, Mr. Morgenthau?

HMJr: How are you?

B: Very well, thank you.

HMJr: Mr. Brown, I wonder if you could help me out. I -- you know, they're throwing a lot of this surplus war materials at us in Procurement.

B: Yeah.

HMJr: And we need a very outstanding merchandising man to head this thing up. You wouldn't know of anybody that's willing and patriotic enough to come down and take on this kind of a headache?

B: I can't think of anybody off-hand. I don't suppose there's any possibility of getting Frank Folsom who was Chief Purchasing Agent of the Navy, who has now gone -- quit only a month or so ago to go with The Radio Corporation of America, but he was the Chief Merchandising -- the Manager and Vice President of the Montgomery Ward & Company.

HMJr: I didn't get the name.

B: Frank Folsom, F-o-l-s-o-m.

HMJr: Yes. He's now....

B: The War Production -- or with the predecessor of the War Production Board, whatever they called it, along with -- Knudsen was in charge of it and he had charge of all the buying of soft goods.

HMJr: Is he very able?

B: I think he's a very able man.

HMJr: He is?

B: He served with great sacrifice down there. Then he was Chief Purchasing Agent for the Navy....

HMJr: Yeah.

B: ....and in the Navy Department and he left six weeks or two months ago to become Sales Manager and a Director and Vice President of The Radio Corporation of America.

HMJr: Yeah.

B: He's a man who is known all over the country. He's extremely able.

HMJr: Is there anybody in the Marshall Field organization who is outstanding?

B: Well, there's Houston McBain, the President -- he's the only man who would possibly qualify and -- but he's had no such -- he's general executive of the company, but he's had no such experience in merchandising as Folsom has. I suppose General Wood would be impossible politically.

HMJr: Who?

B: General Wood, Chairman of the Board of Sears & Roebuck.

HMJr: General Wood.

B: Yeah.

HMJr: No, you can have him.

B: Well, he's very able....

HMJr: I know.

B: ....as a merchandiser, however.

HMJr: I know, but....

B: But I think he's impossible with his "America First" and all the other....

HMJr: Yeah. Well, you feel the way I do about that.

B: Yeah.

HMJr: How do you spell this Folsom?

B: Folsom, F-o-l-s-o-m.

HMJr: Oh, yes. This -- is this man you mentioned in Marshall Field -- is he the fellow that reorganized it?

B: No.

HMJr: The man who reorganized it died, didn't he?

B: The reorganizer died and made a miserable mess of it, too.

HMJr: Oh.

B: It developed after his death.

HMJr: Oh.

B: He's dead, a guy -- a fellow named McKinzie.

HMJr: Yeah. And -- but no -- but the present president is McBride, you say?

B: No, McBain, M-c-B-a-i-n.

HMJr: Oh, yes.

B: A Scotchman.

HMJr: And is he very able?

B: He's very able and quite young.

HMJr: Quite young?

B: I'd say about forty-one or forty-two.

HMJr: Yeah.

HMJr: Would you be willing for me -- on my behalf to sort of sound him out? Whether he could get -- uh -- even, well, any amount of time just to get us started?

B: Yes, I'd be willing to. I haven't much hope that he'd do it because -- but I'll be glad to sound him out and give you a ring, Mr. Secretary.

HMJr: I mean, are you -- does your bank do his business?

B: Yes, he's a director of our bank. I know him very well, and Marshall Field does most of their business here.

HMJr: Well, he's forty-one?

B: Somewhere in his early forties, I should say.

HMJr: Has he -- he hasn't been one of these fellows that has come to Washington and gotten his fingers burnt?

B: No, he's never been in Washington. He's grown up primarily with -- through the financial side of Marshall Field and he ran their mills in South Carolina.

HMJr: Yeah.

B: And then he became Executive Vice President and about a year ago, he became the President of Marshall Field & Company.

HMJr: Yeah. Well, sound him out and see whether he'd be at all interested to come down and just talk the thing over with me.

B: Yeah.

HMJr: See?

B: Yeah. All right, I'll do that and I'll call you -- call your secretary sometime during the day if he's in town. I think he is, but....

HMJr: Well, you call me. Call me on District 2-6-2-6.

B: District....

HMJr: 2-6-2-6.

B: 2-6-2-6.

HMJr: You just call me and I'll be waiting for you.

B: All right. Fine.

HMJr: You can reverse the charges.

B: No, don't worry about that.

HMJr: All right.

B: Thank you.

HMJr: All right.

March 28, 1944
10:11 a.m.

HMJr: .... neighbor.

James Forrestal: How are you, Henry?

HMJr: I'm all right. How are you?

F: Fine.

HMJr: Jim, did you know Folsom very well when he was with you?

F: Yeah.

HMJr: Ah -- how able is he?

F: Oh, I think he's a good man. He's a -- he's a man who -- ah -- has a lot of tremendous energy in a -- ....

HMJr: Yeah.

F: .... on a particular problem.

HMJr: Well, do you think he could help us at all on this procurement and surplus goods that you and the Army are going to throw at us?

F: Oh, he'd be -- he'd be excellent, Henry. I - I doubt very much whether you could get him. You might.

HMJr: Well ....

F: He did -- of course he worked for us down here two years, and he's - he's a man of some means, but not -- you know, he hasn't got a great deal of substance.

HMJr: But I meant to borrow him -- just to borrow him for awhile.

F: Well, he'd -- you know, he's -- he's a very sensible fellow, and I -- he'd - I know he'd work well. He'd work -- he's a man that you'd find easy to work with.

HMJr: Well, would you -- I don't gather, though, that you feel he's outstanding.

F: Well, I wouldn't say he was -- well, I'd -- yes, I'd say he is. I - I'd - the only reservation I have about him is that, at all -- that he's bored with long meetings, and you know, the kind of detail you sometimes have to go through in government.

HMJr: Well, I am too.

F: And, of course, that's not unique.

HMJr: Yeah.

F: I mean, he's not -- he's an impatient fellow. He wants to get the job -- to get on with it fast ....

HMJr: Yeah.

F: .... and that quality was of the -- was of great service to us here, and he was -- he was damn good.

HMJr: Yeah.

F: But he's -- he's extremely impatient and intolerant with -- of people that want to talk a lot.

HMJr: Sounds good to me.

F: (Laughs) Yeah.

HMJr: Well, I don't know whether I can -- but I just wanted -- I haven't the faintest idea whether the RCA would loan him to me.

F: Well, I don't think you'd get -- you'd -- I can't think, off-hand, of anybody better. If you couldn't get him, he could -- he also would be -- he knows people of that calibre pretty well.

HMJr: Yeah.

F: There's another man named Stevens -- Jack Stevens in New York, who would be an extremely good man for you.

HMJr: Well, Jack Stevens is in that -- the cotton business, isn't he?

F: That's right.

HMJr: Well, now, I know Bob Stevens.

F: I guess it -- I guess it is Bob Stevens I'm thinking of. It's Bob Stevens -- Robert F. Stevens.

HMJr: Yeah, he -- there's two. There are two brothers.

F: Yeah.

HMJr: The - the one is on the -- which one are you thinking about?

F: The fellow on the Reserve Board.

HMJr: That's Bob -- I think it -- I think that's Bob, isn't it?

F: I think you're right.

HMJr: What?

F: There's another man in Chicago. A man in Montgomery Ward ....

HMJr: Yeah.

F: .... who Frank always spoke of very highly. I -- his name escapes me at the moment, but he was -- he was a fellow that -- I think he's the chief procurement man now for Montgomery.

HMJr: The chief procurement man now? Do you know McBain of Marshall Fields?

F: Oh, I used to know him slightly.

HMJr: Ah -- have you got any opinion of him?

F: I wouldn't have any one worthwhile. He's the man that got out of Marshall Field, isn't he?

HMJr: No, he's the President now.

F: He's the present man. He -- I - Folsom - I know mostly about him through Folsom. Folsom spoke very highly of him.

HMJr: Was Folsom of Montgomery Ward?

F: He had -- he was there, yes...

HMJr: I ....

F: .... and he had a disagreement with Avery.

HMJr: Oh, yeah. Well, anyway, or if you don't mind, the fact that I'm sort of checking up, would you keep that to yourself?

F: Not a bit. I will.

HMJr: Thank you.

F: All right.

[illegible], 1944
[illegible] a.m.

HMJr: Hello.

Edward Brown: Hello. Mr. Morgenthau, this is Ned Brown in the First National in Chicago.

HMJr: Yes, sir.

B: I got hold of McBain and he said that he was pretty positive that he couldn't take the job; that he would go down and talk to you if you wanted to, but he said that James L. Palmer, their First Vice President is in Washington now. Our boys seem to think that -- wondered if Palmer could see you and get the story as to what the thing is and bring it back to him before he went down. Palmer is the man who, a number of years ago was, I think, in the University of Chicago, was brought into Fields by McKenzie. He's a very able man and really is the second man in Marshall Field & Company and happens to be in Washington. McBain thought that if he could talk with you or somebody in the office and get the idea what the job was about, it would save your time and possibly save....

HMJr: His.

B: Give McBain an idea of how long the job might last or something.

HMJr: What is Palmer doing here?

B: Palmer is Vice President and he surveys -- what is he doing in Marshall Field's?

HMJr: No, I mean is he here in the Government?

B: No, he's not -- at the present time he's not under the Government. He made a survey of O.P.A. for Brown.

HMJr: Yes.

B: I think he's -- he was loaned some months ago for some months to Budget -- I mean, he knows something about Washington, but he's back as second man in Marshall Field now in Chicago. I think you'd have a much better chance of getting him than getting McBain. He's about forty-five years old.

HMJr: Well....

B: He was down in Washington -- as a matter of fact, the Government leases a tremendous amount of space in the Merchandise Mart.

HMJr: I see.

B: And I think that Palmer thought Danny Bell was after it or something connected with the Merchandise Mart and the Government leases there.

HMJr: Well, Dan just came in. Let me ask him. Do you mind holding the wire a minute?

B: No.

HMJr: (Speaks aside) Ed, he saw Dan yesterday.

B: Yeah.

HMJr: Well, you wouldn't mind if I called McBain direct?

B: I wouldn't at all. I mean, McBain will be -- said that he'd go down there if you want to see him. I mean -- but I think that he thought that....

HMJr: Yeah.

B: You might call McBain. I just got him at Marshall Field & Company so he's there.

HMJr: It's M-c-B-e-i-n?

B: M-c-B-a-i-n.

HMJr: B -- B ....

B: Houston McBain. His first name is H-o-u-s-t-o-n like the city in Texas.

HMJr: Houston?

B: Yeah.

HMJr: Well, I think I'll call him and see what I can do. I'll talk to Dan a minute.

B: Yeah.

HMJr: And see if I can get him at least to come down and see me.

B: A man -- thinking it over in the few minutes you've talked to me -- with Butler Brothers, one of the largest wholesale houses here....

HMJr: Yes.

B: ....his name's Donaldson. He's the Vice President, who formerly was Comptroller of Montgomery Ward....

HMJr: Oh, yes.

B: ....who is a very able executive. I mean you might consider him as a possibility, I think.

HMJr: Donaldson?

B: Yeah, of Butler Brothers.

HMJr: Of Butler Brothers. Well, I'll think about that.

B: Yeah.

HMJr: Well, thank you very much.

B: Not at all.

HMJr: Thank you.

B: Good bye.

March 2[illegible], 1944
10:40 a.m.

HMJr: Hello.

Houston McBain: Hello.

HMJr: Mr. McBain.

M: Yes, this is Mr. McBain of Marshall Field & Company.

HMJr: Henry Morgenthau, Jr.

M: Yes, sir.

HMJr: I've just been talking with Ned Brown, who I think has been talking with you.

M: Yes, I've talked to him twice on the phone this morning.

HMJr: Now, I don't know whether Mr. Palmer is here or not. He saw Dan Bell yesterday.

M: Yes.

HMJr: But, I know it's an awful nuisance to come to Washington and all that sort of thing, but if you wouldn't mind coming to be here Friday morning, I would appreciate it -- so that we could take a look at each other.

M: I see. Well, it just happens that Palmer is still there ....

HMJr: Yes.

M: .... and I've talked with him since I first talked with Ned Brown.

HMJr: Yeah.

M: I reached Palmer on the phone. He's now at the Statler, and I suggested that he get in touch with your office immediately, which he is now trying to do.

HMJr: Well, I'd -- I ....

M: Now ....

HMJr: Please.

M: .... it may be that I can come down; as far as taking the job, it looks out. But since Palmer is there ....

HMJr: Yeah.

M: .... at the moment, I would appreciate it very much if you could see him, and discuss all the facts with him -- give him all the facts.

HMJr: Well, I - I can do that, but you -- you say it would be out as far as you're concerned?

M: It looks that way -- the way we're set up here now. Ah -- it might be that Palmer, himself, could do it. I don't know.

HMJr: Uh - huh.

M: He's extremely capable. He worked with Harold Smith for -- in Washington -- for three months a year ago.

HMJr: Harold Smith?

M: Yes, in the Bureau of the Budget -- we loaned him to Smith for three months.

HMJr: Yes.

M: Actually he knows his way around there much better than I do. He's the second man in this Corporation; he's a member of our Board of Directors.

HMJr: Yes.

M: And since he's right there now, and available this morning, I thought if he got all the facts, then when he gets back here tomorrow morning, he and I could sit down and analyze it and see what we do next.

HMJr: Yes. Well, I'd like it, if you've got a couple of minutes, I just -- I could tell you right now, but I'll -- I will see Mr. Palmer, anyway.

M: Good.

HMJr: Because what I had in mind, if you were coming, I would like to see you Friday morning.

M: Yes.

HMJr: And if you have any trouble on transportation, we'd be glad to get it for you.

M: Yes.

HMJr: The point is: this group of Baruch and Hancock and Will Clayton are looking to Procurement to handle consumer surplus goods of the Army and Navy ....

M: Yes.

HMJr: .... and what I really want is somebody with outstanding merchandising experience who'd come in here and set this thing up for us.

M: Yes.

HMJr: Now that's the job that I have in mind.

M: When you say "surplus goods of the Army and Navy", I assume that excludes food and munition.

HMJr: That's right.

M: Yes.

HMJr: It is consumer goods.

M: Consumer goods.

HMJr: Yeah. And it -- the food, as I understand it, would go to the War Food Administration, and shipping will go to shipping, and plants and so forth will go to RFC ....

M: Yes.

HMJr: ..... but this other huge group would come to us, and is coming to us now in -- in, oh, ten or twelve million dollars a month ....

M: Yes.

HMJr: .... at the present rate. But we -- we're not set up to handle the volume that's going to come, and I - I'm looking for the best merchandising man in the country to come down here and help me set it up. I don't know how to do it, but I -- all I know is where to get a good man.

M: (Laughs) Well, that's very kind.

HMJr: I mean I wouldn't attempt to do it myself, but it's going to be a perfectly huge thing, and they seem to feel that

HMJr: (cont'd) we have the -- through our warehouses and so forth and so on -- that we have the skeleton organization.

M: Yes.

HMJr: But we haven't got the people who are big enough, or who have grown up in the business ....

M: Yes.

HMJr: .... and now I've heard about you, and -- I - I asked Mr. Brown whether you have been burned by Washington before, and they said you hadn't ....

M: (Laughs)

HMJr: .... so you're fresh meat ....

M: Oh, I see.

HMJr: .... and -- but if you came, I mean, you'd have a complete free hand to go ahead and set it up on a business basis, and there'd be no politics in it.

M: Yeah.

HMJr: And, there'd be a straight business proposition to do this thing for your government.

M: Well, I thought a lot of people in Washington didn't like business men, from what I gathered reading the press.

HMJr: Well, don't believe everything you read in the press, but I - I'm looking for a business man with business experience, who'd bring in business associates, and do this on a straight business basis.

M: Well, I'll be thinking about it, and I'd appreciate very much your seeing Mr. Palmer this morning.

HMJr: All right. Supposing you tentatively get yourself a reservation so that you could be in here Friday?

M: I'll do that, and I'll get in touch with you tomorrow as to whether it seems best or not.

HMJr: Will you do that?

M: Yes, I will, Mr. Secretary.

HMJr: Thank you so much.

M: Righto. Good-bye.

March 25, 1944
10:58 a.m.

Randolph Paul: Hello.

HMJr: Are you at home?

P: Yeah.

HMJr: Look, Randolph, you remember when Louis Weiss came down to see us?

P: Yeah.

HMJr: And they had plenty of....

P: I saw him a good many times after that, you know.

HMJr: Good. Well, we helped him, didn't we?

P: Yeah, I think we -- we helped him in two or three ways. We helped him in the first place by keeping him in close track of the situation.

HMJr: Well....

P: So he knew what was going on and I also talked with him on constitutional angles of the thing.

HMJr: Yeah.

P: We couldn't take an active place on the front line on it.

HMJr: No. Well, let me explain what I've got, old man. I'm trying to get a Mr. Houston McBain, M-c-B-a-i-n, President of Marshall Field of Chicago....

P: Yeah.

HMJr: ....to come down and help me out on this surplus property. Now, what I want to find out from you to Louis Weiss is -- is Marshall Field still the controlling interest. You see?

P: Yeah.

HMJr: I mean, does he control it?

P: Yeah.

HMJr: Now, if he is the principal stock holder, I'd like him to tell Houston McBain, "Go on down and help Morgenthau".

P: Yeah.

HMJr: See?

P: Well, may I write down that name? M-c....

HMJr: M-c-B-a-i-n.

P: Yeah.

HMJr: His name is Houston like Houston, Texas.

P: Yeah.

HMJr: McBain.

P: Yeah.

HMJr: And he's the president of Marshall Field's.

P: Yeah.

HMJr: Now, I've talked to him and I've asked him whether he wouldn't come down Friday to see me.

P: This coming Friday?

HMJr: Yeah.

P: That's tomorrow -- no, day after tomorrow.

HMJr: Day after tomorrow. And -- but he said he's practically sure he can't do it, but if Marshall Field was the dominating stockholder and we could get word to him through Weiss that this is something that I would appreciate....

P: Yeah.

HMJr: And if he will tell the other fellow, you know....

P: Yeah.

HMJr: Put a little heat on him.

P: Yeah. Well, I can get in touch with Weiss very -- assuming -- I assume he's in his office. In fact, I got a letter from him a couple of days ago.

HMJr: And just ask him. I mean, he may say, "No, young -- so-called young Marshall Field is not the dominating stockholder," but on the other hand if he is, then tell him that this is to come down and help us put this thing on its feet so we can handle the surplus property.

P: It's just an organization job. It isn't a permanent -- I mean, it isn't something that....

HMJr: Well, I'd say, "Put it on it's feet and stay here long enough to get it going."

P: Yeah. All right, I'll get after Weiss.

HMJr: Because -- will you do that?

P: Yeah. Be glad to.

HMJr: And it's something that if he's going to do it, I'd like him to do it today.

P: Yeah. All right, I'll -- I'll put a call right through and see if I can get Weiss.

HMJr: All right.

P: I know Weiss on a pretty good basis.

HMJr: Have you had your coffee?

P: (Laughs) I've been way down M Street already.

HMJr: What?

P: I -- well, I went to bed at nine o'clock last night so I was pretty good this morning.

HMJr: You're flattering yourself. (Laughs)

P: Hell, I can't take more than ten hours sleep.

HMJr: (Laughs) Okay.

P: All right.

HMJr: Bye.

March 29, 1944

MEMORANDUM FOR SECRETARY MORGENTHAU:

From: Assistant Secretary Sullivan

JLS

Mr. R. S. Stevens, Vice President and General Merchandise Manager of Montgomery Ward, is to be in Washington on April 4. Last week we made arrangements for him to be available to talk with us that afternoon.

Others we had intended to call in this week included:

Mr. Houlder Hudgins, formerly of Montgomery Ward and now with Sloane-Blabon Corporation, New York City.

Mr. Jack Strauss, Macy's, New York City.

Mr. Theodore Quinn, of the Maxon advertising agency who is the top man on the merchandising program for General Electric household appliances.

F. W. Binzen, merchandise manager of The Penney Company.

B. C. Heacock, Chairman of the Executive Committee of the Caterpillar Tractor Company.

This represents the first group we intended to talk with.

Volume of Transactions at the Procurement Division,
Monthly, July 1943 to date

(In millions of dollars)

Month	Purchases	Sales
1943-July	$106	$ 4
August	120	3
September	172	4
October	75	12
November	125	5
December	82	5
1944-January	89	18
February	95	12
Total	$864	$63

Office of the Secretary of the Treasury, March 28, 1944.
Division of Research and Statistics.

Prepared for Fed Res Meeting [illegible]

A G E N D A

1. Goal - $16 billion
2. Increase in maturing Certificates

   (a) May 1st - $2 billion (maturing $1,655 million)

   (b) August 1st - $1 billion (maturing $2,545 million)
3. Treasury bill program
4. Basket of securities
5. Date of Drive
6. Deferred payment for insurance companies, savings banks, pension funds, etc.
7. Time deposits of commercial banks.

March [illegible], 1944.

March 29, 1944
11:00 a.m.

FINANCING

Present: Mr. Bell
Mr. Gamble
Mr. Haas
Mr. Eccles
Mr. Sproul

MR. ECCLES: After we got Dan's memorandum on Monday, we spent practically all day yesterday discussing the memorandum and anything else that anyone wanted to bring up and discuss. And, of course, Goldenweiser and Piser have discussed the matter a good deal with the staff people for the last month off and on, and, also, they have talked back and forth with Bob Rouse so the staff people were fully advised.

MR. BELL: There are a good many things that are being discussed that I didn't think necessarily had to be decided today, so I left those off the agenda.

MR. ECCLES: That is correct.

Now, here is a memorandum that we didn't have time to work off, particularly. (Distributes copies of "Recommendations by Executive Committee of Federal Open Market Committee to Secretary of the Treasury," attached.)

H.M.JR: Do you want me to read it now?

MR. ECCLES: That would be fine.

H.M.JR: You got my message, why I had announced that sixteen billion, didn't you?

MR. ECCLES: Yes, Ransom told me. Well, I mean, it was perfectly all right. I hadn't seen the fourteen.

MR. BELL: It was all over the paper.

MR. ECCLES: We agree with the sixteen, as a matter of fact.

H.M.JR: You do?

MR. ECCLES: Yes, we all agree that sixteen is the right figure; fourteen is too low.

How would it be to read it--well, I don't know how you want it.

H.M.JR: I have read the second paragraph.

MR. ECCLES: How would it be to read it out loud?

H.M.JR: There is nothing in there that I disagree with you on.

MR. ECCLES: Wouldn't it be better before you either disagree or agree to go right through the whole thing?

H.M.JR: Which way do you want me to do it?

MR. ECCLES: I think that is better. Then you get the whole picture, you see.

H.M.JR: All right. (Reads memorandum to himself.)

Gamble really ought to be here, shouldn't he? I will see if I can get him over here. (Requests Mr. Gamble to attend conference.)

May I say it is an excellent memorandum. If I could have had this a little earlier, it would have helped me.

MR. ECCLES: Well, we finally got that off the mimeograph at ten-thirty this morning.

H.M.JR: Then I couldn't--

MR. SPROUL: As a result of our conversations all day yesterday, this was drawn up last night and this morning.

MR. ECCLES: You see, we had Dan's here. We got this Monday and so met yesterday all morning and again in the afternoon, and this was the result of the discussion of just the Executive Committee. On the Executive Committee there is Hugh Leach, McKee, Draper, Allan, and I. Then we had some of the staff people.

MR. BELL: You have my table there, Mr. Secretary, I mean, the table of balances.

Number one is the goal, which is agreed on. Number two on page two of their statement--they say they see no reason for doing any direct bank financing, and, therefore, recommend there be no offering of certificates or cash in connection with the May 1 refunding. That is the fourth column on that statement, where you have two billion dollars for May. That would increase the maturing certificates by two billion dollars, making it three billion six, and give us that much more cash. Now, they are recommending that be eliminated. The bankers did likewise, because they said it would draw funds from the corporations, and so forth, and take it out of the drive. They would like to leave that two billion dollar increase out at this time and leave a vacuum there so they could pick it up in the drive.

H.M.JR: Now, wait a minute. You can't pick it up in the drive if the Federal Open Market Committee--I gather they want to eliminate certificates entirely.

MR. ECCLES: Not in the drive.

MR. BELL: No, no, they recommend the basket be the same, but they add the one and a quarter percent note.

MR. ECCLES: We are talking about four at the bottom of page two.

H.M.JR: Oh, I thought you were recommending the elimination.

MR. SPROUL: We have in the past, and we would like to get away from it, but we don't think you can in this drive.

H.M.JR: Maybe it was because I was told that is what you were going to ask. (Laughter)

MR. BELL: I think you may have been thrown off by the last sentence, "You may wish to consider the inclusion of the one and a quarter note."

MR. ECCLES: None of us feel, with the volume to be raised, that the certificate should be left out of the drive. We feel that you have already established it now. It is such an important part, that I don't think you can change any time from now out. I think to get corporate funds a certificate is with you for the duration.

MR. SPROUL: It might be possible, if the rate on bills were increased to where we think it ought to be and if a short note were--you could get rid of the certificate.

MR. ECCLES: Our idea in suggesting a rate--and I think a half of what we had in mind may be too low--instead of figuring that the bill is merely an instrument for the Fed to take, we would like to see more bills in the banks and less certificates. Instead of the banks getting seven-eighths for certificates--there isn't any reason for it. The banking situation is such that I think that the banks with what bank financing that you may have to take, there is no reason why the banks shouldn't take a bill. We have a half-rate bill here, but I can't help but feel that five-eighths bill for a period of four months--get all the new money that we expect to get from the banks on bills. Your outstanding amount of bills is only thirteen billion.

(Mr. Gamble entered the conference.)

H.M.JR: I am sorry, Ted, I should have let you know earlier. You could take one of these statements and read it. George has one.

MR. BELL: You see, with the two billion in May that would bring our balance down, going out of May into June with a drive approaching, five billion nine instead of seven billion nine.

MR. ECCLES: If you started the drive, though, on May 23, instead of June, your balance would increase.

MR. BELL: Yes.

MR. ECCLES: Your balance would not get that low.

MR. BELL: But this statement is based on the assumption that the drive would start early, June or not until after June 1, so your balance would be down to around six billion dollars at the end of May.

MR. ECCLES: On May 23 it wouldn't fall; it would more likely be eight billion dollars.

H.M.JR: Let me get one thing at a time. What you are talking about is not adding two billion to the certificate that comes due on May 1. Is that right?

MR. BELL: That is right. That is a billion, six hundred and fifty-five million maturing. With two billion you would have a maturity of three billion six next year.

H.M.JR: But have the extra in the drive.

MR. BELL: At least leave that money there and not pick it up in the certificate before the drive.

H.M.JR: But figure you are going to do it in the drive.

MR. ECCLES: Except you wouldn't make a public offering at all; you would make your non-bank offering in the drive only of sixteen billion, getting as much as you can.

MR. SPROUL: You would hope to get an additional amount in the drive from non-bank investors rather than getting it before the drive from banks.

H.M.JR: I should think from the drive standpoint that that is a good suggestion.

MR. BELL: I think that is.

H.M.JR: I would like Gamble to pass on that when he gets around to it.

But I don't think we will have any difficulty on that; it is coming to me as a shock, and a pleasant one.

MR. BELL: They leave the next one open, the August 1 increase. In that memorandum you show a billion increase in the same column for the August 1 maturity, and--

H.M.JR: As I say, it sounds all right. I am not making any commitment yet.

Gamble, if you will just listen for one minute--the suggestion that Fed has made is that we don't increase our certificates by two billion dollars, and just hold that with the hope that we get--

MR. GAMBLE: ...that much additional in the drive. I think that is very good.

H.M.JR: I am not saying yes or no, but it sounds all right. But I am a little conservative here; I don't like to be rushed by the Fed too much.

MR. BELL: You notice there are eighteen billion dollars in that statement to get from the drive.

H.M.JR: What is the next one?

MR. HAAS: The next point is the Treasury is misquoted in the third paragraph. "The Treasury forecasts that"--I presume it is based on some of those memoranda. That wasn't a forecast--it is in the third paragraph, "exclusive of Federal agencies and trust funds, is forecast by the Treasury as 33.3 billion dollars for the calendar year 1944." That isn't a forecast. That thing assumed that you went through the year on the same basis as the Fourth War Loan Drive. That is the way it would come out. Everybody in the Treasury, I am sure, hopes and is kind of inclined to believe it will be somewhat better.

MR. BELL: It is just set out on a basis of past experience.

H.M.JR: You have protected your honor. Now, let's go.

MR. HAAS: That is the important part.

H.M.JR: Says you! (Laughter) Having done that, do you mind--

MR. HAAS: Go on now; it is all right.

MR. BELL: We have passed number one and number two.

H.M.JR: George is so worried about his honor, which is in four, isn't it?

MR. SPROUL: Four-F. (Laughter)

H.M.JR: What about three?

MR. BELL: Number three is raising the rate on Treasury bills, which we have discussed a good many times. Really I can't see any excuse for raising this bill rate from three-eighths to one-half when all it virtually is now is currency.

H.M.JR: The only thing that would make me do it would be to get Wendell Willkie to come out.

MR. SPROUL: Against it, or for it?

H.M.JR: Well, I don't know.

MR. ECCLES: I know we have discussed it a good deal.

MR. BELL: I don't see how you can substitute bills for certificates at the higher rate which they want and like.

MR. ECCLES: But if you don't put the certificate out, Dan, now I don't see any reason why the bank financing that they are going to do directly should be given seven-eighths. It seems to me that we need more bills in the banks. Now, the banks have about six billion of bills.

Now, of course, the three-eighths bill with the banks is, in effect, the reserve upon which they get interest, really. That is the way it is today, and they are not going to take these three-eighths bills as an investment.

So far as the Fed taking bills is concerned, the three-eighths rate is certainly plenty, and it isn't an idea of getting any better return on what the Fed buys at all. We discussed that to see if we could find some way in which we could refund the Treasury, I mean, any different way, so it isn't an idea as far as we are concerned of getting any return; it is to get the bill more in line with the certificate, that is the certificate at seven-eighths for a year. A bill as a money market instrument should go much more to the banks than it does.

H.M.JR: Which should go more to the banks?

MR. ECCLES: The banks should get more bills; the banks should take more bills.

MR. BELL: In place of certificates?

MR. ECCLES: It wouldn't affect the reserve picture. We will have to buy whatever is necessary to give the reserves.

H.M.JR: Are you worrying about the banks earning too much?

MR. ECCLES: I think the money market banks don't need the seven-eighths today. It seems to me that a bill as a shorter piece of paper, that is, related to the certificate, would tend to put out a great many more bills than we now have out. The volume of certificates is growing very, very rapidly, and you have to make a roll-over of these certificates periodically. The bills work automatically. It becomes an automatic operation, and instead of having outstanding thirteen billion of bills which you now have out, and the banks own about six billion of them, if during this year the banks and the Fed together would have to get, say, fifteen billion, I think the twenty-two billion that you figured for the banks and the Fed is too high, George. I would think that fifteen would be much nearer to what we might get by with.

MR. BELL: You mean the banks and the Fed?

MR. ECCLES: Yes. Certainly ten billion of that amount should be in bills, and the banks, instead of owning so many other securities, including certificates, should have at least five or six billion more of bills. They won't take the bills at three-eighths; they will run into the certificate, go into the market and buy certificates and bonds and other things.

What I think we ought to try to do is to do more of the short financing on bills at a lower rate, of course, than certificates. I don't know whether the half is high enough; it may take a five-eighths to bear a relationship to the certificates, I don't know.

H.M.JR: Could I interrupt you a minute? As near as I get your thinking--we have had this before, and you may be right--what you are worring about is that certificate rate of seven-eighths is too high.

MR. ECCLES: I don't know that it is too high for certificates.

MR. SPROUL: The three-eighths rate is too low in comparison with the seven-eighths rate for certificates. I think the seven-eighths rate for certificates is all right.

H.M.JR: Let's drop the rate on certificates to three-quarters.

MR. SPROUL: You have a pattern of rates now which is in pretty good alignment from seven-eighths out, but your difficulty is with your pattern rates from seven-eighths to three-eighths.

H.M.JR: But if you are going to squeeze it, why not save a little money?

MR. SPROUL: We think you would save money by increasing the rate on bills and getting more of the financing into bills than by keeping it all in certificates.

H.M.JR: How about dropping the rate to three-quarters?

MR. ECCLES: I think it would be all right from the bank standpoint, but the difficulty with the certificate is, it isn't only a bank instrument; the certificate has become a corporation instrument, and the corporations are very heavy buyers.

The three-quarters would be plenty for banks if you just relied upon the banks to take the certificate, but you use the certificate in the drive for the non-bank investor. That is the difficulty, so what we are trying to do is to get a higher rate on bills and let the banks take the bills instead of the certificates.

H.M.JR: But just because we don't see alike on the three-eighths, how about saying the banks can't buy the seven-eighths but we will give them a three-quarters?

MR. ECCLES: Of course, the trouble is--

MR. SPROUL: The corporations depend on the bank market being there if and when they want to get cash for the seven-eighths.

H.M.JR: We have had this for about two years?

MR. SPROUL: Yes, about two years.

MR. BELL: Since May, 1942.

H.M.JR: And we haven't seen eye to eye. I grant we have been lucky so far. Last time the discussion was that you couldn't get more bills distributed, and we have been fairly successful, haven't we?

MR. SPROUL: We have, but it is an indirect sale to the Fed. It is not a market distribution.

H.M.JR: Doesn't it stick a little bit?

MR. ECCLES: No.

MR. BELL: Outstanding bills are going down because the Fed has to supply reserves to the market through Treasury bills.

H.M.JR: Wouldn't it be just the same if the rate was one-half?

MR. ECCLES: We would have to supply--

MR. SPROUL: If you increase the supply of bills, we probably would continue to get most of the bills, but we think more would stick in the banks than now stick there.

MR. ECCLES: If you don't offer certificates--instead of making this offering of certificates that you talk of here to the banks, you won't make any offering of certificates to the banks; you would increase the offering of bills instead of offering the certificates that you propose to offer, and the banks then would only get the bill. The certificate just wouldn't be available directly to the banks at all.

Of course, the banks will go into the market and will buy bills, will bid them up to buy them as long as the certificate is as low as it is. They won't take the certificate at the present rate; they will go in and get the certificates indirectly.

MR. BELL: They won't take the bills?

MR. ECCLES: That is right. My point is, if you could get the bill rate so that the pattern between bills and certificates was more realistic and you wouldn't offer certificates, the only thing available then in the offering would be the bill. And we would expect, then, the additional market offerings to be bills instead of certificates.

H.M.JR: Well, now, I go along with you. There is no argument here on the Treasury's part. Everything should be done to sell every dollar to the non-banking group. There is no argument about that.

I like your suggestion that we don't increase the certificates by two billion dollars before the drive and try to sell that much more, and so forth.

Now, the other thing, I would like to pass it for the minute. It is a difference which we have approached every three months. We still haven't been able to see it. I don't know how much you have tried to wear Bell down on this thing, but you are young fellows, and I am not saying yes or no; I would like to pass it for the minute, because it is the most difficult thing, and I don't know whether we can get together on it or not.

MR. ECCLES: Henry, let me just say this, and then pass it. We won't bring the thing up now, except you have an interim period, you have a different situation than we have had, in which we have to increase the bills substantially.

We have been talking about, likewise, increasing the certificates for the banks. It is in connection with that that we thought it appropriate to at least call to your attention here what seems to us a better way of handling this, which is not to make available at any time certificates from the banks or other issues, but do what we can by getting a better rate so that the banks will take the bills in a much larger amount than they have taken, and take less of the certificates, so that the amount of outstanding certificates that the Treasury has would not be so high, and the amount of bills they have out would be much higher. That is a situation, a different approach--it is a little different situation than you have had in the past.

H.M.JR: I will give it careful consideration.

MR. SPROUL: The net result would be that your financing would be done in the aggregate at a lower rate rather than a higher rate.

MR. ECCLES: It wouldn't cost you more money.

MR. BELL: If you shift from a certificate, of course, back to a half bill, you save money. There is no doubt about that. But it seems to me that we have sold three-eighths to the country, to the money market, and now to raise that rate gives a basis for all of this talk about the short-term rate strengthening that we had last fall, and which we quieted, I think, very effectively. It starts all over again.

MR. SPROUL: I think it no longer is a money rate; it is a Federal Reserve discount rate now, their three-eighths rate.

MR. ECCLES: It isn't a money market rate at all.

MR. SPROUL: It is just the way they borrow money from us at three-eighths, so I don't think, myself, an increase--

MR. ECCLES: If you raise to seven-eighths, that is another story.

MR. BELL: They would be borrowing at a half if you stuck it up there.

MR. SPROUL: I don't think that increase would have any effect on Government securities, except from--

MR. HAAS: If you thought about this, Marriner, right now, you are beginning to hear these comments about your reaching the bottom of the barrel; things are getting tight. Then you raise the rate, and it is liable to affect the whole thing all the way out.

Now, you can have one opinion; I can have one; and the Secretary and Bell--everybody--but it is a speculative thing, and I think at this stage, why speculate?

MR. ECCLES: You can keep the three-eighths bill rate for the purpose, and you can put out only the amount of bills that it will be necessary for Fed to take to give the necessary reserves. That is all you can do. But you can't put out more bills and make them stick at three-eighths.

MR. HAAS: Some of them--

MR. ECCLES: I think they will stay right down around your present six billion level.

MR. BELL: Of course, Marriner, you can't put out seven-eighths and make them stick unless you provide reserves.

MR. ECCLES: That is right, but you will just provide the reserves. What I am thinking of is, instead of the banks holding the number of certificates and notes, increasing their holding of certificates and notes to make up the slack, and that you don't get from non-banking investors, the banks would make up on a bill, rather than get the higher rate on these other securities.

Speaking of money market banks, which is really the place where you get--I would like to see them have a lot more bills and less of the other paper to the extent that the bank money must be provided, and we can't get the banks to do that on the present differential of three-eighths, I mean, on the three-eighths bill, because the spread between three-eighths and seven-eighths is too great to get the banks--they will run into the market and buy up the other security, instead of holding the bill. That is the point that we had in mind.

H.M.JR: Can we think about it?

MR. ECCLES: Yes.

H.M.JR: Now, number four, "We recommend that the basket in the fifth drive be the same as in the fourth drive except for the substitution of 2 per cent fully marketable bonds for 2-1/4 percent bonds of restricted marketability." We have been over that in great length, and we are in accord with you on that.

MR. GAMBLE: Yes, sir.

MR. BELL: Yes.

H.M.JR: You said it was two percent. Where did you say it would fall?

MR. BELL: In '52-'54, eight-ten years.

MR. ECCLES: The last was eight-ten. It would be just the same.

H.M.JR: Would that be all right with you people, June?

MR. SPROUL: Yes.

MR. BELL: I had an interesting suggestion yesterday. Dominic Rich suggested that you have a ten and a half or eleven-year, two, definite maturity rate and allow the restriction to be on.

MR. SPROUL: With restrictions on?

MR. BELL: For that ten years, which is a new suggestion. I don't know whether you could put out a definite maturity date of ten and a half or eleven years or not with the restrictions. What do you think, George?

MR. HAAS: You can put it out, but I am skeptical as to what would happen.

MR. BELL: It is a little off the line.

MR. HAAS: Yes, and that is probably what he thought was attractive.

H.M.JR: I missed that.

MR. BELL: Dominic Rich is a dealer in New York. He came in yesterday and suggested that we give consideration to a definite maturity rate rather than have a call date on the two and make it a little longer than the ten-year period, say, ten and a half to eleven years, that period over ten years being restricted to commercial banks. He said he thought it would go well and be popular because of its definite maturity date. At the same time within six months everybody knew they could get rid of them to the banks.

H.M.JR: Is anybody interested?

MR. SPROUL: I am interested, but I still think the two percent fully marketable would be better.

MR. HAAS: This put a fixed maturity on it and lengthened it.

MR. BELL: That is right.

Now, there is another suggestion in that number four that we might want to consider, the inclusion of one and a quarter percent notes. I think that would be rather popular. What would you think of crowding another security?

MR. GAMBLE: I don't think the basket is overcrowded. I think it would be fine to add it for this drive.

MR. SPROUL: It was the principal question we had, whether the basket was overcrowded. But we were sufficiently interested to suggest it as something for your consideration.

MR. GAMBLE: There has been an indication that there is a market for that. It has come from numerous sources, and with the rest of the basket set, I think there is no objection to adding that and experimenting with it.

MR. ECCLES: Instead of just the seven-eighths that we have stuck to continuously, there is still a lot of cash that just doesn't go into bonds. The stuff sticks in the banks. If you could draw some of it out on this that doesn't go into the seven-eighths, you are that much ahead.

MR. SPROUL: We thought that anything which would broaden the market for non-banking investors ought to have serious consideration.

MR. BELL: I think that is worth thinking about.

H.M.JR: Five, "Our opinion would be that the drive should begin on May 23 or 29 and should cover a period of three weeks, but on this point we believe that the recommendations of the sales organization should be decisive." That is largely a thing, Gamble, you and all these people will have to discuss.

MR. SPROUL: We put in there that we thought the sales organization idea should be decisive on this.

MR. GAMBLE: They realize how they have to expand in a number of directions this time. They were going to shorten the period of the drive.

MR. BELL: They wanted more time to get the organization ready.

H.M.JR: What they want is three weeks, and have it run over the Fourth of July so they get the July 1 money, get that dividend money.

MR. BELL: The salesmen suggested June 14 or July 8.

MR. GAMBLE: Yes, the banks recommended June 7 to July 4, and the sales organization recommended two dates. They were not unmindful of the attractiveness of the earlier spring date and the vacation period and all the problems that come in the summer. They recommended May 29 or June 14, but they recommended June 14 as their first choice, for the reasons that this extra task that they have--

MR. ECCLES: I should certainly think that if the sales organization preferred that, I wouldn't question it.

H.M.JR: I think just as you do, that they should settle that, unless it is something you object to.

MR. SPROUL: No.

MR. ECCLES: There is this in connection with quotas that I would like to suggest: There has been, as you know, a tendency for States to get over their quota in total, but it was because the corporations and those other than individuals got much larger than their quota. It seems to me that instead of thinking of an over-all State quota, we thought--I know you give two quotas, but I would ignore the total. Say that you have two quotas and that is all, that there is an individual quota and the corporate quota, and that you are not over the top until you get both quotas--you might get one hundred and fifty percent of one and fall short on the other, but you still don't have your quota. Put the emphasis on your two quotas, and don't let them cover up their failure to get the individual.

MR. GAMBLE: There was less of that this time.

MR. ECCLES: It was an improvement, but there is a lot of these sales people in the States that in order to get over the hundred percent as a total they go to corporations and others and say, "Now, we will be over the top if you will do this, see." It is the easy way out, instead of going the hard way and getting it from the individuals.

MR. SPROUL: You contemplate giving more emphasis to that next time than you did last time, which was more than you had before?

MR. GAMBLE: That is right.

H.M.JR: Could I make a suggestion, that if you people had fifteen or twenty minutes when you were over here, you could go to Bell's room or some place and let Gamble give you an outline of where we stand from the salesman's standpoint. Would that be agreeable to you people? Do you have the time?

MR. ECCLES: Yes, we ought to be back there by one o'clock.

H.M.JR: I think we could finish here by twelve. Then if you had the time, I would like Gamble to go over and outline his plans to you and then get your suggestions. I think they ought to know. Is that all right with you and Bell?

MR. GAMBLE: It is perfectly all right.

MR. BELL: Sure.

Number six?

H.M.JR: Well, we have heard the discussion. Do you want to take that point, or should Gamble, why we don't think it is good?

MR. BELL: I take it that this is really a partial-payment scheme borrowed from banks, and not a partial-payment scheme put out by the Treasury.

MR. ECCLES: The Treasury put it out.

MR. BELL: Or advocated it.

MR. ECCLES: They put it out on a specific plan, the forms and everything. It won't be just left up to banks' discretion. We didn't take time to spell it all out here, because it calls for not less than twenty percent down and twenty percent a month, which would mean that in four months the loan would be paid. Now, one of the reasons for that is that if people get committed, say, a man is induced to take five hundred dollars; he hasn't the cash, but he expects to get it, or somebody else has it coming in and he can be pressed to take five hundred dollars. Then when that comes in, he isn't around spending it for something else. He has himself committed to make those payments. He has paid his twenty percent down, and he is then under pressure to meet the payments instead of spending his money. It has worked very successfully in Canada. It has been one of the big factors, they claim, in their successful drives in getting people under pressure to meet these payments.

H.M.JR: As long as you people only have until quarter of one, could we pass that up, and maybe Gamble and Bell could explain it? Could I leave that one there? They can handle that with you gentlemen, if that is agreeable.

The next one goes down to a hundred dollars. We have been "agin" it all the time, but I will be open to argument on that. It is getting hotter and hotter to sell.

MR. SPROUL: Again, the general argument is to broaden the field wherever possible for non-bank investors. We think that is a field which hasn't been tapped. Those who don't want a registered security, who want a marketable bond, and want small denominations--

MR. GAMBLE: They voted against it, Mr. Secretary.

H.M.JR: Again, may I pass that, and you as sales manager explain to them why, because I am weakening on it.

MR. ECCLES: Every darn one of our Reserve Bank Presidents--there isn't a single one of them but said--Hugh Leach, for instance, this morning said that if you put out that bond and you put it in the bank where it can be sold over the counter, a hundred dollars in cash, a market bond--he said that without question in his district you could very substantially increase the sale to non-bank investors that would not come in and take a registered security.

H.M.JR: I have been opposed to it, but I am weakening.

MR. GAMBLE: We discussed it very thoroughly for two days. The point was brought up that if the Treasury was ever disposed to do it, it probably ought to be on order to the Treasury, not made available for the sales people to sell.

MR. HAAS: I think it is the most important decision in the whole business. It is all we have left as the pattern of rates that distinguishes this war finance from the previous one. I think it is political dynamite. It gets back to the same old argument.

H.M.JR: Suppose you just let them be sold over the bank counter.

MR. GAMBLE: In this last drive there were seventy-six thousand odd pieces sold only. You are talking about sixty-nine million nine hundred thousand sales in the E bond field. There is no indication--I am looking at it just from the point of view of demand on our securities. There is no indication that there is any great demand for securities. The arguments against it, from our point of view, far outweigh the argument for it.

H.M.JR: I am going to duck it, because I am trying to get through at twelve. As I say, as far as I am concerned I have been opposed to it, but I am weakening. I am leaning a little bit your way on this thing. We have to get more of this non-banking money.

MR. ECCLES: Every banker is for it, probably.

MR. BELL: The bankers raised the question as to whether they should again bring the subject up. I told them it wasn't on the agenda, but they could feel free to bring up any subject they wanted to. They put it aside. I notice they didn't put it in the recommendation.

MR. SPROUL: The bankers are a timid lot.

MR. BELL: They were in favor of it.

H.M.JR: Anyway, you people have another forty-five minutes after I leave.

MR. BELL: The important decision is this raising the E from forty-five to fifty.

MR. ECCLES: Of course, if you don't reduce the other to a hundred, then you shouldn't raise the G to five, but if you reduce the other, they have a marketable bond at a hundred. The G bond is a coupon bond. I mean, it isn't a coupon; it is a registered bond. We figured out that the Treasury mails now about four million dollar and a quarter checks a year, and the paper and the manpower and everything being what it is, four million checks at a dollar and a quarter just doesn't seem realistic at all.

Now, the - bond, of course, is a registered bond, but you don't pay the interest semi-annually. But on this other bond, four million checks at a dollar and a quarter each, when you think of the cost of making them out, mailing them, the cost of clearing them through the banking system, it just isn't realistic.

MR. GAMBLE: I wouldn't be too much concerned about the elimination of the hundred dollar G bond, because I think the same situation there is true--but on the twenty-five dollar E, we sold forty-seven million of them for eight hundred and fifty million dollars. It is like going into Woolworths and telling them to give up their five and ten cent articles.

MR. ECCLES: But you are assuming that a great many people would take two of the twenty-five dollar bonds in lieu of the fifty.

MR. GAMBLE: I think it is true. We would not put out a twenty-five dollar bond if we had to do it over again. But having raised a fourth of our money through twenty-five dollar bonds, I think it is suicide.

H.M.JR: I would fight and bleed for the twenty-five dollar bond, and I realize we are throwing a terrific burden on the Federal Reserve Banks with this stuff.

MR. SPROUL: The first burden is on your own organization.

MR. GAMBLE: We have gone far enough in this drive, Mr. Sproul, to say, "Don't buy a twenty-five dollar bond if you can buy a hundred or two hundred dollar bond."

We have been working on a plan; we have done nothing about it, but we have discussed allowing them an average dating on the higher bond in order to eliminate the twenty-five dollar bond. I think we can do that. I don't think we have been aggressive enough.

H.M.JR: That is the kind of thing, Ted, I would like you to explain to these gentlemen. Maybe they have changed their minds. If you don't mind, I would like to pass that.

That doesn't mean, Marriner, that you and I can't talk again. I would like to talk again between now and Friday noon.

Now this last thing--aren't we in agreement on that?

MR. BELL: On the 7th? The bankers recommended that it be ten percent and have a limit of five hundred thousand. They also recommended the certificates of deposit.

MR. ECCLES: Held by individuals.

MR. BELL: Now, there is that question of certificates of deposit. We said originally, when we put this first into operation that certificates of deposit could be played around with corporate funds, and we excluded it just for that reason. But I think we have probably got to include certificates of deposit. Maybe we can confine it to those issued to individuals, because many banks in the West don't have pass books.

MR. SPROUL: That was the word when we had our meeting with all the presidents, that in many of the districts the banks didn't use pass books. It was a savings deposit, and it could be confined to certificates of deposit to individuals. You needn't slop over into other certificates of deposit.

H.M.JR: Didn't we say five hundred thousand?

MR. BELL: The bankers recommended it.

MR. ECCLES: Why five? You had two last time, ten percent. Now double it to four and twenty percent.

MR. HAAS: This helps the little bank more than the other.

MR. SPROUL: That was our idea.

MR. BELL: I have no objection.

MR. ECCLES: This was done for the little bank.

H.M.JR: This would be all right with me. Well, there are some other things. As I say, if you will excuse me, I will be wanting to talk to you on the phone again. Will you be in New York tomorrow?

MR. SPROUL: Yes, I will.

H.M.JR: I will be talking to you, too, if I may.

MR. BELL: I would like to see the increase in Treasury bills start next month of four hundred million dollars of extra money, in the third column, for April.

H.M.JR: Is there any disagreement on that?

MR. ECCLES: That is all related to the whole bill decision. If you are going to do nothing with reference to trying to increase the market for bills for banks--and they are only considering bills as a means of furnishing additional reserves--then I can't see any objection to the hundred million of bills a week.

MR. SPROUL: It is related to this whole bill question of rate and maturity as we put it up. It is also related, as I see it, to your need for funds and our general idea that you shouldn't go to the banks, that is, going to the banks until you need the funds. But as soon as you do, then under one scheme or the other you would go to the banks with the bills.

H.M.JR: If we are not going to get the two billion dollars additional in certificates, I have certainly got to get my bills.

MR. SPROUL: Then that is the time to start, when you want to get that money in.

H.M.JR: I want to try to keep an eight or ten billion dollar balance. Now, I will be getting down to five or six.

MR. BELL: It will be down to five if you eliminate the bills for April and May. But I think we are going to be squeezed in the fall. We will really have to go to the banks directly.

MR. SPROUL: We say we will take a look at it after the drive, how much you have for non-bank investors.

MR. ECCLES: I think the first of October is the time when you should go directly, but if you accepted our recommendation on bills, you would be raising it in July, August, and September. You would be stepping up the bills during that period.

MR. BELL: If you accepted our recommendation, you would be doing the same thing.

MR. ECCLES: Except to step them up enough to offset the direct offering of the banks.

March 29, 1944

RECOMMENDATIONS BY EXECUTIVE COMMITTEE OF FEDERAL OPEN MARKET COMMITTEE TO SECRETARY OF THE TREASURY

Before making specific recommendations on the points mentioned by Under Secretary Bell in his letter of March 27, we should like to state certain general principles that are fundamental to our recommendations.

The main objectives of Treasury financing policy and of credit administration, of course, are still the borrowing of the maximum possible amount from nonbank investors while maintaining an interest rate structure with a maximum market borrowing rate of 2 1/2 per cent. There is no question of our ability to maintain the maximum borrowing rate of 2 1/2 per cent, but we are still measurably short of the goal of maximum borrowing from nonbank investors.

It seems to us that the Treasury's current estimates of sales to nonbank investors are too conservative in view of both the performance of the Treasury sales organization during the past two years and the amount of funds that are shown to be available by all estimates of current savings. The net absorption of Government securities by nonbank investors, exclusive of Federal agencies and trust funds, is forecast by the Treasury as 33.3 billion dollars for the calendar year 1944. Since 1944 will include three drives and will begin and end with a drive, it seems likely that a larger amount of funds should be raised than in previous annual periods. In the year ending October 1943, which included three drives, nonbank investors absorbed 34.7 billion dollars of Government securities, and in the year ending February 1944, which also included three drives, nonbank investors absorbed about 36.4 billion. It should be possible in 1944, therefore, for the Treasury to sell 36 billion dollars net to nonbank investors, and with continued improvement in the sales program this amount could be further increased. It is recognized that the figures given above include sales in the first and second drives, when some idle funds that are no longer available were reached. On the other hand, the organization of the drives has improved, and there has been considerable repayment of private debt, which is releasing funds and increasing the number of potential investors. The reduced rate of increase in national income this year should mean that nonbank investors will have less need to accumulate bank balances than in the past.

For these reasons, we believe that Treasury estimates of sales to nonbank investors in 1944 are unduly low. Regardless of the amounts that may be taken by nonbank investors, however, it is our opinion that sales to banks should be considered as residual financing, to which the Treasury should have recourse only as a matter of last resort. There is no question of the ability and the willingness of the Reserve System to provide the reserve funds needed to assure the success of this residual financing whenever necessary. We believe, however, that direct bank financing should not be countenanced until even more vigorous efforts have been made to sell an increased amount of securities to nonbank investors and until the Treasury is in need of funds to maintain its working balances at the minimum level that it considers advisable. In view of the figures submitted in the tabulation accompanying Under Secretary Bell's letter, it does not appear that the latter condition can arise until after the fifth dirve and there is, therefore, time further to test present estimates of nonbank buying.

In our opinion, the situation calls for

(a) enlargement and strengthening of the sales organization,

(b) changes in selling methods and security terms that will widen the nonbank market, and

(c) increase in the bill rate. In selling securities to commercial banks further emphasis should be placed on bills rather than certificates and longer-term securities. Additional bills can be sold to banks, however, only if there is some increase in the rate. As we have indicated before, we feel that the present rate on Treasury bills is out of line with the remainder of the pattern of rates and that an increase is justified in order to reestablish bills as a market instrument.

With this background in mind, we should like to make the following recommendations on the points mentioned by Under Secretary Bell:

1. The goal for the fifth drive has been set at 16 billion dollars, and no comment is required.

2. For the reasons outlined above, we believe the Treasury should do no direct bank financing, at least until after the fifth drive. Therefore, we recommend that there be no offering of certificates for cash in connection with the May 1 refunding. Decision as to a cash offering in connection with the August 1 refunding should be deferred until after the fifth drive.

3. In our opinion and for the reasons outlined above, the rate on Treasury bills should be increased to 1/2 of one per cent and the maturity extended to four months. By this means, not only would a more tenable market rate be established but the outstanding amount of bills could be increased by 4 billion dollars as funds are needed without increasing the present weekly offering of bills.

4. We recommend that the basket in the fifth drive be the same as in the fourth drive except for the substitution of 2 per cent fully marketable bonds for 2 1/4 per cent bonds of restricted marketability. We can see no point in placing restrictions on the eligibility of 2 per cent bonds for bank purchase. In order that these bonds may not become a vehicle for renewed speculative purchases, however, we recommend that the Treasury forcefully renew its stand on speculative subscriptions, loans by banks to finance such subscriptions, and on subscriptions by dealers. The Treasury may wish also to consider the inclusion of 1 1/4 per cent notes in the drive as an

additional means of obtaining funds from nonbank investors who are not interested in the rate on certificates or in the form of Series C notes and who do not wish to invest in longer-term securities.

5. Our opinion would be that the drive should begin on May 23 or 29 and should cover a period of three weeks, but on this point we believe that the recommendations of the sales organization should be decisive.

6. We recommend that nonbank investors be permitted to purchase securities in the drive on a partial-payment plan. Such purchases by insurance companies, savings banks, and pension funds, which will be in relatively large amounts, could be handled by the Treasury. Such purchases by other investors (minimum $500) could be handled by commercial banks on the basis that the maximum rate charged would not exceed the rate on the securities.

We also recommend that the lowest denomination on marketable bonds be placed at $100 in order to meet the needs of small investors who for one reason or another do not wish to place all of their funds in savings bonds. As a corollary to this recommendation and in view of the manpower and paper shortage, we recommend that the lowest denomination on Series G bonds be increased to $500 and on Series E bonds to $50.

7. We recommend that each commercial bank be permitted to increase its holdings of otherwise ineligible bonds to the smaller of the following amounts: (1) $400,000 or (2) 20 per cent of its total of savings deposits and time certificates of deposit of individuals. The inclusion of individual certificates of deposit is recommended because in some areas of the country it is customary to ~~use~~ this type of instrument instead of savings pass books. The $100,000 limit on holdings of Series F and G savings bonds would, of course, continue.

Attached to a list of pencilled charts given to the Secretary by Mr. Haas on 3/29/44.

List of Issues Charted

Securities Outstanding at Beginning of Year:

(1) 2-1/2% Bond, September 15, 1967-72
(sold before Pearl Harbor)

(2) 2% Bond, September 15, 1951-53
(sold during Third War Loan)

(3) 7/8% Certificate, December 1, 1944
(issued December 1, 1943)

Securities Sold during Fourth War Loan:

(4) 2-1/2% Bond, March 15, 1965-70

(5) 2-1/4% Bond, September 15, 1956-59

(6) 7/8% Certificate, February 1, 1945

Security Issued in Refunding Operation this Month:

(7) 1-1/2% Note, September 15, 1948

March 29, 1944

Mr. Luxford.

Secretary Morgenthau.

Please read the story on the first page of the New York Times about General Perlinger's statement. See if you can get something out of the State Department on it and be sure to talk to me about it before lunch today.

File

SECRET

March [illegible], 1944

MEMORANDUM FOR THE SECRETARY'S FILES

Secretary Morgenthau discussed the Argentine situation at lunch today with Vice President Wallace, War Food Administrator Jones and me.

The Secretary introduced the subject by informing Judge Jones of our keen interest in the Argentine situation and that he had invited Vice President Wallace to join up since he shared our interest. He said that today's story in the New York Times about Argentina underscored the urgency for prompt action and suggested that I review the article. I outlined the attack made on the U. S. and Ambassador Armour by General Perlinger, Argentine Minister of Interior; the fact that twenty-one of Argentina's thirty-three generals recently requested President Farrell and Colonel Peron to restore constitutional government and return Army officers to their barracks; and the announced lifting of Argentine press restrictions at the same time replacing these restrictions with a registration requirement for all newspaper men. A copy of the article is attached. I said that I had discussed this article with Messrs. Duggan and Bonsal of the State Department who confirmed its accuracy and that they agreed that General Perlinger, who is now a real rival to Colonel Peron for power, is even worse than Peron - if that is possible. I also referred to the acknowledged Fascist stripe of the present Argentine Government; the fact that Argentina was rapidly forging an anti-United States bloc in South America which already involved Bolivia, Chile and Paraguay and threatened to envelop Uruguay, Peru and Ecuador. Vice President Wallace interjected at this point that he was much more pessimistic; he felt that all of Latin America was going to turn Fascist unless we uprooted it promptly in Argentina.

Judge Jones said he could see where Argentina was troublesome but as War Food Administrator he could not ignore the contribution we were getting from Argentina in the form of food.

Secretary Morgenthau pointed out that Argentina's food contribution to the United Nations was puny in terms of the benefits Argentina was conferring upon the enemy. He told Vice President Wallace that he had obtained General Marshall's permission to reveal to him the contents of certain reports that the Army had made available to him regarding Argentina and suggested that I summarize the data. I then reviewed these reports, covering substantially the points outlined in the proposed memorandum for the President which was furnished to the Secretary on March 28 (copy attached).

Judge Jones appeared to be shaken by these disclosures. Secretary Morgenthau emphasized the fact that Germany's collapse would very likely find Hitler, Franco and their fellow war criminals streaming into Fascist Argentina to escape Allied justice. Vice President Wallace felt that this was almost a certainty. He expressed the opinion, based on certain secret information, that we might all be astonished at the speed with which we would be confronted by a real military threat in Latin America if the Axis leaders moved in.

Judge Jones said that these arguments should be addressed to the State Department and not to him since obviously these were political considerations and outside his field. Secretary Morgenthau promptly challenged this view pointing out that the State Department was hiding behind the excuse that the Combined Food Board said it was impossible to take action against Argentina because Argentine food was absolutely essential to the war effort. This, said the Secretary, meant that Judge Jones and the Combined Food Board were preventing the issue of economic sanctions against Argentina from ever being thrashed out on the political level. The Secretary went on to remind Judge Jones that it was his impression that at a previous conference the Judge had intimated that we could get along without Argentine food if we were willing to make the sacrifice here at home and it was really necessary. Vice President Wallace reminded Judge Jones that after all we were only discussing, at a maximum, a ten percent reduction in our domestic meat rations to provide substitute meat for the

British and that this would not harm the American diet in the slightest.

The Judge did not deny any of these points but labored over the grain shortage here in the United States; how we had an excess of cattle and hogs over available feed supplies, and how he might be able to use the threat of importing Argentine corn to force the farmers to begin marketing their animals.

Vice President Wallace told the Judge that he wanted to discuss some straight agricultural and food economics at this point. He said that the Judge knew as well as he did that right now we had altogether too much meat "on the hoof"; that if we had a bad break on the weather this year, affecting our crops, we could not possibly feed all this livestock; that the only real way to get the farmer to sell this excess meat was by making the price of feed too dear to hold it; and that imposing economic sanctions on Argentina now would give the War Food Administration a beautiful opportunity to bring our meat supply down to manageable proportions - it was a blessing in disguise.

The Judge was mentally squirming by this time and addressed himself to the timing of economic sanctions right at the time everyone knew we were getting ready for big military operations. Secretary Morgenthau stated that it occurred to him that perhaps the military demands for shipping might be so great this Spring that the military would be glad to temporarily suspend Allied shipping with Argentina in order to gain extra bottoms for military operations. He indicated that he might check into this aspect of the matter.

Judge Jones said that he thought all along that State should have cracked down on Argentina when things just began to go bad and when we could have cleaned up the situation fairly simply; but why did we have to strike right at this moment - why not wait until we could do it with fewer complications.

Secretary Morgenthau said that he had been pressing State for a year and a half on this point and that he did not think it could stand much more "waiting". Judge Jones turned to Vice President Wallace and said "Henry, do you really think we have to do it right now too?" The Vice President said that it should be done now. The Judge said he wished it had been done before when it would have been easy. I reminded him of how it had been this fear of temporary inconvenience that had prompted the world to sit by and allow Japan to move into China; Italy into Ethiopia; Hitler into Austria - and Munich. I stressed that at each point there were those farsighted statesmen who said that we should clear up the dirty mess now but that each time the world found it somewhat inconvenient and hence World War II. I drew the analogy to Judge Jones' position on Argentina - that of waiting while every day that passes witnesses a further consolidation of the Fascist forces in Argentina and their steady spread to Argentina's neighbors.

Secretary Morgenthau said that he was shocked to see us caviling over pulling in our protruding belt one little notch, being squeamish about imposing the slightest discomfort on our people for the sake of preserving our way of living, and at the same time our Russian ally had 25,000,000 men fighting Hitler and the British people too had demonstrated their willingness to make real sacrifices. The Vice President underlined these same sentiments, pointing out how little sacrifice we on the home front had been called upon to make and, in fact, how most of us were actually doing better during the war than we had before.

Judge Jones then expressed his concern that the British might not join in the imposing of economic sanctions and that if they did not join us, we were powerless. The Secretary stated that he had been insisting that joint measures be taken but that if the British would not go along he, for one, still thought we should impose sanctions. The Judge inquired as to how this could possibly be effective against Argentina if the British continued to buy. The Secretary said that if the President gave him the job of seeing this thing through he would see to it that the British stopped shipping food from Argentina even if he had to blockade Argentine ports.

At this point the Judge gasped and turning to the Vice President said "Henry, would you go along on that too?" The Vice President agreed with Secretary Morgenthau's position without batting an eye. I pointed out to the Judge that in any event we were not called upon to cross this bridge at this time since the letter State had sent to the Combined Food Board on March 10, 1944 had requested the Board's views, assuming that joint U.S.-U.K. sanctions were imposed. I also emphasized that it was one thing for the Board to reply, "You will make our task more difficult by imposing sanctions, but, if this is politically necessary, we will get along - one way or another"; it was an altogether different thing for the Board to repeat its opinion of last January that it was impossible to get along without Argentine food supplies, since this latter position left no room for evaluating political considerations.

Judge Jones said that he did not feel that he could make any commitments right then and there and that he wanted an opportunity to go over the matter with his associates before expressing a final view.

The atmosphere at the luncheon was most cordial and I had the impression that Judge Jones was sincerely interested in getting our side of the picture, which was new to him.

ADL

The New York Times.
MAR 29 1944

[ARG]ENTINE OFFICIAL [ST]IRS ANGER AT U.S.

[C]ites Non-Recognition to Back [I]solation—Minister Foresees Allies Turning on Russia

By Wireless to THE NEW YORK TIMES.

MONTEVIDEO, Uruguay, March 28—In his first statement to the press since he took office five months ago, Gen. Luis C. Perlinger, Argentine Minister of the Interior, predicted that all the present belligerents would soon unite to fight Russia because the middle classes in the United States and Great Britain are so alarmed at the Soviet military successes that they are almost more anti-Russian than anti-German.

To this most amazing statement General Perlinger added that the war was not being fought for freedom and that whoever won would rule the world and, of course, try to dominate Argentina. From this he deduced that Argentina must remain completely aloof from the conflict.

The Interior Minister made it clear that all his previous remarks were aimed principally at the United States, for he urged all Argentines to look with anger at United States Ambassador Norman Armour. General Perlinger said he always did so because Mr. Armour is Ambassador "of a country that refuses to maintain relations with us, who are the masters of our home." He did not mention Mr. Armour by name, although he made it obvious whom he was referring to.

Made to Guide Press

This outburst, which must be regarded as one of the most extraordinary ever allowed himself by a responsible Minister of any country, was made last night to Argentine journalists. It was not intended for publication, but only to [illegible] "orient" Argentine newspaper men in the thinking of the Argentine Government, or at least of the Minister of the Interior, on the [illegible] [illegible]

[illegible] General Perlinger was [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

[illegible] [illegible] of Argentines. He soon revealed himself, however, as one of the most ardent nationalists and as the main spokesman for nationalism in the Argentine Cabinet. It was he who formulated the recent measures against United States companies such as The Associated Press, The United Press, All-America Cables and Pan American Airways. These measures were taken by the Director General of Posts and Telegraphs, who is directly responsible to the Minister of the Interior.

At the moment, General Perlinger's star appears in the ascendant since the Ministry of the Interior has been growing in importance. It recently was put in charge of the Federal police and the Under-Secretariate of Information and the Press and has taken over censorship of foreign films, which was formerly done by the Municipality of Buenos Aires. There has been far greater severity in censoring United States films since this task has been performed by the Ministry of the Interior.

A Rival of Perón

General Perlinger is believed to be a political and personal rival of the War Minister, Col. Juan D. Perón, and observers predict that a showdown between them cannot long be deferred. A reorganization of the Cabinet is expected and probably the best way of judging whether the Perlinger followers or the Perón clique triumphs will be whether General Perlinger keeps his post in the Government.

Argentine newspaper men who heard General Perlinger's remarks described the interview as follows:

"Perlinger, who spoke with energy and severity, referred to the Argentine international situation. He affirmed that he was neither a Nazi no ra Fascist but an Argentine and said he was against all those foreigners who had the presumption to say that Argentina did not know where she was going.

"'We do know,' he said."

General Perlinger was further quoted as saying:

"We know that this war is not [illegible] fought for liberty but for other things which we must later be prepared to accept. It is not possible, therefore, that we should continue smiling at the Ambassador of a certain country that refuses to maintain relations with us, who are masters of our house. That is not possible and I myself am the first to look with an angry face at that gentleman, and all Argentines should do the same thing."

[illegible]

MONTEVIDEO, March 28 [illegible] The newspaper Diario said today that twenty-one of Argentina's [illegible] generals [illegible] [illegible] [illegible] group that [illegible] [illegible] requested President Edelmiro Farrell and Col. Juan Perón, Minister of War, to restore constitutional government and return army officers now serving in Federal jobs to their barracks.

Diario, quoting unidentified sources, said General Farrell and Colonel Perón had told the generals they fully agreed and that an answer would be given within a few days.

PRESS RESTRAINT LIFTED

Argentina Rescinds Decree Curbing Freedom of Expression

By ARNALDO CORTESI

By Cable to THE NEW YORK TIMES.

BUENOS AIRES, March 28—The Argentine Government today rescinded a decree dated Dec. 31, 1943, which placed many restrictions upon the local and foreign press.

That decree was replaced by a "Journalists statute," which was published today and regulates regulations between newspapermen and their employers but does not enter into such political questions as what newspapers may or may not say.

The new statute and the decree of Dec. 31, are similar in only one respect: That both require all newspapermen to register, failing which, they will not be allowed to exercise their profession.

The earlier decree, however, empowered the Government to remove any journalist's name from a register for such vaguely defined offenses as "activities contrary to the general interest of the nation." The Journalists Statute states explicitly that no name may be struck from the register for "reasons connected with the freedom of the press or with journalists' freedom of thought."

It would appear, therefore, that within certain limits freedom of expression had been re-established.

The Journalists Statute establishes a thirty-six-hour working week with regular weekly and yearly rest periods. It sets down minimum wages for each class of newspaper employes with the provision that the minimums will automatically be increased by 5 per cent every three years. All persons holding directorial posts in newspaper enterprises must be native or naturalized Argentines, but exception is made for foreigners who held such posts for the [illegible] [illegible] years, as well as for foreign news agencies and for publications printed in Argentina in foreign languages.

No Argentine [illegible]

COPY

SECRET

MEMORANDUM FOR THE PRESIDENT

On December 30, 1943 General Strong furnished me with a report on Argentina prepared by Military Intelligence. The following points in this memorandum are significant:

1. Unless steps are taken quickly to insulate Argentina and to counter her activities in neighboring countries, Argentina will be able to create a bloc favorable to her and antagonistic to the United States, consisting of all or some of the following countries: Uruguay, Paraguay, Bolivia, Chile, and Peru. (State Department officials share this fear and the present situation in Bolivia, Chile and Paraguay suggests that a bloc of this character is not a mere figment of the imagination).

2. There is strong evidence indicating that the Nazis at least partially control the present Argentine Government. By means of loans, bribes, and financial transactions, the Nazis have a hold on certain members of the G.O.U. (Colonel's clique). It is believed that in order to avoid exposure and remain in power, they follow Nazi orders.

3. Argentina allows pro-Axis propaganda to flow into this hemisphere and Argentina is the headquarters for such activities; at the same time Argentina subdues pro-Allied vehicles of propaganda. The report states:

> "This propaganda has been very effective in that it has kept several countries internally divided and has lessened their assistance to the United Nations."

4. Argentina is rendering positive economic aid to the German war effort by:

(a) serving as a base of operations where smugglers engaged in clandestine purchases of diamonds, platinum and materials vitally needed by the Nazis may concentrate purchases made throughout Latin America and ship them to Spain and then to Germany.

(b) The two largest government-controlled Argentine banks are openly aiding the Axis.

(c) Fritz Mandl, former Austrian munitions manufacturer, is now in Argentina actively engaged in founding an Argentine munitions industry. He was able to remove $12,000,000 from Germany with the consent of the German Government.

(d) Argentine ports serve as depots from which Spanish and other neutral ships carry war materials and couriers engaged in espionage activities to Axis Europe.

5. Indications exist of possible aid to Axis submarines at sea.

6. The extent to which Brazil will provide expeditionary forces for overseas duty is limited by her need for having adequate defenses against Argentina and an Argentine bloc.

7. Argentina is a tool being used by the Nazis to create a diversion in Latin America which will cause the United States to divert its concentration from the main war effort.

8. Argentina is being used as a cache for the loot of leading Nazis and will be the haven for their persons when they lose the war and have to leave Europe.

In a report transmitted to me on March 16, 1944, by General Marshall, it is stated that the Argentine Government is cooperating with the Spanish Falange in Argentina and that the activities of the Argentine Government in the other American Republics duplicates and reinforces the Falangist movement in attempting to create anti-United States sentiment and an anti-United States bloc.

Treasury investigations in the Foreign Funds field clearly establish that every important German cartel has branches in Argentina and that these branches are presently being used by the Nazis to finance and otherwise facilitate enemy operations in this hemisphere. Moreover there are strong reasons for assuming that these branches will serve as a nucleus for German post-war cartel arrangements in this hemisphere.

I call these matters to your attention not only because they illustrate how our whole Good Neighbor policy and doctrine of hemispheric solidarity are crumbling before the pressure of a Fascist Argentina but, of more immediate importance, because they offer tangible proof of how Argentina is prolonging the war. I am fully conscious of the objections which have been raised to date by the Combined Boards to the proposal that the United States and United Kingdom jointly impose complete economic sanctions against Argentina and I can fully understand their desire to avoid further complications in their respective fields. Neither am I unmindful of the fact that probably an undisclosed factor in British reluctance to participate in any such program stems from their fear that it might affect adversely British investments in Argentina and might prejudice British post-war trade. The extent, if any, to which these considerations may be influencing the British attitude on the Combined Boards is, of course, an enigma.

On the other hand, it is not as clear to me that the Combined Boards have been acquainted with the extent to which Argentina is harming our war effort. If this were explained to them; if it were made clear that we in the United States are prepared to accept some civilian sacrifices in bringing Argentina to terms; and if it were emphasized that once she is brought to terms we could again count on Argentina supplies and stockpiles, I am hopeful that we would obtain a more favorable report.

APL:mrd - 3/28/44
copied 3/30/44

March 29, 1944
2:42 p.m.

HMJr: Go ahead.

Randolph Paul: This is Randolph.

HMJr: Yes.

P: I wanted to report to you that I talked with our friend in New York.

HMJr: Yes.

P: He thinks that that -- his client doesn't own any stock in that company but he's not sure; that there may be some possible pressures that he can put on him.

HMJr: Yeah.

P: And he's trying to get him and he's going to call me back, but so far he hasn't called me back. I talked to him, oh, within ten minutes after I talked with you.

HMJr: Good.

P: As soon as I hear from him I'll let you know.

HMJr: Well, in the meantime, McBain sent us a telegram asking us to get reservations for him to be here Friday.

P: Yeah. Well, of course, I was very frank with him and maybe it's gotten back to McBain. I don't know. But anyway, I'll let you know. I've done everything I can until I hear from Weiss, but so much time has gone by, I thought I'd better let you know.

HMJr: I thank you.

P: All right.

March 29, 1944
3:10 p.m.

CANADA AND CHINA

Present: Mr. White

H.M.JR: The President sent me a copy of the cable which he sent to Mr. Churchill and it is as we wrote it. It went on the 24th.

MR. WHITE: No comment on his?

H.M.JR: I don't know whether that was in it or not. I have it right here. (Refers to attached suggested reply to Prime Minister Churchill from the President)

I am scared to death. I don't know what to do with these things.

MR. WHITE: It sounds identical.

H.M.JR: What day was the 24th? That was last Friday. It went the day I sent it.

MR. WHITE: Are you going to let State Department know that went, or will they know anyhow?

H.M.JR: No, but I very much would like to have Stettinius know it.

MR. WHITE: Stettinius?

H.M.JR: Yes, he ought to know.

MR. WHITE: He is in England? He has gone?

H.M.JR: He has not. There is something funny about the whole business.

I would let Mr. Hull know and say to please advise Mr. Stettinius and see that he gets a copy.

MR. WHITE: Why don't I call Hull's secretary?

H.M.JR: Yes. And I think a copy should go to Winant, somehow. The thing I am interested in, I want Winant to know that those things center here from now on.

MR. WHITE: Why don't we just send a cable to him?

H.M.JR: Yes, but I would like Winant and Stettinius to know. Will you take care of that?

MR. WHITE: Yes, but you want the cable to Winant to go from you?

H.M.JR: I don't care how it is done.

Now, I asked to see the President, and I have only got another twelve hours, or so. When I go I want to give an answer to Madame Chiang.

MR. WHITE: Now, this is what we have here, a suggested answer to Madame Chiang; there is a memorandum to you, and a suggested memorandum from you to the President. The memorandum to the President is a little long, and its length is justified only by the importance of the matter. (Shows drafts to the Secretary)

We just got a cable five minutes ago which may call for a change.

H.M.JR: Before I do this, is there a must on your list today? They said something about Canada.

MR. WHITE: Yes, Canada is all wound up and all ready for signatures.

H.M.JR: Let's hold the other, then.

MR. WHITE: Canada first?

H.M.JR: Whatever is important.

MR. WHITE: I think Canada is a must, and I think also, from what you said, that there is a must on the question of the Ontario Conference.

H.M.JR: I have a man coming in at three-thirty which will take fifteen minutes. You can leave everything here and come back again.

MR. WHITE: The Canadian thing is all wound up - all the documents. I want to show you first a document of the schedule which Clark initialed, and he insisted on my initialing it, and we sent it back. You can keep that aside for a moment. (Refers to Schedule covering agreed program referred to in letter from Hon. J.L. Ilsley, Canadian Minister of Finance, to Hon. Henry L. Morgenthau, Secretary of the U.S. Treasury, dated March 24, 1944,attached)

H.M.JR: Do I want Vincent here when I talk about China - from the State Department?

MR. WHITE: I think you better make that decision after - I just talked with Vincent.

Now, here is the letter to Hull giving him the whole story and keeping him informed. (Hands the Secretary cover letter to Secretary of State, enclosing correspondence with Mr. Ilsley, Canadian Minister of Finance)

H.M.JR: Now what did you do about that question of the end of the road of Canada - I mean its terminal? How was that settled?

MR. WHITE: Well, they took the part of that, and the nine million dollars on the highway; it is all lumped in. We also found seven million more dollars. The airports were going to cost seven million more dollars than they had informed us, so rather than put the question in quite that form, I thought they would hit the roof; so I got in touch with Clark and I asked him - would the Canadian Government rather pay seven million dollars or would they rather take over the contract. You see, neither had been mentioned. And, of course, they came back saying they couldn't possibly pay seven million more after they had taken this matter up, so they will take over the contract. Our Army preferred to fill the contract themselves. They didn't like the Canadians to do it.

But the position I took was that that is going to cost us seven million dollars whether they like it or dislike it. We would rather have Canada do it.

H.M.JR: I think when you go out of here at three-thirty, we ought to send the same thing to the President that we send to Mr. Hull.

MR. WHITE: This is what I have for the President. (Hands the Secretary Memorandum to the President on Canadian and U.S. Dollar Balances, which the Secretary initials)

H.M.JR: I really ought to do this oftener, working this way, then the girls know what it is all about.

MR. WHITE: Now, here are four letters, one to the Secretary of War, one to the Secretary of Navy, one to Mr. Crowley, and one to Mr. Jones, telling each what they must do, what we have agreed upon with respect to Canadian contracts. (The Secretary signs the above-mentioned letters)

H.M.JR: Those things that you gave me the other day - for instance, the rules to go by when they invade these various countries - did you draw those up?

MR. WHITE: Not the first one, we did the other three.

H.M.JR: Who does that work?

MR. WHITE: Several of us - the lawyers - Taylor. They had an original there at the C.A.C. which is very different; we rewrote it. That is the Civil Affairs Committee. But even the draft they made was based on one of our earlier drafts of the earlier countries.

H.M.JR: I was going to compliment you on it.

MR. WHITE: It is a gradual process, because each country makes the next one easier. But the first paper was written by President Number One, and he didn't even permit it to be jointly written, which is usually done, and he is sending it to Churchill, asking for their approval. It was done deliberately that way.

H.M.JR: Any more on Canada?

MR. WHITE: That is all on Canada. Now we have nothing furter.

H.M.JR: Let's do China.

MR. WHITE: I just got a cable. This has a new proposal. I can explain it quickly.

H.M.JR: Who is this from?

MR. WHITE: This is from Stillwell to Somervell. (Refers to attached paraphrase of message No. CFB 15326, 27 March 1944, Corrected Copy, to General Somervell from General Stillwell)

H.M.JR: What is CN?

MR. WHITE: That is Chinese dollars, yuan, I suppose. May I see it? Chinese dollars. I think there should be a dollar sign with a "C" before it.

H.M.JR: You will have to explain this.

MR. WHITE: I will see that you get a copy.

The proposal which is being made is that the Chinese Government give them Chinese currency and that the Army merely advance them U.S. money as an advance. The rate at which the money will be advanced, they say, is anywhere from one hundred and twenty-five to two hundred.

We have been asking for a hundred rate,but the advance will take one hundred and twenty-five to two hundred, they think. But the question will not be settled; that will be money which we put at their disposal. Sometime after the war there will be a question as to whether that settles it, or whether China is entitled to more money.

It will also make possible that probably China will use it, saying that she is extending aid to America in her war effort; and how much aid she will figure it, will probably bear no relation to the advance.

Now, I think that puts us in a good position, because I think we are in a better bargaining position later than we are now.

H.M.JR: How much does that mean we would advance every three months?

MR. WHITE: If they use five billion, and let's say they take the hundred-to-one rate, it would only be fifty million.

H.M.JR: One hundred and fifty million for three months?

MR. WHITE: One hundred and fifty for three months, yes.

H.M.JR: That was a good guess on my part. I carry the fifty million a month in my mind.

MR. WHITE: If they get a better rate, it will be less than that. I don't understand Chiang Kai-shek accepting that. If he wasn't too dumb he knew they would accept a fifty rate.

H.M.JR: In the light of that, do you think the President should answer Madame Chiang?

MR. WHITE: Maybe slightly different. This doesn't in any way settle the question. It settles the immediate need for currency for the air fields, and I think if you will read the memorandum from you to the President - I could see why the matter is really important. We are cooking up quite a program - a real important program.

H.M.JR: I don't think there is a chance of my going. Oh, Harry, My God! The President will never read it. (Refers to original draft of Memorandum to the President, attached)

MR. WHITE: You can't get on top of that Chinese situation without reading it. We can boil it down, maybe, another page or so.

H.M.JR: He will never read this.

MR. WHITE: How much do you think he would read?

H.M.JR: He won't read more than two pages.

MR. WHITE: We will try. You see, there is a rather serious point there.

H.M.JR: Talk at me for a few minutes. What is there in there? I know the President. He never in the world would read that.

MR. WHITE: The memorandum to you is much shorter.

H.M.JR: Can I read that?

MR. WHITE: Yes. (Secretary reads Memorandum from Mr. White, dated March 27, 1944, attached)

That was written before we got this cable. The important thing to stress to the President, I think - that you have to do - is that the program which the Army has will unquestionably aggravate an already bad situation, and that he should be cognizant of what to expect, and he should also be prepared for the charges that the Chinese Government unquestionably will make, that we have caused the serious deterioration in their economy.

Now, I think he has to know that, because I don't think the Army has explained it to him, and I think that you have to have that for your protection - that he has got to know.

H.M.JR: Do you do that in this letter?

MR. WHITE: To Madame Chiang Kai-shek?

H.M.JR: Yes.

MR. WHITE: I don't see how we can.

H.M.JR: Can you say, "I hear from General Stillwell we are making progress"?

MR. WHITE: Well, we do say we are making progress. Maybe that is enough.

H.M.JR: Oh, yes. Well, Harry, you have got to take me some place, up on the farm or some place, where I have a couple of hours to thrash this thing out, because I am not ready yet to say I am willing to go to China.

MR. WHITE: If you don't feel that the letter needs to be answered, and maybe it doesn't, then just wait. Negotiations are going on.

H.M.JR: Couldn't he answer that letter without any reference to a mission?

MR. WHITE: Oh, sure, sure. We can give him just a little more than a letter of acknowledgement, easily. We could easily say, "I understand from General Stillwell that progress is being made in the discussions.

"I appreciate that an adjustment of that will not meet the larger problem, but we will take care of that later, or discuss that later," or something like that.

H.M.JR: I think so, because I tell you, I know I have had a rule, which is a pretty good one, and that is that when it comes to doing business, Governmental business, I never want to get more than a hundred yards away from the White House.

All these other trips that I have taken I was never on a mission. I mean, I want to let that sink in.

MR. WHITE: Except this is a bigger job than I think anybody has ever attempted.

H.M.JR: I have never gone on a foreign mission. I mean, I have gone abroad, but I went to get information.

MR. WHITE: Well, I would need some time to talk to you about what needs to be done and what might be done.

H.M.JR: All right. And when you do this thing - during the last ten years you look over the record of anybody who has gone abroad for the President and had a lasting success. You give me one example.

MR. WHITE: Well, obviously, I don't think you should go abroad, and I know you won't unless you had something--

H.M.JR: No, but you give me an example of somebody that the President sent abroad. You could say that Hull went to Moscow--

MR. WHITE: Well, it isn't comparable.

H.M.JR: Wait a minute. He went to Moscow and now look what they are doing to him.

Well, I want you to think about it - have somebody who could go, accomplish something and have it stick.

MR. WHITE: I will. This is a big job. I don't think it should be approached unless you have a program in your mind to do the job, and money in your pocket.

H.M.JR: What I have in mind is this, possibly - I am tired again. I am not going to let myself get down. I am planning to leave Friday. After I have had a day or two in the country, and if I can still stay, I may let you know. You may want to take in a couple of shows in New York and spend one day in the country with me. You like to go to New York and take in a couple of shows.

MR. WHITE: All right.

H.M.JR: And then come up there, maybe, and we can walk around the place and talk this thing out.

MR. WHITE: That can easily wait for that.

Now, do you think you still need an answer to the letter? That can very easily be drafted, just an answer to the letter, which would satisfy requirements of an answer to the letter, and dodge the issues for the time being. It can easily be prepared if you feel that one has to be prepared. If it doesn't, you can drop the whole matter and leave the answer to that as an excuse to raise the issue later.

H.M.JR: No, I think the President should give an answer dodging it. I would like you to get somebody started on that, on the theory I am going to see him in the next twenty-four hours, you see.

MR. WHITE: Vincent told me that they seemed to feel certain that a letter has gone to the President from the Generalissimo or Madame - an important letter on the political developments. Do you know anything about it?

H.M.JR: No.

MR. WHITE: He didn't, either. He was just fishing for information.

H.M.JR: My dear Harry, I always tell you these things.

Now, if I can see Mr. Palmer - and after I have seen him - it will be about fifteen minutes. You leave your papers here.

MEMORANDUM TO THE PRESIDENT

In pursuance of your memorandum of March 10 to the Secretary of State and Secretary of Treasury, there is attached a suggested cable to be sent to the Prime Minister in reply to his cables 613 and 614 of March 9.

This suggested reply has been approved by Secretary Hull and Mr. Crowley.

To: Prime Minister Churchill

From: The President

1. Thank you for your reply contained in your cables 613 and 614 of March 9. The points you raised have already been brought to my attention several times by Secretary Morgenthau and Secretary Hull.

I am sorry if my message caused you anxiety. There is no dispute as to the understanding on the handling of questionable items under Lend-Lease which was reached between Mr. Crowley, Secretary Hull, Secretary Morgenthau and Lord Halifax, and to which I had given my prior approval. As Secretary Morgenthau stated at the meeting, this understanding did not deal with the dollar position question and did not preclude the possibility of our reopening that question in the future should the situation seem to call for it.

I raised this dollar position question since it is a troublesome one of continuing concern with us here and doubtless with you. I hope that we may be able together to find some reasonable solution to this problem before it becomes more troublesome.

2. In any further discussion of these matters the Treasury would be the normal center of such conversations. The agenda which Stettinius has of topics to be discussed in London does not include the question of British dollar balances.

3. The question to which you refer in paragraph 2 of 614 may be withdrawn, although the Congressman concerned and the entire Foreign Affairs Committee are now alerted to the issue. You will be advised as soon as a definite decision is reached, and consulted fully before any information is proferred.

SECRET.

SCHEDULE COVERING AGREED PROGRAM REFERRED TO IN LETTER FROM HON. J. L. ILSLEY, CANADIAN MINISTER OF FINANCE, TO HON. HENRY L. MORGENTHAU, SECRETARY OF THE U.S. TREASURY, DATED MARCH 24, 1944.

I. **MEASURES WHICH WILL REDUCE CANADA'S HOLDINGS OF U.S. DOLLAR BALANCES.**

	Estimated Amount (Millions of Dollars)
1. Payment to F.E.A. for imports of war supplies under Canex Requisitions	38.8
2. Payment to Metals Reserve Company to recoup capital advances and price subsidies made by that Company for development of certain marginal metal mining properties in Canada under the terms of an agreement with War Supplies Limited	3.2
3. Payment for costs incurred by U. S. Army in connection with construction of permanent improvements to following airfields in Canada:	
(a) Airfields on the Northwest Staging Route, landing strips along the Canol Pipe Line and other airfields, landing strips and permanent air route facilities constructed by U.S. in Northwest Canada	33.3
(b) Airfields on the Crimson Route in Central Northeast Canada	30.0
(c) Airfield at Mingan, Quebec	4.2
4. Payment for costs incurred by U.S. Army for construction of that part of the telephone line from Edmonton to Fairbanks which is in Canadian territory	9.3
5. Reimbursement for progress payments made by U.S. Navy for production of PB2B1 aircraft	22.0
6. Payment in U.S. dollars for U.S. tanks purchased in the United Kingdom for use of the Canadian Army in Europe	140.0
7. Further payment on account in respect of imports under Canpay requisitions	20.0
	300.8

RES WHICH WILL REDUCE CANADA'S FUTURE RECEIPTS OF U.S. DOLLARS.

	Estimated Amount (Millions of Dollars)
Amendment of U.S. Navy contract for PB2B1 aircraft so as to provide for assumption by Canada of financial responsibility to Boeing Aircraft of Canada Limited	41.0
Assumption by Canada of expenditure incurred on U.S. account for construction of permanent improvements to airfields in Canada and at Goose Bay, Labrador (including newly projected $8 million program and contracts not yet completed 7.4 on Northwest Staging Route)	42.1
Assumption by Canada of refining and distribution costs of gasoline used to meet British commitment in connection with Air Training Plan in Canada	15.0 (annually)
Elimination of Canadian participation in contracts for purchase of New Caledonian nickel	2.5 (annually)
Contracts between War or Navy Department and War Supplies Limited terminated and/or cancelled after December 1, 1943, or to be terminated and/or cancelled. Undelivered value as estimated by Canadian Department of Munitions and Supply:	91.0

WSL 72-722 6 pdr. APC BC
WSL 72-888 AS - 48 cable
WSL 72-859 link spares
WSL 72-450 fuel pumps
WSL 72-157 propeller assemblies
WSL 72-377 link trainers
WSL 72-458 20 mm discs
WSL 72-796 pump assemblies
WSL 72-821 wobble pumps
WSL 72-240, 740 & 743 Range finders (other than U.S. type)
WSL 72-169 75 mm shells H.E.
WSL 72-812 40 mm rounds
WSL 72-391 powder propellant
WSL 72-216, 643, 217 & 265 .303 ammunition
WSL 72-284 Algerine minesweepers
WSL 72-204 & 205 (old and new contracts) Cornell aircraft and spares
WSL 72-265 & 921 (old and new contracts) Harvard aircraft and spares

	191.6

Wrote
HDW

March 29, 1944

MEMORANDUM FOR THE PRESIDENT

In reply to your memorandum of March 16th forwarding letter of February 17th from Madame Chiang to yourself, I am attaching hereto suggested reply for your consideration. The principal reasons for the contents of the suggested reply are given herewith.

1. With regard to the matter of U. S. military expenditures in China, Madame Chiang has really raised two questions. The first is whether China's economy can support as large a program of airfield development as is now contemplated and, secondly, the question of how many U. S. dollars the United States shall pay to acquire the necessary local currency to build these airfields.

2. It is my own feeling that if a collapse of China's economy takes place -- and it is not at all unlikely — it will be due fundamentally to such basic causes as the growing disintegration of the military and political power of the Central Government, the isolation of China from the outside world and the failure of the Central Government to undertake necessary internal reforms. China today is suffering from an acute shortage of goods, particularly capital goods needed to maintain production and distribution; rapidly rising prices; large and constant expansion in note issue resulting from the use of the printing press as the principal means of financing the war; large scale hoarding of commodities; decline in production, and disruption of the already crude means of transportation. At present prices are rising even more rapidly than ever. Prices trebled during last year and in February, 1944, retail prices in the leading cities of Free China were about 300 times their 1937 level, i.e. an increase of nearly 30,000 percent!

   It is because of this general situation that the airfield program, as now contemplated, will have serious economic repercussions. The Army plans to superimpose on this already advanced stage of inflation a program involving the expenditure of CN$4 to 5 billion per month, concentrated in a few localities. At present expenditures of the Chungking Government in all areas total about CN$7 to 8 billion per month, and about CN$5 to 6 billion of the total is financed by note issue. Thus, in order to finance our military program in China, it will be necessary for the Chinese Government nearly to double note issue, thereby considerably increasing the already great inflationary pressure. Therefore, the continuation of large expenditures on the airfield development program for more than a few months will, of necessity, aggravate an already serious situation. It is not impossible that the situation may be so aggravated as to bring about a catastrophic runaway inflation. That the U. S. Army has to pay out these tremendous sums on the construction of a comparatively few airfields is in itself an index of the advanced stage of economic deterioration which China has reached.

Furthermore, there is increasingly prevelant in Chungking Government circles a noticeable tendency to lay the responsibility for inflation on U. S. Army expenditures. The principal reasons for this attitude are probably that the Chinese officialdom wishes to strengthen the bargaining position of China vis-a-vis the United States, and to find a convenient alibi and scapegoat for a situation which the Chinese Government has handled badly.

3. The possible economic consequences of the airfield development program was discussed with General Somervell in conference at my office on March 20, 1944 on China, at which a State Department representative was also present. I was informed by General Somervell that, notwithstanding the possible dire effects on China's economy of our airfield program, strategical requirements necessitated the carrying through of this program. The Army, by deciding to continue without reduction its contemplated program, is of course assuming a grave responsibility which can only be justified by important military considerations.

I would like at this time to repeat what I have said before on numerous occasions — the amount of U. S. dollars which we pay to acquire the local currency needed for this airfield program bears no relation to the inflationary impact of the expenditures of this local currency. Thus, the economic and financial situation in China would not be helped by a U. S. dollar loan or by paying an exorbitant price in U. S. dollars for the local currency required.

4. As for the question of the amount of U. S. dollars to be paid out to obtain the local currency needed for our military program in China, no agreement has yet been reached on the price or on an exchange rate. There have, however, been some significant developments since Madame Chiang wrote to you. The Chinese Government has been advancing us the necessary yuan for the airfield program. Thus, the Chinese agreed to advance 5 billion of yuan to meet United States Army expenditures in China during March. We, in turn, in accord with our understanding with the Chinese to advance $25 million per month to cover Army expenditures in China, have deposited $25 million to the account of the Chinese Government without prejudice to any future agreement on price or exchange rate for local currency. In addition, the Army has arranged to ship $20 million in U. S. currency and to transport $5 million of the $20 million to Chungking to be used by the Chinese Government to help bring down the black market premium on U. S. dollars. The other $15 million will be held in India pending outcome of these experiments on the black market. Funds provided China under this arrangement will be part of the $25 million per month which we have agreed to put up.

5. Madame Chiang in her letter to you also raises the question of a loan. It is noted that Madame Chiang writes that Dr. Kung would be willing to come to the United States if there was tangible possibility of a loan. That the Chinese seem to have given up, at least for the present, the hope of getting a loan is suggested by the fact that the Generalissimo takes for granted that we will not invite Dr. Kung if it is necessary to promise a loan. Instead, as Madame Chiang goes on to say, the Generalissimo would appreciate your sending to China a representative empowered with full authority to consult with his Government on methods for solving of China's critical economic and financial problems.

   If such a mission is to be successful, the representative must have sufficient status to be able to speak frankly and authoritatively with the Generalissimo on what could be done to cope with China's economic and financial problems.

6. General Somervell, in the conference at my office on March 20, 1944 on China, previously referred to, urged me to undertake this mission, on the ground that it was a matter of great importance to our war effort in the Far East. I am inclined to agree with him. Since the purpose would be to discuss financial and economic

matters of considerable importance, I would be glad, if you so wished, to make the trip. If you think this idea a good one, I could plead inability to go until June or July, giving us the advantage of postponing the discussions with the possibility that the situation there will, in the meantime, have so changed as to heighten the possibilities of a successful economic mission.

7. If you agree that I should go, I will be glad to discuss with you what I have in mind could be done to help China out of her present chaotic situation.

HDW/ISF/efs 3/29/44

March 27,1944

Secretary Morgenthau

Mr. White

Subject: Effect on China's economy of U. S. Army expenditures.

1. On March 11 cable was sent to Adler instructing him to send immediately his evaluation of the economic situation in China, with particular reference to the effects of our present and projected military activities. He was asked to comment especially on the relative importance of our military expenditures in bringing about the rapid rise in prices as compared with the other causes of inflation and the imminence of an economic collapse.

2. On March 25 a cable was received from Adler dated March 23, copy of which is attached hereto, replying to our cable. In general Adler takes the position that the economic situation in China is very serious. In 1943 prices trebled, while in 1944 prices are rising even more rapidly. Production is declining and the Chungking Government continues to finance its expenditures largely by the use of the printing press. Adler points out that the basic causes of China's economic difficulties are the growing disintegration of the military and political power of the Central Government, the isolation of China from the outside world and the failure of the Government to make necessary internal reforms.

3. With regard to the effect of the contemplated U. S. Army program, he concludes that while the Chinese economy might be able to stand this extra strain -- and he emphasizes the might -- he feels that it is highly questionable whether we should incur the risk of imposing this strain on her unless the Army has over-riding strategic reasons for doing so. He recommends strongly that the Army should not make plans for further construction projects after June, 1944 which would entail the heavy expenditures which are contemplated for the first half of this year. At present projected expenditures for the three months, April to June, 1944, are CN$12 billion and actually are more likely to exceed CN$15 billion.

4. Thus, Adler's cable bears out our feeling here that although China's economic difficulties are fundamentally

and chiefly caused by factors other than the United States Army military program, and that these would continue to grow even if our military program was sharply curtailed. The decision, however, to carry out our contemplated military program at this stage of economic deterioration will gravely accentuate China's economic difficulties and the Army, by insisting on continuing without reduction its contemplated program is, of course, assuming a grave responsibility which can be justified only by important military considerations.

HDW/ISF/efs 3/29/44

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25

MAR 29 1944

My dear Mr. Secretary:

This is in further reply to your letter of December 31, 1943 and to the letter of Acting Secretary Patterson dated January 25, 1944, regarding War Department contracts and projects in Canada the financial responsibility for which could be taken over by the Canadian Government without hindrance to the war effort.

Discussions with the Canadian Treasury have been completed and the Canadian Government has agreed to include the following measures which involve the War Department.

1. To pay for all construction of a permanent nature on U.S. airfield developments in Canada. These include airfield developments in the Northwest and along the Crimson Route as well as the airfield at Mingan. It involves reimbursements to the United States Government of an estimated $67.5 million — $33.3 million for the airfields in the Northwest, $30 million for the airfields on the Crimson Route and $4.2 million for the airfield at Mingan. The Canadian Government has also agreed to assume the financial responsibility for any further expenditures which have been made but not yet paid for by this Government or which are still to be made in connection with the construction of the airfield developments in the Northwest. Including the newly projected $6 million program and contracts not yet completed, these latter are estimated by the Canadian Government to total $42.1 million. It is expected that the discussions soon to take place between the State Department and the Canadian Government to finalize the figures of costs for the airfields in the Northwest will be extended to cover the airfields on the Crimson Route and at Mingan.

2. To accept full responsibility for the cost of construction of that part of the telephone line from Edmonton to Fairbanks which is in Canada. The Department of Transport is prepared to reimburse the War Department for its expenditures of $9.3 million as soon as the appropriate accounts are received.

3. To make immediate payment for American tanks transferred by the British to the Canadian Army for use in Europe. Mr. Clark reports that this would amount to about $140 million including freight costs. They desire to make an immediate payment of this amount leaving the final adjustment to be made upon presentation of the bills.

4. To take over the uncompleted portion of the following War Department contracts with War Supplies Limited:

		Canadian-reported undelivered value as of Feb.29, 1944
WSL 72-722	— 6 pdr. APC BC	$20,685,008.00
WSL 72-888	— AS-48 cable	101,174.24
WSL 72-659	— Link spares	209,242.25
WSL 72-450	— Fuel pumps	53,288.73
WSL 72-157	— Propeller assemblies	142,600.00
WSL 72-377	— Link trainers (spares only to ship)	126,000.00
		$21,317,313.22

The Department of Munitions and Supply are to discuss the transfer of these contracts with the appropriate officials of the War Department. Dr. Clark, Deputy Minister of Finance for Canada, reports that the Aircraft Production Branch of the Department of Munitions and Supply requests that contract WSL 72-157 be handled in such a way as to permit the contractor to retain the benefit of technical services now being provided by the U.S. Army Air Forces. The Department of Munitions and Supply further requests that cancellations of the above contracts with War Supplies Limited be put into effect on a date which would give approximately one week's notice of the change-over, so that arrangements can be made with the manufacturers concerned to ship and bill to the proper accounts, and also to enable the Canadian Mutual Aid Board to prepare and file the necessary requisitions to replace those which will be cancelled by War Supplies Limited.

Dr. Clark informs us that the other War Department contracts suggested by this Government as eligible for cancellation have been handled in the following manner:

a. Contracts involving $20.5 million on basis of U.S. figures have been completed or transferred to the Canadian Government. These include:

WSL 72-458 — 20mm discs
WSL 72-796 — Pump assemblies
WSL 72-821 — Wobble pumps
Various — Range finders (other than U.S. type)

b. Contracts involving $14.4 million on basis of U.S. figures have been cancelled and action has been taken to stop production. These contracts include:

WSL 72-169 — 75mm shells only
WSL 72-812 — 40mm rounds
WSL 72-391 — Propellant powder
Various — .303 ammunition

e. Contracts involving $13 million on the basis of U.S. figures and with an undelivered value as of February 29, 1944 of $640 thousand according to Canadian figures, will be completed either in March or in April. The Department of Munitions and Supply people feel that the transfer of these contracts would require an amount of paper and administrative work out of all proportion to the financial considerations involved and, accordingly, recommended that the request for their transfer be dropped. These contracts include:

	To be Completed	Canadian-reported undelivered value Feb. 29, 1944
WSL 72-235 — 6-pdr. practice shot	March 1944	$269,572.80
WSL 72-28 — .55 ammunition	" "	209,105
WSL 72-402 — #19 radio installation kits	" "	51,925
WSL 72-491 — Range finder pressings	" "	25,000 (approx.)
WSL 72-116 — Universal bomb racks	" "	27,730
WSL 72-501 — Chore horse generator spares	" "	33,445.21
WSL 72-810 — Wooden propellers	April 1944	23,458.73
		$640,236.74

The suggestion that Canada reimburse us for the $5.6 million expended on the contruction of terminal facilities at Dawson Creek was not favorably received by the Canadian Government and at their request this item was dropped from the program.

It is our understanding that the negotiations necessary to the carrying out of the program agreed upon with the Canadian Treasury will be conducted between the appropriate Canadian Government agency and the appropriate U.S. Government agency, in the case of the above items the War Department. I assume that in each case the agency conducting the negotiations with the Canadian Government will clear the matter with all other agencies having an interest in it.

In order to enable us to complete our records, I should appreciate being kept informed of the progress of negotiations with the Canadian Government and of being notified when the program, so far as concerns the War Department, is completed.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of War.

E:rl
3/24/44

25 MAR 29 1944

My dear Mr. Secretary:

This is in further reply to your letter of January 2, 1944 regarding Navy Department contracts and projects in Canada the financial responsibility for which could be taken over by the Canadian Government without hindrance to the war effort.

Discussions with the Canadian Treasury have been completed and the Canadian Government has agreed, among other things, to assume the financial responsibility for the contracts for PB2B airplanes which the Navy Department has placed in Canada. The Aircraft Production Branch of the Canadian Department of Munitions and Supply is to discuss with the Navy Department the revision of these contracts so as to provide for (1) the reimbursement of the Navy Department for expenditures already made, estimated to amount to approximately $22 million, (2) the assumption by the Canadian Government of the responsibility for payments still due on these contracts, estimated by them to amount to about $41 million, and (3) the continuance by the Navy Department of various engineering and technical services which are called for in the existing contracts and which are necessary to their completion. This last item includes the provision of equipment by the United States Government.

It is our understanding that the negotiations necessary to the carrying out of the program agreed upon with the Canadian Treasury will be conducted between the appropriate Canadian Government agency and the appropriate U.S. Government agency, in the case of the contracts for PB2B airplanes the Navy Department. I assume that in each case the agency conducting the negotiations with the Canadian Government will clear the matter with all other agencies having an interest in it.

In order to enable us to complete our records, I should appreciate being kept informed of the progress of negotiations with the Canadian Government and of being notified when the program, so far as it concerns the Navy Department, is completed.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of Navy.

TMK:rl 3/23/44

25 MAR 29 1944

Dear Mr. Crowley:

This is in further reply to your letter of December 30, 1943 regarding contracts and other arrangements between Foreign Economic Administration and Canada, the financial responsibility for which could be taken over by the Canadian Government without hindrance to the war effort.

Discussions with the Canadian Treasury have been completed and the Canadian Government has agreed to include the following measures which are of interest to Foreign Economic Administration.

A. To reimburse us for goods shipped to Canada on Canex account. These shipments are estimated by the Canadian Department of Munitions and Supplies to total $38.8 million. The Canadian Treasury would like to make an immediate payment of $38 million on account, leaving the remainder to be settled upon the final presentation of bills.

B. To make an immediate payment of $20 million on account for Canpay shipments. Dr. Clark, Deputy Minister of Finance for Canada, is uncertain of the exact amount still due. He now estimates it at $15-$20 million instead of $47 million, the figure he had given us earlier.

C. To pay for the refining and distribution costs of the gasoline used to meet the British commitment in connection with the Empire Air Training Plan. Dr. Clark informs us that this is already being done. The annual cost is estimated at $15 million. So far as concerns the crude petroleum used to meet this commitment, the Canadians suggest that this is a matter which concerns the United Kingdom and accordingly should be discussed with the British. We told them that your agency would be the appropriate one to do so. The amount involved is estimated to be $9 million annually.

D. Elimination of Canadian participation in the contracts for the purchase of New Caledonia nickel. This is estimated by the Canadian Government to involve an annual loss of dollar exchange receipts to Canada of $2.5 million.

E. To reimburse the Metals Reserve Company for the unliquidated portion of the $1,311 thousand of capital advances and for the estimated $1.9 million of subsidy payments made by the Metals Reserve Company under a master agreement with War Supplies Limited for the operation of certain marginal mines in Canada and to assume all future capital obligations and operating aspects of the agreement covering these mines.

According to Dr. Clark, the negotiations providing for repayment of capital advances are now in process between Metals Reserve people and the Canadian Metals Control. It is expected that these discussions will be broadened to cover reimbursement for subsidy payments already made as well as the question of the possible cancellation of the contracts.

So far as concerns the Falconbridge Nickel Contract, the Canadian Government prefers not to take it over and at their request this item was dropped from the program.

It is our understanding that the negotiations necessary to the carrying out of the program agreed upon with the Canadian Treasury will be conducted between the appropriate Canadian Government agency and the appropriate U.S. Government agency, in the case of the first three items listed above, the Foreign Economic Administration. I assume that in each case the agency conducting the negotiations with the Canadian Government will clear the matter with all other agencies having an interest in it.

I have written to Secretary Jones informing him of the outcome of our discussions with the Canadian Treasury.

In order to enable us to complete our records, I should appreciate being kept informed of the progress of the negotiations and of being notified when the program, so far as it concerns Foreign Economic Administration, is completed.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Leo T. Crowley, Administrator,
Foreign Economic Administration,
Room 414,
National Press Building,
14th & F Streets, N.W.,
Washington, D.C.

TMK:rl 3/24/44

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MAR 29 1944

My dear Mr. Secretary:

This is in further reply to your letter of January 13, 1944 in regard to contracts which the Reconstruction Finance Corporation and its subsidiaries have placed in Canada and which could be cancelled and transferred to the Canadian Government without hindrance to the war effort.

Discussions with the Canadian Treasury have been completed and the Canadian Government has agreed to include the following two measures which are of interest to the Reconstruction Finance Corporation and its subsidiaries.

A. Elimination of Canadian participation in the contracts for the purchase of New Caledonia nickel. This is estimated by the Canadian Government to involve an annual loss of dollar exchange receipts to Canada of $2.5 million.

B. Reimbursement of the Metals Reserve Company for the unliquidated portion of the $1,311 thousand of capital advances and for the estimated $1.9 million of subsidy payments made by the Metals Reserve Company under a master agreement with War Supplies Limited for the operation of certain marginal mines in Canada and assumption of all future capital obligations and operating aspects of the agreement covering these mines. According to Dr. Clark, Deputy Minister of Finance for Canada, the negotiations providing for repayment of capital advances are now in process between the Metals Reserve Company and the Canadian Metals Control. It is expected that these discussions will be broadened to cover reimbursement for subsidy payments.

Dr. Clark believes that the Canadian Metals Control will probably want to cancel the contracts covering the marginal mines. If they decide to do so, they will discuss the question with the Metals Reserve Company.

I note your statement that all of your Canadian agreements were made on the recommendation of the War Production Board and that before any of them are actually terminated or transferred to the Canadian Government the matter should probably be cleared with that agency. I assume that in each case the agency conducting the negotiations with the Canadian Government will clear the matter with all other agencies having an interest in it. It is our understanding that these discussions will be conducted between the appropriate Canadian Government agency and the appropriate U.S. Government agency, in the case of the metals contract the Metals Reserve Company.

I have written to Mr. Crowley informing him of the outcome of our discussions with the Canadian Treasury.

In order to enable us to complete our records, I should appreciate being kept informed of the progress of these negotiations and of being notified when the program, so far as it concerns the Reconstruction Finance Corporation, is completed.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Jesse Jones,
Secretary of Commerce,
811 Vermont Avenue,
Room 1215,
Washington, D.C.

TMK:rl 3/23/44

SECRET

Paraphrase of message No. CFB 15326, 27 March 1944, Corrected Copy, to General Somervell from General Stillwell.

We are now hopping that the Chinese may take a more realistic attitude on money matters, provided we can save their faces. The GMO is pressing Kung to effect agreement although mention of the phrase "exchange rate" sends the GMO into a tailspin. We would like to have permission to explore the possibilities of the following plan, the only one which has a chance of success at the present time.

That the Chinese continue to advance CN to U.S. Army according to our needs and their ability. At the beginning of each three-month period, the U.S. to decide on a sum of U.S. dollars which will be advanced to the Chinese during the period. For the next three-month period this sum to be figured between 100 and 200, probably between 125 and 165, U.S. requirements in CN to be kept secret, while the Chinese may publicize our "contribution" if they think wise for stabilization purposes. The rate of exchange will not come into the transaction, and the decision on final benefit derived by the Chinese and U.S. respectively will be left to post war negotiation.

We think that the "tri-monthly ratio" between the two contributions will become the de facto rate of final settlement, since post war stabilization of rate must certainly be at a much lower figure. To raise a portion of their contribution to U.S. in the least inflationary manner the Chinese to be urged to sell gold and U.S. dollars on joint account. This procedure is preferable to our sale on our own account since the sales will probably produce only 20% of our requirement. We fully realize the disadvantage of post war negotiation on final rate, but think that the dangers are more imaginary than real. The proposal has tremendous face saving advantage for GMO. The Ambassador and Adler have seen this cable and indorse the scheme, and request copies of this telegram to be furnished State and Treasury Departments.

We request no action be taken in Washington on our radio CFBX 15225, dated 24 March until initial steps in present negotiations are concluded.

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SECRET

MAR 29 1944

MEMORANDUM TO THE PRESIDENT

On March 2, 1943, you approved the recommendation of an interdepartmental committee that appropriate action be taken to maintain Canada's gold and U.S. dollar balances at not less than about $300 million and not more than about $350 million.

Discussions were immediately undertaken with the appropriate U.S. agencies and Canadian officials to implement this decision. In pursuance of the arrangement, $107 million of U.S. Government contracts in Canada were cancelled in September 1943. However, despite these cancellations Canadian dollar balances continued to rise and in December the question of taking additional measures to bring them into line with the above decision was opened with the Canadian Treasury and appropriate U.S. Government agencies.

As a result of these discussions, the Canadian Government has agreed to measures which will reduce her current gold and dollar holdings by about $300 million and her future dollar exchange receipts by about $190 million, as follows:

1. To assume all of the cost of the permanent airfield developments constructed by the U.S. Army in Canada. This will involve reimbursements to the U.S. Government of $67.5 million and the assumption of additional expenditures of $42.1 million.

2. To reimburse U.S. for goods received under "Canex" requisitions. These are estimated to amount to $38.8 million and represent goods lend-leased to the United Kingdom but made available to Canada for its own use in exchange for expenditures incurred by it in the United States for materials used in production on British account.

3. To take over the Navy contract for PB2B aircraft which involves reimbursement to us of $22 million and assumption of future outlays of $41 million.

4. To terminate or assume War and Navy Department contracts for munitions with an undelivered value of $91 million. This will reduce Canada's future dollar exchange receipts by this amount.

5. To make an immediate payment of $160 million for goods purchased from U.S.--$140 million for tanks purchased in the United Kingdom for use of the Canadian Army in Europe and $20 million on account for goods imported from the United States under cash reimbursable lend-lease.

6. To assume the costs of other projects previously financed by U.S. and to eliminate Canadian participation in the purchase contracts for New Caledonia nickel. These involve reimbursements to U.S. of $12.5 million and an annual loss of dollar exchange to Canada of $17.5 million.

Excluding the $126 million of dollar balances representing net proceeds from security sales to U.S., the above measures will reduce Canada's gold and dollar balances as of the end of February 1944 from $650 million to $350 million.

The Canadian Government has undertaken to put these measures into effect as quickly as possible. When the program is completed the only outstanding U.S. Government contracts in Canada will be those continued or placed for other than financial considerations. In view of this fact and of the favorable outlook for Canada's dollar exchange position during the foreseeable future, it is agreed by the two Treasuries that there is no need to continue the arrangement under which their Governments undertook to take appropriate measures to maintain Canada's dollar balances within the limits of $300-$350 million.

There are attached a copy of the schedule setting forth the agreed-upon program and a copy of the exchange of correspondence between myself and Mr. Ilsley, Minister of Finance for Canada.

(Signed) H. Morgenthau, Jr.

TMK:MAB:rl 3/29/44

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25

MAR 29 1944

Dear Mr. Ilsley,

Receipt is acknowledged of your letter of March 24, 1944, regarding Canada's holdings of United States dollar exchange. The views expressed in your letter are in accordance with our understanding of the agreement we have reached.

The atmosphere of cooperation and understanding in which these arrangements have been conducted is, for me, a source of genuine satisfaction.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable J. L. Ilsley,
Minister of Finance,
Ottawa, Canada.

TMK:rl 3/28/44

OTTAWA, March 24 1944.

Hon. Henry L. Morgenthau,
Secretary of the Treasury,
WASHINGTON, D.C.

Dear Mr. Morgenthau:

During the last few weeks discussions between yourself and myself and our officials have been taking place on the subject of Canada's holdings of United States dollar exchange.

Last year, in keeping with the principles and the spirit of the Hyde Park Declaration, we had reached an understanding to the effect that the United States would follow a program of procurement of war supplies such as to prevent our holdings of gold and U. S. dollar balances from falling below an agreed minimum and that Canada would take appropriate action if our holdings of these reserves tended to rise above an agreed maximum.

Unanticipated developments during 1943 served to increase our available supply of U. S. exchange beyond expectation. We have therefore now agreed upon a program intended to reduce our balances to the agreed range and, in accordance with our recent conversations, we undertake to put this program into effect as quickly as practicable.

Accordingly, in view of this agreement there is no further need for the continuance of last year's arrangement and Canada and the United States are mutually released from the obligations assumed under such arrangement. As applied to Canada this means that Canada will be free to maintain, build up, or deal with its reserves as it sees fit.

If the above is in accordance with your understanding of the agreement which has been arrived at, I should be glad to have your confirmation.

May I express my appreciation of the understanding of our position which you have always shown and of the spirit of co-operation and good-will which you have manifested in seeking to achieve the objectives of the Hyde Park Declaration and in the conduct of our recent negotiations.

Yours sincerely,

SECRET.

CHEDULE COVERING AGREED PROGRAM REFERRED TO IN LETTER
FROM
HON. J. L. ILSLEY, CANADIAN MINISTER OF FINANCE,
TO
M. HENRY L. MORGENTHAU, SECRETARY OF THE U.S. TREASURY,
DATED MARCH 24, 1944.

I. URES WHICH WILL REDUCE CANADA'S HOLDINGS OF U.S. DOLLAR BALANCES.

	Estimated Amount (Millions of Dollars)
1. Payment to F.E.A. for imports of war supplies under Canex Requisitions	38.8
2. Payment to Metals Reserve Company to recoup capital advances and price subsidies made by that Company for development of certain marginal metal mining properties in Canada under the terms of an agreement with War Supplies Limited	3.2
3. Payment for costs incurred by U. S. Army in connection with construction of permanent improvements to following airfields in Canada:	
(a) Airfields on the Northwest Staging Route, landing strips along the Canol Pipe Line and other airfields, landing strips and permanent air route facilities constructed by U.S. in Northwest Canada	33.3
(b) Airfields on the Crimson Route in Central Northeast Canada	30.0
(c) Airfield at Mingan, Quebec	4.2
4. Payment for costs incurred by U.S. Army for construction of that part of the telephone line from Edmonton to Fairbanks which is in Canadian territory	9.3
5. Reimbursement for progress payments made by U.S. Navy for production of PB2B1 aircraft	22.0
6. Payment in U.S. dollars for U.S. tanks purchased in the United Kingdom for use of the Canadian Army in Europe	140.0
7. Further payment on account in respect of imports under Canpay requisitions	20.0
	300.8

[...]ES WHICH WILL REDUCE CANADA'S FUTURE RECEIPTS OF U.S. DOLLARS.

	Estimated Amount (Millions of Dollars)
[1.] Amendment of U.S. Navy contract for PB2B1 aircraft so as to provide for assumption by Canada of financial responsibility to Boeing Aircraft of Canada Limited	41.0
[2.] Assumption by Canada of expenditure incurred on U.S. account for construction of permanent improvements to airfields in Canada and at Goose Bay, Labrador (including newly projected $6 million program and contracts not yet completed 7.4 on Northwest Staging Route)	42.1
3. Assumption by Canada of refining and distribution costs of gasoline used to meet British commitment in connection with Air Training Plan in Canada	15.0 (annually)
4. Elimination of Canadian participation in contracts for purchase of New Caledonian nickel	2.5 (annually)
5. Contracts between War or Navy Department and War Supplies Limited terminated and/or cancelled after December 1, 1943, or to be terminated and/or cancelled. Undelivered value as estimated by Canadian Department of Munitions and Supply:	91.0

WSL 72-722 6 pdr. APC BC
WSL 72-888 AS - 48 cable
WSL 72-659 link spares
WSL 72-450 fuel pumps
WSL 72-157 propeller assemblies
WSL 72-377 link trainers
WSL 72-458 20 mm discs
WSL 72-798 pump assemblies
WSL 72-821 wobble pumps
WSL 72-240, 740 & 743 Range finders (other than U.S. type)
WSL 72-169 75 mm shells H.E.
WSL 72-812 40 mm rounds
WSL 72-391 powder propellant
WSL 72-216, 643, 217 & 265 .303 ammunition
WSL 72-284 Algerine minesweepers
WSL 72-204 & 205 (old and new contracts) Cornell aircraft and spares
WSL 72-265 & 921 (old and new contracts) Harvard aircraft and spares

	191.6

MAR 29 1944

My dear Mr. Secretary:

I am enclosing a copy of the correspondence between Mr. Ilsley, Canadian Minister of Finance, and myself, incorporating the agreement on Canada's dollar balances and a copy of the schedule listing the measures which the Canadian Government has greed to take to implement this agreement.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of State.

Enclosures

MAB:rl 3/28/44

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OTTAWA, March 24 1944.

Hon. Henry L. Morgenthau,
Secretary of the Treasury,
WASHINGTON, D.C.

Dear Mr. Morgenthau:

During the last few weeks discussions between yourself and myself and our officials have been taking place on the subject of Canada's holdings of United States dollar exchange.

Last year, in keeping with the principles and the spirit of the Hyde Park Declaration, we had reached an understanding to the effect that the United States would follow a program of procurement of war supplies such as to prevent our holdings of gold and U. S. dollar balances from falling below an agreed minimum and that Canada would take appropriate action if our holdings of these reserves tended to rise above an agreed maximum.

Unanticipated developments during 1943 served to increase our available supply of U. S. exchange beyond expectation. We have therefore now agreed upon a program intended to reduce our balances to the agreed range and, in accordance with our recent conversations, we undertake to put this program into effect as quickly as practicable.

Accordingly, in view of this agreement there is no further need for the continuance of last year's arrangement and Canada and the United States are mutually released from the obligations assumed under such arrangement. As applied to Canada this means that Canada will be free to maintain, build up, or deal with its reserves as it sees fit.

If the above is in accordance with your understanding of the agreement which has been arrived at, I should be glad to have your confirmation.

May I express my appreciation of the understanding of our position which you have always shown and of the spirit of co-operation and good-will which you have manifested in seeking to achieve the objectives of the Hyde Park Declaration and in the conduct of our recent negotiations.

Yours sincerely,

H L Ilsley

SCHEDULE COVERING AGREED PROGRAM REFERRED TO IN LETTER
FROM
HON. J. L. ILSLEY, CANADIAN MINISTER OF FINANCE,
TO
MR. HENRY L. MORGENTHAU, SECRETARY OF THE U.S. TREASURY,
DATED MARCH 24, 1944.

MEASURES WHICH WILL REDUCE CANADA'S HOLDINGS OF U.S. DOLLAR BALANCES.

	Estimated Amount (Millions of Dollars)
1. Payment to F.E.A. for imports of war supplies under Canex Requisitions	38.8
2. Payment to Metals Reserve Company to recoup capital advances and price subsidies made by that Company for development of certain marginal metal mining properties in Canada under the terms of an agreement with War Supplies Limited	3.2
3. Payment for costs incurred by U. S. Army in connection with construction of permanent improvements to following airfields in Canada:	
(a) Airfields on the Northwest Staging Route, landing strips along the Canol Pipe Line and other airfields, landing strips and permanent air route facilities constructed by U.S. in Northwest Canada	33.3
(b) Airfields on the Crimson Route in Central Northeast Canada	30.0
(c) Airfield at Mingan, Quebec	4.2
4. Payment for costs incurred by U.S. Army for construction of that part of the telephone line from Edmonton to Fairbanks which is in Canadian territory	9.3
5. Reimbursement for progress payments made by U.S. Navy for production of PB2B1 aircraft	22.0
6. Payment in U.S. dollars for U.S. tanks purchased in the United Kingdom for use of the Canadian Army in Europe	140.0
7. Further payment on account in respect of imports under Canpay requisitions	20.0
	300.8

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...RES WHICH WILL REDUCE CANADA'S FUTURE RECEIPTS OF U.S. DOLLARS.

	Estimated Amount (Millions of Dollars)
1 Amendment of U.S. Navy contract for PB2B1 aircraft so as to provide for assumption by Canada of financial responsibility to Boeing Aircraft of Canada Limited	41.0
2. Assumption by Canada of expenditure incurred on U.S. account for construction of permanent improvements to airfields in Canada and at Goose Bay, Labrador (including newly projected $6 million program and contracts not yet completed on Northwest Staging Route)	42.1
3. Assumption by Canada of refining and distribution costs of gasoline used to meet British commitment in connection with Air Training Plan in Canada	15.0 (annually)
4. Elimination of Canadian participation in contracts for purchase of New Caledonian nickel	2.6 (annually)
5. Contracts between War or Navy Department and War Supplies Limited terminated and/or cancelled after December 1, 1943, or to be terminated and/or cancelled. Undelivered value as estimated by Canadian Department of Munitions and Supply:	91.0

WSL 72-722 6 pdr. APC BC
WSL 72-888 AS - 48 cable
WSL 72-659 link spares
WSL 72-450 fuel pumps
WSL 72-157 propeller assemblies
WSL 72-377 link trainers
WSL 72-458 20 mm discs
WSL 72-796 pump assemblies
WSL 72-821 wobble pumps
WSL 72-240, 740 & 743 Range finders (other than U.S. type)
WSL 72-169 75 mm shells H.E.
WSL 72-812 40 mm rounds
WSL 72-391 powder propellant
WSL 72-216, 645, 217 & 265 .303 ammunition
WSL 72-284 Algerine minesweepers
WSL 72-204 & 205 (old and new contracts) Cornell aircraft and spares
WSL 72-265 & 921 (old and new contracts) Harvard aircraft and spares

Total: 191.6

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March 29, 1944
4:19 p.m.

HMJr: I'm fine. I feel like the forgotten man.

Grace Tully: (Laughs) Why?

HMJr: Well, twenty-four hours have gone and I figure there are only twenty-four hours left.

T: (Laughs) About the appointment?

HMJr: Yeah.

T: Well, I don't know just at the moment when we can make it.

HMJr: Have you tried?

T: Uh -- I saw the Boss earlier and he didn't know just then and I may see him again this afternoon.

HMJr: Yeah.

White House Operator: Excuse me. Can I break in here just a minute?

HMJr: Yes.

T: Yes.

Operator: Mr. Secretary, I have to break in for the President. Just a minute.

4:21 p.m.

Grace Tully: Hello. Sorry, Mr. Secretary, but that was the Boss.

HMJr: Well, it's all right.

T: (Laughs)

HMJr: That gave you a chance to ask him for me.

T: Yeah. That will give me a chance. I'm going over now.

HMJr:	Oh, good.
T:	Yeah.
HMJr:	Good.
T:	So, I'll let you know just as soon as I have returned.
HMJr:	Yeah.
T:	All right, fine, sir.
HMJr:	I take it I've still got about twenty-four hours, haven't I?
T:	You might have that, or more.
HMJr:	Oh.
T:	Uh huh.
HMJr:	Oh. Well, anyway, do your best.
T:	Yes, sir, I will and I'll let you know.
HMJr:	Thank you.
T:	Right. Uh huh.

Franklin Heffelfinger 120 [illegible]

Actual Receipts and Expenditures for Fiscal Years 1938 to 1943, inclusive, and Estimates for Fiscal Years 1944 and 1945 1/

(In millions of dollars)

General and Special Accounts	Estimated 1945	Estimated 1944	1943	1942	1941	1940	1939	1938
Receipts:								
Internal revenue:								
Income tax	33,336	32,970	16,094	7,960	3,470	2,125	2,189	2,640
Miscellaneous internal revenue	6,742	5,422	4,553	3,847	2,967	2,345	2,232	2,279
Social security taxes:								
Employment taxes	1,605	1,250	1,130	896	691	605	530	514
Tax on employees of 8 or more	200	188	158	120	98	108	101	90
Taxes upon carriers and their employees	273	265	209	170	137	121	109	150
Railroad unemployment insurance contributions	13	12	10	8	7	5	-	-
Customs	438	420	324	389	392	349	319	359
Miscellaneous receipts	2,037	2,443	906	277	508	268	188	208
Total receipts	44,644	42,970	23,385	13,668	8,269	5,925	5,668	6,242
Deduct:								
Net appropriation to Federal old-age and survivors insurance trust fund	1,574	1,220	1,103	869	661	538	503	387
Net receipts 2/	43,070	41,750	22,282	12,799	7,607	5,387	5,165	5,855
Expenditures:								
War activities:								
War Department	47,600	48,800	42,265	14,070	3,678	667	490	432
Navy Department	28,500	27,000	20,888	8,580	2,313	891	673	596
United States Maritime Commission	4,700	4,500	2,776	929	51	99	44	1
War Shipping Administration	1,900	1,900	1,105	132	-	-	-	-
Agriculture Department	2,500	2,300	2,011	696	3	-	-	-
Treasury Department	1,200	1,200	1,201	519	24	-	-	-
Other	3/ 1,800	3/2,800	1,863	1,084	232	-	-	-
Sub-total	88,200	5/ 88,500	72,109	26,011	6,301	1,657	1,206	1,029
Interest on the public debt	3,750	2,650	1,808	1,260	1,111	1,041	941	926
General (including revolving funds and transfers to trust accounts):								
Agriculture Department	651	896	1,168	1,233	945	1,571	1,242	867
Federal Security Agency	545	545	573	799	836	805	758	717
Federal Works Agency	125	222	447	1,136	1,654	2,065	2,827	1,885
Interior Department:								
Reclamation projects	59	76	69	91	86	96	79	65
Other	85	89	86	111	108	111	134	100
Post Office Department (deficiency, etc.)	-	13	9	18	30	42	40	47
Railroad Retirement Board:								
Railroad Retirement Account (transfer to trust accounts)	275	297	215	141	124	121	107	146
Other	14	17	14	14	15	8	3	a/ 1
River and harbor work and flood control	162	189	201	191	219	213	193	199
Tennessee Valley Authority	26	77	111	127	51	39	41	42
Treasury Department:								
Refunds of taxes and duties	1,799	411	79	94	90	91	68	100
Other	342	290	225	159	147	177	176	168
Veterans' Administration:								
Adjusted service certificate fund (transfer to trust accounts)	9	-	-	-	10	-	-	-
National service life insurance fund (transfer to trust accounts)	500	250	30	1	-	-	-	-
Other	758	623	572	555	553	557	557	582
Government employees' retirement funds - U. S. share (transfer to trust accounts)	197	177	107	103	93	87	75	73
Other departments and establishments	4/ 457	4/ 629	357	353	340	317	260	293
Sub-total	6,004	4,801	4,262	5,125	5,299	6,300	6,560	5,284
Total expenditures, excluding debt retirement	97,954	95,951	78,179	32,397	12,711	8,998	8,707	7,239
Excess of expenditures over receipts	54,884	5/54,201	55,897	19,598	5,103	3,611	3,542	1,384

Note:- Classifications are on the basis of present location of activities and functions. Figures are rounded to nearest million and will not necessarily add to totals.

a/ Excess of credits, deduct.

1/ Estimates on basis of 1945 Budget.
2/ Estimated receipts show the effect of the Revenue Act of 1943. Net receipts are $2,301 millions greater in 1945 and $564 millions greater in 1944 than Budget estimates.
3/ Includes anticipated supplemental appropriations of $650 millions for 1945 and $800 millions for 1944.
4/ Includes anticipated supplemental appropriations of $45 millions for 1945 and $170 millions for 1944.
5/ For cash financing purposes the Treasury estimates for 1944 that war expenditures will be about $2,800 millions less than Budget estimates, resulting in a corresponding reduction in the estimated deficit.

Summary of Expenditures of the Department of Agriculture for the Fiscal Years 1938-1943, and Estimates for 1944 and 1945.

(In millions of dollars)

	Budget Estimates		Actual					
	1945	1944	1943	1942	1941	1940	1939	1938
Farm Credit Administration:								
Banks for cooperatives - capital stock	-	-	28	55	a/ 60	-	3	6
Federal intermediate credit banks - capital stock	-	-	-	-	a/ 40	-	-	-
Production credit corporations - capital stock	-	-	-	15	a/ 15	-	-	-
Crop loans, etc.	a/ 4	a/ 24	41	2	a/ 1	a/ 1	a/7	a/10
Farm Tenant Act	-	-	4	6	28	41	27	3
Federal Farm Mortgage Corporation:								
Capital stock	-	-	-	-	a/100	-	-	-
Reduction in interest rates on mortgages	-	7	9	10	9	7	8	6
Federal land banks:								
Capital stock	-	-	54	-	a/ 57	-	-	3
Reduction in interest rates on mortgages	-	22	24	27	28	29	31	32
Subscriptions to paid-in surplus	-	-	a/ 4	-	a/ 42	1	12	33
Forest roads and trails	5	6	5	8	8	12	14	13
Rural Electrification Administration:								
Loans	30	1	1	5	21	35	36	14
Other	3	2	3	4	4	3	2	1
War Food Administration:								
Agricultural Marketing Administration:								
Surplus marketing	7	6	-	4	53	91	77	23
Surplus commodity stamp program	-	-	71	126	91	18	-	-
Farm Security Administration	30	38	45	60	62	159	184	180
Soil Conservation and Domestic Allotment Act	265	350	458	474	465	605	478	304
Other:								
Administration of Sugar Act of 1937	53	53	47	39	50	49	62	6
Agricultural Adjustment Act of Aug. 24, 1935	72	91	55	61	97	34	133	15
Commodity Credit Corporation, restoration of capital impairment	-	-	-	2	-	120	-	94
Federal Crop Insurance Act:								
Administrative expenses	1	1	5	7	5	3	3	-
Subscriptions to capital stock	-	5	15	6	6	3	5	-
Price Adjustment Act of 1938 and parity payments	9	160	203	197	198	215	20	-
Other	92	90	a/ 18	2	2	2	8	14
Regular departmental expenditures	1/88	1/ 87	122	124	129	146	147	128
Foreign war and refugee relief	-	-	-	-	5	-	-	-
Sub-total	651	896	1,168	1,233	945	1,571	1,242	867
Add back non-recurring credit	-	-	-	-	2/ 315	-	-	-
Total	651	896	1,168	1,233	1,260	1,571	1,242	867

a/ Excess of credits, deduct.

1/ Excludes certain functions transferred to War Food Administration.
2/ Represents payments into the Treasury of capital and surplus of certain agricultural corporations, of which $70 millions was resubscribed in 1942 and $99 millions was resubscribed in 1943.

Major Public Works Activities

(In millions of dollars)

	Budget Estimates 1945	Budget Estimates 1944	Actual 1943	Actual 1942	Actual 1941	Actual 1940	Actual 1939	Actual 1938
General:								
Federal Works Agency:								
Public Buildings Administration:								
Construction	2.7	12.2	13.9	33.8	51.7	58.1	51.4	76.7
Other	44.5	44.5	34.1	26.6	17.0	16.9	14.8	14.8
Public Roads Administration	3/ 77.1	2/ 126.6	1/ 129.3	152.6	174.1	164.5	191.0	223.4
Public Works Administration:								
Administrative expenses	.4	.3	.1	.5	3.7	17.9	23.4	15.1
Grants (Act of June 21, 1938)	-	18.5	13.1	27.7	98.8	248.7	265.0	-
Loans (Act of June 21, 1938)	-	-	-	.3	1.0	21.8	18.7	-
Revolving Fund:								
Loans and grants to States, etc.	-	9.4	a/ 1.4	11.3	22.8	59.4	100.8	136.9
Loans to railroads	-	-	-	-	-	-	-	a/ 3.3
Other	-	7.0	.9	.5	.4	.1	-	-
Work Projects Administration	-	2.6	299.0	882.4	1,284.6	1,477.5	2,161.5	1,421.3
Interior Department:								
Reclamation projects	55.2	72.3	68.6	91.4	85.6	96.4	79.3	65.4
River and harbor work and flood control	161.6	187.8	201.2	190.5	218.5	212.9	193.0	198.6
National Housing Agency:								
Federal Housing Administration:								
Administrative expenses, etc.	*	3.0	3.5	6.0	10.2	7.0	9.1	11.7
Federal Public Housing Authority	10.9	11.2	9.7	10.1	6.0	1.9	8.6	20.7
Other	.6	.6	1.3	1.5	1.3	1.2	1.1	1.3
Tennessee Valley Authority	26.0	77.0	111.5	127.0	51.2	39.1	40.8	42.0
Veterans' Administration, hospital facilities, etc.	6/ 44.6	8.1	2.7	4.0	3.4	6.0	6.6	9.3
Total, General	423.6	581.1	887.5	1,566.2	2,030.3	2,429.4	3,165.1	2,233.9
War Activities:								
Federal Works Agency:								
Public Roads Administration	85.7	120.6	96.3	15.5	-	-	-	-
Public Works (community facilities)	4/ 139.5	130.0	114.4	34.1	-	-	-	-
Other (Public Buildings Administration)	1.4	4.7	4.5	12.0	-	-	-	-
National Housing Agency	50.0	5/ 507.5	607.6	297.0	42.0	-	-	-
Total, War Activities	276.6	762.8	822.8	358.6	42.0	-	-	-

* Less than $100,000.

a/ Excess of credits, deduct.

1/ Includes $42.4 millions work performed for the War Department.
2/ Includes $49.0 millions work performed for the War Department.
3/ Includes $4.4 millions work performed for the War Department.
4/ Includes $127.5 supplemental appropriation pending in First Deficiency Act, 1944.
5/ Includes $7.5 supplemental appropriation pending in First Deficiency Act, 1944.
6/ Includes $30.0 supplemental appropriation pending in First Deficiency Act, 1944.

Details of "Other Departments and Establishments"

(In millions of dollars)

	Estimated 1945	Estimated 1944	1943	1942	1941	1940	1939	1938
Commerce Department:								
Civil Aeronautics Authority	42	87	33	29	27	24	18	10
Reconstruction Finance Corporation:								
Disaster Loan Corporation - capital stock	-	-	-	-	-	6	8	4
Other (payment of interest to Treasury under notes cancelled pursuant to Act of February 24, 1938)	-	-	-	-	-	-	-	3
Other (Census Bureau and other departmental activities	35	32	29	31	45	43	25	23
District of Columbia (U. S. share)	6	6	6	6	6	6	5	5
Executive Office (White House Office, Budget Bureau, etc.)	3	2	2	2	3	3	2	2
Federal Emergency Relief Administration	-	-	-	-	-	1	2	8
Judicial Establishment	14	12	12	12	11	6	9	1/
Justice Department	73	63	63	64	58	59	48	52
Labor Department	23	23	23	23	24	19	14	13
Legislative Establishment	30	29	27	27	24	23	22	26
National Housing Agency:								
Federal Housing Administration	-	3	3	6	10	7	9	12
Federal Public Housing Authority	11	12	10	10	6	2	9	21
Federal Home Loan Banks:								
Administrative expenses	2/	2/	1	1	1	1	1	1
Capital stock	-	-	-	-	-	-	-	5
Panama Canal, (operation, protective works, etc.)	21	34	31	38	29	25	10	11
State Department	41	35	33	29	23	24	19	21
War Department - civil functions (cemeterial expenses, Alaska communication system, etc.)	3/	3/	3/	3/	4	2	3	3
Miscellaneous independent offices and commissions:								
Employees' Compensation Commission	12	11						
General Accounting Office	38	27						
Interstate Commerce Commission	9	8	82	70	70	64	60	74
National Advisory Committee for Aeronautics	23	19						
Other	31	57						
Unclassified items	-	-	1	-	-	-	-	-
Adjustment for certain disbursing officers' checks outstanding	-	-	1	5	-1	1	-5	-
Expenditures from anticipated supplemental appropriations	45	170	-	-	-	-	-	-
Total other departments and establishments	457	629	357	353	340	317	260	293

1/ Included under Department of Justice.
2/ Included under "Trust accounts, increment on gold, etc. - Transactions in checking accounts of Governmental agencies".
3/ Included under "War activities".

WAR ACTIVITIES EXPENDITURES
EXCLUDING RECONSTRUCTION FINANCE CORPORATION AND
SUBSIDIARIES, ON THE BASIS OF CURRENT DAILY TREASURY STATEMENT CLASSIFICATIONS

(In millions of dollars)

	War	Navy	Agriculture	National Housing Agency	Treasury	Maritime Commission	War Shipping Administration	Other 2/	Total
By fiscal years:									
Fiscal year 1940 1/	667	936	-	-	-	99	-	8	1,711
Fiscal year 1941	3,678	2,313	3	45	24	51	-	187	6,301
Fiscal year 1942	14,070	8,580	696	297	519	929	132	787	26,011
Fiscal year 1943	42,265	20,888	2,011	608	1,201	2,776	1,105	1,256	72,109
Fiscal year 1944 - Budget estimate 4/	48,790	27,000	2,300	500	1,150	4,500	1,900	2,360 3/	88,500
Fiscal year 1945 - Budget estimate 4/	47,597	28,500	2,500	50	1,000	4,700	1,900	1,953 3/	88,200
By months:									
Fiscal year 1942:									
July, 1941	516	362	5	21	7	41	-	17	969
Aug. "	598	441	19	26	9	-6	-	46	1,131
Sept. "	746	424	37	30	16	46	-	32	1,330
Oct. "	834	497	66	40	24	44	-	33	1,537
Nov. "	771	493	41	29	29	57	-	29	1,448
Dec. "	1,072	545	43	29	52	69	-	41	1,850
Jan., 1942	1,282	575	63	27	35	86	-	37	2,104
Feb. "	1,369	581	53	19	42	95	2	48	2,208
Mar. "	1,432	946	105	18	63	121	16	108	2,809
Apr. "	1,594	1,101	65	22	63	98	42	253	3,238
May "	1,850	1,307	80	17	83	130	33	59	3,560
June "	2,007	1,309	119	21	99	150	39	85	3,829
Total fiscal year 1942	14,070	8,580	696	297	519	929	132	787	26,011
Fiscal year 1943:									
July, 1942	2,861	1,103	90	26	95	184	54	85	4,498
Aug. "	2,875	1,376	61	42	110	211	99	111	4,884
Sept. "	3,519	1,294	94	45	102	141	113	77	5,384
Oct. "	3,417	1,596	51	48	110	46	111	100	5,481
Nov. "	3,538	1,478	433	50	81	274	85	102	6,042
Dec. "	3,770	1,380	21	50	83	275	127	119	5,825
Jan., 1943	4,053	1,274	18	44	95	331	77	56	5,947
Feb. "	3,239	2,002	12	39	79	223	68	108	5,770
Mar. "	3,985	2,053	17	55	103	285	103	141	6,744
Apr. "	3,727	2,102	514	61	120	248	69	134	6,974
May "	3,857	2,251	382	77	106	243	85	93	7,092
June "	3,424	2,980	318	70	117	315	116	129	7,469
Total fiscal year 1943	42,265	20,888	2,011	608	1,201	2,776	1,105	1,256	72,109
Fiscal year 1944:									
July, 1943	3,808	1,898	12	72	95	319	105	122	6,432
Aug. "	4,219	2,037	180	68	118	361	119	129	7,232
Sept. "	4,036	1,909	239	50	114	366	130	109	6,952
Oct. "	4,142	1,955	176	54	100	294	148	120	6,989
Nov. "	4,173	2,134	332	44	111	402	216	130	7,541
Dec. "	3,841	2,050	45	39	108	356	164	114	6,718
Jan., 1944	4,170	2,082	140	42	125	308	153	117	7,138
Feb. "	3,792	2,757	184	38	127	331	182	107	7,518
Mar. "									
Apr. "									
May "									
June "									
Total fiscal year 1944									

1/ Includes functions presently classified as "War Activities".
2/ Includes certain expenditures of Federal Security Agency and Federal Works Agency, and expenditures of Office for Emergency Management, Selective Service, Aid to China, etc.
3/ Includes supplemental items of $800 M for fiscal year 1944 and $650 M for fiscal year 1945.
4/ From 1945 Budget.

Mr. Klotz
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TREASURY DEPARTMENT

WASHINGTON

DWB

March 29, 1944

MEMORANDUM ON MEETING OF THE JOINT

COMMITTEE ON REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES

A meeting was called for 11:15 A.M., March 29, 1944, in the Senate Appropriation Room in the Capitol. There were present:

Senators:	Committee Staff:
Byrd	Mr. Borda
George	Mr. Moore
Congressmen:	One other
Woodrum	Bureau of the Budget:
Cannon	Mr. Lawton.
Taber	

Senator Byrd announced that the meeting was for the purpose of considering a proposed report on unexpended balances. He also announced that the preliminary draft had been changed so as to meet the objections of the Secretary of the Treasury and to incorporate the corrections which the Bureau of the Budget indicated were necessary. Senator Byrd also indicated that Congressman Taber had voiced some objection to the report.

Congressman Taber said that while he had certain criticisms to direct to the report, they were not of major consequence but were from the standpoint of clarification. He stated that certain of the proposed recommendations were inappropriate because the matters which were the subject of the recommendations were already being performed by the Appropriations Committees. He objected to the second recommendation relating to the return of unobligated balances to the Treasury at the end of each fiscal year and pointed out that it would involve a great deal of additional work because it would be necessary for the Congress to appropriate for thousands of audited claims allowed by the General Accounting Office. Congressman Taber suggested certain general changes which he thought should be incorporated in the report. He pointed out that the unobligated balances shown in the tables as of the end of January, 1944 were not significant because these balances were necessary to cover activities to the end of the fiscal year. He suggested that the tables be amended to show the estimated unobligated balances which will be on hand at the end of the fiscal year.

Congressman Cannon indicated that in his opinion the proposed report contained very serious and far-reaching indictments of the activities of the House and Senate Appropriations Committees and pointed out certain statements which he had in mind. Senator Byrd agreed that the statements to which Congressman Cannon objected would be eliminated. Congressman Cannon also called attention to certain general statements in the proposed report and said in his opinion the statements should be clarified and more definite recommendations made rather than to suggest changes by general comments.

Senator Byrd said that the report had not been prepared from the standpoint of intending it to be a reflection on the Appropriations Committees. There was a further general discussion that perhaps the best approach would be to have a complete revision of the report which could be presented to the members of the Committee for their further consideration. It was suggested that the report be confined more to factual details.

Senator George suggested that it might be well to wait until the end of the fiscal year before filing a report on the subject of unexpended balances, at which time such report could reflect the factual situation as it would then exist. It was agreed that the suggestion of Senator George be adopted and the proposed report be postponed until after the end of the fiscal year.

Congressmen Woodrum and Cannon left the meeting at 12:00 o'clock.

There was a further general discussion between Senators Byrd and George and Congressman Taber with respect to a suggested program for the Committee's future activities. Congressman Taber indicated that some work should be done on the War Shipping Administration and Maritime Commission setup which he claimed to be very bad and pointed out that these agencies were overstaffed with high paid personnel which were doing practically nothing from day to day.

Senator Byrd indicated that the Committee should give some consideration to the duplication and overlapping in labor activities. He pointed out that there were 26 separate agencies now working on functions relating to labor.

The Committee adjourned at 12:15 P.M.

MM

Farm 127
Fet

March 29, 1944

MEMORANDUM FOR THE SECRETARY:

Re: Possibilities for reduction in governmental expenditures

The January budget shows that for the current fiscal year ending June 30, 1944, total expenditures, excluding amounts necessary to retire the market obligations of government corporations, are estimated at $99.3 billion. It appears, however, that expenditures for this year will be approximately $2.5 billion less than such estimates, of which $1.9 billion is on account of regular war activities and $.5 billion on account of war activities of the Reconstruction Finance Corporation and its subsidiary corporations.

Unless expenditures for war activities continue at their present rate the budget estimates of $99.8 billion for the fiscal year 1945 may also be too high.

	Fiscal Year 1944 (In Billions)	Fiscal Year 1945 (In Billions)
Budget operations:		
General - - - - - - - -	$7.5	$9.8
War activities- - - - -	88.5	88.2
Corporate operations:		
General - - - - - - - -	-.2	-
War activities- - - - -	3.5	1.8
Total - - - -	$99.3	$99.8

A general review of the estimates of expenditures for the fiscal years 1944 and 1945, as shown in the 1945 Budget submitted by the President in January, 1944, after consideration of subsequent developments, indicates that there are a number of major programs, excluding direct activities of the Army and Navy, where substantial savings in anticipated cash expenditures (as distinguished from mere reductions in current appropriations) might be effected. Savings from these programs in any magnitude would require the adoption of major changes in policy. Even though immediate cuts are made in these programs they would not be reflected in reductions in expenditures much before the fiscal year 1945 (beginning July 1, 1944). These programs are as follows:

	Estimates, 1945 (In Millions)
Reconstruction Finance Corporation	
Defense Plant Corporation - - - - - - - -	(Not stated)
Maritime Commission - - - - - - - - - - - -	$4,700.0
Administrator of Civil Aeronautics - - - -	121.0
Federal Security Agency	
Office of Education (defense training)- -	112.2
Rural Electrification Administration- - - -	57.6
Farm Security Administration - - - - - - - -	127.5
Farm Tenant loans - - - - - - - - - - - - - -	16.5
Agricultural programs	
Exportation and domestic consumption of agricultural commodities - - - - - -	71.8
Federal Works program	
Public roads - - - - - - - - - - - - - - -	162.8
Community facilities (defense)- - - - - -	140.0
Defense housing - - - - - - - - - - - - - -	119.8
Total - - - - - - - - -	$5,629.2

No examination of expenditures for the direct war activities of the Army and Navy, and the related lend-lease program, or the expenditures connected with subsidy operations, has been made for the purpose of this memorandum.

Reconstruction Finance Corporation

	R.F.C. Net expenditures for all purposes	R.F.C. transactions for Defense Plant Corp. Advances	Repayments
		(In Millions)	
Fiscal year 1941 - - - - - - - - -	$725	$141.8	$.7
" " 1942 - - - - - - - - -	1,936	1,216.8	148.5
" " 1943 - - - - - - - - -	2,462	3,611.4	1,456.4
" " 1944 (Estimated) - -	3,550	(Not available)	
" " 1945 " - -	1,950	"	"
Actual - July, 1943 - - - - - -	283	327.7	58.7
Aug. " - - - - - -	277	247.7	67.2
Sept. " - - - - - -	227	254.3	40.6
Oct. " - - - - - -	199	207.3	80.3
Nov. " - - - - - -	249	199.1	50.4
Dec. " - - - - - -	199	177.9	60.4
Jan., 1944 - - - - - -	197	162.7	60.8
Feb. " - - - - - -	201	135.2	38.7

Defense Plant Corporation

	(In Millions)
Commitments through February 29, 1944 - - - -	$10,480
Commitments withdrawn and cancelled - - - - -	1,985
Net commitments - - - - - - - - - - - - - -	$ 8,495
Gross disbursements - - - - - - - - - - - - - -	6,682
Undisbursed commitments - - - - - - - - -	$ 1,833

Comments

It will be observed from the foregoing that the greater part of the net expenditures by the Reconstruction Finance Corporation have been accounted for by transactions in connection with the Defense Plant Corporation. Gross advances to the Defense Plant Corporation reached their peak during the period January - July, 1943, when then averaged $325 million per month. During the period December, 1943 - February, 1944, they averaged $155 million per month. Total gross advances to February 29, 1944 amounted to $6,682 million.

In addition to the outlays through Defense Plant Corporation large expenditures for plant facilities have been made from appropriations of the War and Navy Departments and Maritime Commission.

It would appear that the need for additional facilities at this stage of the war program could be reexamined with special reference to the discontinuance of all new construction and the curtailment of pending projects wherever possible without jeopardizing production of vital war material.

Maritime Commission

Expenditures (In Millions)

Fiscal year 1938	$1.2
" " 1939	43.8
" " 1940	98.8
" " 1941	51.3
" " 1942	929.5
" " 1943	3,193.0
Estimated - 1944	4,500.0
" 1945	4,700.0
Actual - July - Sept. 1943	1,046
" Oct. - Dec. 1943	1,053
" Jan. 1944	308
" Feb. 1944	331

Expenditures for ship construction are expected to reach $4,700 million in the fiscal year 1945, compared with Budget estimate of $4,500 million for the current year and comparable expenditures of $3,193 million in 1943. The Independent Offices Appropriation Bill for 1945, as passed the House, includes an appropriation of $6,766 million ($10 million less than the Budget request) for the Construction Fund and contract authorizations of $5,700 million, toward which $4,665 million is included in the amount appropriated. These funds will become immediately available upon passage of the appropriation bill and the contract authorization, according to the Budget, will be practically entirely obligated before June 30, 1944. This, of course, assumes final enactment considerably in advance of June 30. The bill has reached the stage of debate in the Senate.

Comments

It will be noted that by the end of the present fiscal year the Maritime Commission will have spent since the beginning of the war about $8½ billion for ship facilities and for the construction of ships. In addition, $4-3/4 billion are estimated to be spent in the next fiscal year.

In view of the great reduction in the number of cargo ships lost as a result of enemy action, there may be some possibility of slowing down the 1945 ship construction program.

The military and naval authorities probably contend that all ship construction facilities should be operated at full capacity because a large reserve of ships are needed to avoid any critical situation in the event the enemy should launch a successful campaign by sea or air in which large numbers of cargo ships may be destroyed.

It would seem that substantial sums may be saved from this source without risk of adverse effect upon our military operations. A 10% reduction in projected expenditures, for example, would amount to $450 million.

Administration of Civil Aeronautics

Expenditures (In Millions)

Fiscal year 1938 - - - - - - - - - - -	$10.1
" " 1939 - - - - - - - - - - -	18.4
" " 1940 - - - - - - - - - - -	25.3
" " 1941 - - - - - - - - - - -	52.9
" " 1942 - - - - - - - - - - -	127.1
" " 1943 - - - - - - - - - - -	222.9
Estimates - 1944 - - - - - - - - - - -	272.0
" 1945 - - - - - - - - - - -	126.2

The program of the Administration of Civil Aeronautics, as indicated by estimates of expenditures in the 1945 Budget, is as follows:

	Estimated 1945	Estimated 1944	Actual 1943	Actual 1942
Establishment of air-navigation facilities - - - - - - - - - - - - -	$6.0	$14.0	$10.2	$7.9
Maintenance of air-navigation facilities - - - - - - - - - - - - -	23.0	21.0	22.1	15.1
Civilian pilot training (National defense) - - - - - - - - -	9.5	45.3	50.5	29.0
Development of landing areas for National defense - - - - - - - - - -	75.0	140.0	112.4	67.9
Development of Civil landing areas -	5.0	.5	-	-
Working fund from War & Navy for training courses - - - - - - - - - -	-	45.0	19.1	-
All other - - - - - - - - - - - - - -	7.7	6.2	8.6	7.2
Total - - - - - - - - - - -	$126.2	$272.0	$222.9	$127.1

Comments

(a) Landing areas

It will be noted from the foregoing table that approximately $320 millions are scheduled as expenditures on account of "development of landing areas for national defense" during the three-year period ending on June 30, 1944. In addition, $75 million are estimated to be spent for this purpose in 1945.

One of the reasons for the establishment of the program for development of landing areas was to provide landing fields for use of airplanes for emergency defense purposes in the event of attack. The development of the war indicates that the probability of direct attack on the continental United States on any large scale by enemy forces is remote.

In view of this situation, the need for the continuation of this program for military purposes would seem to be unnecessary. If the program is justified from the standpoint of benefit also to commercial aviation, it would seem that it could be postponed until after the termination of the war.

(b) Pilot training

The Budget indicates that the civilian pilot training program payable from direct appropriations to the Administration of Civil Aeronautics will be curtailed in 1945. This is because the authorization to make appropriation to Administrator of Civil Aeronautics expires in the fiscal year 1944. However, it will be noted that a large training program is carried on payable from funds transferred from the War and Navy Departments. It may be contemplated that this program will be continued in 1945 from funds to be transferred from War and Navy Departments.

Since this program appears to be tied in closely with direct military operations, no attempt has been made to evaluate its necessity.

Federal Security Agency, Office of Education

Expenditures (In millions)

	Office of Education	National Youth Administration
Fiscal year 1938 - - - - - - - - -	$26.8	$51.2
" " 1939 - - - - - - - - -	27.7	78.1
" " 1940 - - - - - - - - -	27.8	94.6
" " 1941 - - - - - - - - -	88.8	136.4
" " 1942 - - - - - - - - -	141.2	129.5
" " 1943 - - - - - - - - -	162.5	58.5
" " 1944 (Estimated) - -	130.7	
" " 1945 " - -	1/112.2	

1/ Includes $10 million under pending supplemental estimate.

A breakdown of estimated expenditures contained in the 1945 Budget, including supplemental estimate and actual expenditures for 1942 and 1943, is as follows:

	Estimated 1945	Estimated 1944	Actual 1943	Actual 1942
	(In millions)			
Further endowment of colleges of agriculture and the mechanic arts - -	$2.5	$2.5	$2.5	$2.5
Loans to students (national defense) -	-	1.2	3.9	-
Colleges for agriculture and the mechanic arts (permanent appropriation)	2.6	2.6	2.6	2.6
Miscellaneous items - - - - - - - - - -	.5	.4	-.2	.4
Vocational education:				
Cooperative vocational rehabilitation	(1)	(1)	(1)	2.7
Further development of vocational education - - - - - - - - - - - - - - -	14.0	14.0	13.7	13.4
Promotion of vocational education (permanent appropriation) - - - - - -	7.0	7.0	7.1	6.8
Other - - - - - - - - - - - - - - - - - -	.5	.5	.5	.6
National defense:				
Education and training, defense workers - - - - - - - - - - - - - - -	82.0	100.0	131.2	111.3
Visual aids for war training - - - -	2.0	1.5	-	-
Salaries and expenses - - - - - - - - -	1.1	1.1	1.2	1.0
Total - - - - - - - - -	$112.2	$130.7	$162.5	$141.2

(1) Now included under "Office of Administrator".

It can be seen that of the programs administered by the Office of Education, the one involving the greatest cost is that for education and training of defense workers. Expenditures for the fiscal years 1941 through 1943, under this program were as follows:

1941 - - - - - - - $45.4
1942 - - - - - - - 111.3
1943 - - - - - - - 131.2

The training project is carried on through payments to states and other subdivisions and certain schools. A breakdown of Budget estimates for 1944 and 1945 is as follows:

	1945	1944
(1) Vocational courses of less than college grade (courses supplementary to employment in occupations essential to the national defense, including certain pre-employment and refresher courses) - - - - - - - - - -	45.0	66.0
(2) Short courses of college grade (designed to meet the shortage of engineers, chemists, physicists, and production supervisors)	25.0	19.0
(3) Vocational courses in food production and conservation, etc. (Farm machinery repaid and farm-labor training designed to give general pre-employment mechanical training and to assist in attaining food production goals) - - - - - -	12.0	12.5

Comments

The National Youth Administration reached its peak in expenditures in the fiscal year 1941, namely, $136 million. In the fiscal year 1942 that agency shifted its program to national defense training, its expenditures amounting to $130 million. In the meantime, the Office of Education increased its expenditures under the impetus of national defense training from $28 million in 1939 and 1940 to $141 million in 1942.

On November 14, 1941, the Secretary of the Treasury submitted to the Joint Committee on Reduction of Nonessential Federal Expenditures a number of economy suggestions, among which he included the following statement with respect to agencies engaged in vocational activities:

> "It would seem that the regular activities of the Civilian Conservation Corps and National Youth Administration must conflict with the more important defense program, and should be eliminated or drastically reduced.
>
> "It is suggested that all vocational training activities be consolidated in a new Bureau of Defense Training. Any overlapping functions or duplication of work could be eliminated and one comprehensive training program, integrated with the defense program, could be formulated and administered more economically than appears possible under the present organizations."

Subsequently, the National Youth Administration was abolished in 1943, at which time the expenditures of the Office of Education reached their peak of $162 million, or an amount equivalent to its pre-war expenditures, plus the peak expenditures of the National Youth Administration. Estimated expenditures of the Office of Education are $102 million greater in 1944 and $85 million greater in 1945 than its pre-war program. These increases are on account of education and training of defense workers.

It would appear that employment in war industries has about reached its maximum level. Under these circumstances a greater reduction in 1945 expenditures for this purpose than is anticipated in the 1945 Budget would seem possible.

Rural Electrification Administration

Expenditures

	General Budget	R.F.C. Funds
	(In millions)	
Fiscal Year 1936 & 1937	$10.3	-
" " 1938	15.2	$46.5
" " 1939	37.7	100.0
" " 1940	38.0	-
" " 1941	24.2	36.0
" " 1942	9.1	54.0
" " 1943	4.0	13.5
	$138.5	$250.0
Estimated - 1944	3.6	10.5
" - 1945	32.6	25.0

R.F.C.

In addition to loans and expenditures authorized from appropriated funds under the budget, the R. F. C. has been authorized from time to time to advance moneys for making rural electrification loans, as follows:

Fiscal Year 1943	$10,000,000
Fiscal Year 1942	100,000,000
Fiscal Year 1941	100,000,000
Prior years	146,500,000
	$356,500,000

Practically all expenditures of the Rural Electrification Administration through the fiscal year 1943 were for loans and the purchase of property in accordance with the Rural Electrification Act of May 20, 1936.

It will be noted that up to June 30, 1943, about $138.5 million had been expended from appropriated funds. During this time collections returned to the Treasury amounted to $1,167,000 of which

$439,000 was on account of interest and $728,000 on account of principal. In addition to expenditures from appropriated funds $250.0 million were expended from R. F. C. funds, of which $18,400,000 has been repaid on principal, in addition to the payment of current interest due on the R. F. C. advances.

Comments

During the fiscal year 1943 and 1944 the Rural Electrification program was curtailed because of the limitation on the use of copper and other critical materials. There appears to be a substantial increase contemplated in expenditures for 1945.

The fact that the Rural Electrification Administration has operated during the past two years with average expenditures of $15.0 million per year, while at the same time its collections have amounted to more than $15.0 million per year, would seem to indicate that its program could be further suspended until after the termination of the war.

Farm Security Administration
FARM TENANT ACT

	Farm Security		Farm Tenant	
	General Budget	R.F.C. Funds	General Budget	R.F.C. Funds
Expenditures (in millions)				
Fiscal year 1938 - - - - -	$180.1	$ -	$3.1	$ -
" " 1939 - - - - -	183.6	-	26.6	-
" " 1940 - - - - -	158.5	-	41.8	-
" " 1941 - - - - -	62.2	111.3	27.3	29.4
" " 1942 - - - - -	78.8	123.7	6.1	51.3
" " 1943 - - - - -	61.6	97.3	4.3	27.1
	$724.8	$332.3	$109.2	$107.8
Estimates				
Fiscal year 1944 - - - - -	37.0	67.5	1.5	30.0
" " 1945 - - - - -	1/ 28.5	1/ 97.5	1.5	15.0

1/ The Department of Agriculture Appropriation Bill, 1945, as reported by the House Appropriation Committee on March 21, 1944, does not include any funds for the Farm Security Administration, since there is pending a bill to reorganize the agency.

Comments

It will be noted that in the six years ending June 30, 1943, the Farm Security Administration spent more than $1 billion, primarily for Rural Rehabilitation loans and grants, and during the same period about $200 million were spent for farm tenant loans. Expenditures for the current fiscal year are estimated at $105 million by the Farm Security Administration and $32 million for farm tenant loans.

During the period 1938-1943 about $88 million was repaid to the Treasury on account of principal and interest on rural rehabilitation loans and about $186 million was repaid to the R.F.C. on the principal of its advances in addition to current interest payments. Similar receipts from farm tenant loans amounted to $1 million and $12 million, respectively.

In view of the general improvement in farm conditions and the income of farmers, it would appear that substantial curtailment of these programs would be possible. It will be noted that the House Appropriation Committee has temporarily deferred reporting any 1945 appropriations for the Farm Security Administration until the Congress acts upon a pending bill to reorganize that agency.

Food Distribution Administration

Exportation and domestic consumption of agricultural commodities, Sec. 32, Act of August 24, 1935.

Expenditures (in millions)	Total	Permanent Appropriation, 30% of Customs
Fiscal year 1937 - - - - - - - -	$35.2	$35.2
" " 1938 - - - - - - - -	35.0	35.0
" " 1939 - - - - - - - -	210.5	210.5
" " 1940 - - - - - - - -	143.6	73.0
" " 1941 - - - - - - - -	223.4	93.8
" " 1942 - - - - - - - -	196.3	85.2
" " 1943 - - - - - - - -	112.9	55.6
" " 1944 (Estimated) -	91.0	70.0
" " 1945 " -	71.8	70.0

Program authorized

Sec. 32 of the Act of Aug. 24, 1935 (7 U.S.C. 612c), appropriates for each fiscal year an amount equal to 30 per centum of the gross receipts from duties collected under the customs laws during the period Jan. 1 to Dec. 31, both inclusive, preceding the beginning of each such fiscal year, to be used by the Secretary of Agriculture to (1) encourage the exportation of agricultural commodities and products thereof by the payment of benefits in connection with the exportation thereof or of indemnities for losses incurred in connection with such exportation or by payments to producers in connection with the production of that part of any agricultural commodity required for domestic consumption; (2) encourage the domestic consumption of such commodities or products by diverting them, by the payment of benefits or indemnities or by other means, from the normal channels of trade and commerce; and (3) reestablish farmers' purchasing power by making payments in connection with the normal production of any agricultural commodity for domestic consumption.

In addition to the permanent appropriation authorized under Sec. 32, the Congress has appropriated additional amounts for expenditure pursuant to Sec. 32.

The activities under this expenditure caption, as indicated in the estimates of expenditures contained in the annual Budgets, are as follows:

	1945	1944	1943	1942	1941
Food stamp plan, redemption payments - - - - - - - - - - - - - - -	-	-	$49.2	$114.2	$83.5
Purchase of agricultural commodities for distribution through State welfare agencies- - - - - -	$10.0	$12.0	6.6	42.6	84.2
Encouragement of export of agricultural commodities program payments- - - - - - - - - - - - -	-	-	7.0	13.3	12.4
Diversion of agricultural commodities to by products and new uses - - - - - - - - - - - - -	13.3	13.6	13.2	9.1	16.0
Maintenance and operation of school milk and lunch program- -	50.0	50.0	15.3	-	-
Administration, etc.- - - - - - - - -	3.3	3.8	6.3	6.6	6.7
Other - - - - - - - - - - - - - - - - - -	-	-	.1	1.0	-
Cotton stamp plan, redemption payments - - - - - - - - - - - - -	-	-	-	3.5	20.2
Adjustments to expenditure figures-	-4.8	+11.6	+15.2	+5.9	+.4
	$71.8	$91.0	$112.9	$196.3	$223.4

<u>Comments</u>

The House Appropriation Committee on March 21, 1944, in reporting the 1945 Department of Agriculture Appropriation bill eliminated the $50 million authorization for the school milk and lunch program and also provided a direct appropriation of $40 million in lieu of diverting a like amount from the permanent annual appropriation to the soil conservation program.

The permanent annual appropriation of 30% of customs receipts estimated to be available for 1945 is $117 million. Inasmuch as the school milk and lunch program has been terminated by action of the House of Representatives, there are only about $25 million of regular expenditures scheduled in the 1945 Budget for payment from this source.

It would appear that the balance of the permanent appropriation could be placed in Budget reserves by direction of the President, thus about $90 million could be saved.

Public Roads (Highways, roads, streets, etc.)

Expenditures (in millions)

Fiscal Year	Public Roads Administration	Emergency Relief Act	Public Works Administration Act	Total
1932- - - - - -	$185	$ -	$ -	$185
1933- - - - - -	165	-	-	165
1934- - - - - -	255	-	-	255
1935- - - - - -	307	-	-	307
1936- - - - - -	231	414	-	645
1937- - - - - -	341	611	-	952
1938- - - - - -	223	515	-	738
1939- - - - - -	191	886	47	1,124
1940- - - - - -	165	568	51	784
1941- - - - - -	174	460	25	659
1942- - - - - -	168	248	-	416
1943- - - - - -	218	-	-	218
1944 (Estimated)	247	-	-	247
1945 (Estimated)	163	-	-	163

The program of the Public Roads Administration as shown by the 1945 Budget, is as follows:

Public Roads Administration - Regular	1945	1944	1943	1942
Federal-Aid Highway system - - - - - - -	$46.0	$43.3	$66.0	$107.1
Federal-Aid secondary or feeder roads - - - - - - - - - - - -	5.0	6.0	6.6	16.0
Elimination of grade crossings - - - -	8.0	8.7	13.4	26.0
Mt. Vernon Memorial Highway- - - - - -	-	.1	-	-
Public-land highways - - - - - - - - -	.2	.3	.2	.8
	$59.2	$58.4	$86.3	$150.0
Flight strips (National Defense) - - -	$ -	$ 5.4	$ 4.6	$ -
Strategic highways network (National Defense)- - - - - - - - - - - - - -	20.0	10.0	-	-
Access roads (National Defense)- - - -	58.0	100.0	90.7	10.1
Surveys and plans (National Defense) -	5.0	3.0	-	-
Inter-American Highway - - - - - - - -	11.5	11.6	2.7	-
Working fund (defense aid) - - - - - -	4.4	49.0	30.8	-
Other- - - - - - - - - - - - - - - - -	4.7	9.2	2.9	7.0
	$103.6	$188.2	$131.7	$18.1
Total - - - - - - - - - - - - - -	$162.8	$246.6	$218.0	$168.1

Comments

It will be noted that while the regular program has been substantially curtailed from the pre-war (fiscal year 1942) level, expenditures for 1943 and 1944 have been higher than those for 1942 because of the roads being constructed for National defense purposes. Even the 1945 estimates about equal expenditures for 1942.

The net curtailment in expenditures for highways, roads, streets, etc. since the beginning of the war, has been brought about through the discontinuance of the Work Projects Administration.

War Housing and War Public Works (Community Facilities)

	War Housing	Community Facilities
	(millions)	
Expenditures		
Fiscal year 1941 - - - - - -	42.0	-
" " 1942 - - - - - -	301.6	34.1
" " 1943 - - - - - -	635.9	108.5
Estimated Expenditures		
Fiscal year 1944 - - - - - -	539.6	130.0
" " 1945 - - - - - -	1/ 119.8	1/ 140.0

1/ Reflects expenditures from supplemental appropriations amounting to $7.5 million for War Housing and $127.5 million for Community Facilities, as passed by the House.

Total authorizations amount to $1,500 million for war housing, excluding temporary shelters, and $520 million for community facilities. Taking into account supplemental appropriations now pending, unappropriated authorizations are $142 million and $25 million, respectively.

Comments

War Housing

The House Appropriations Committee, in considering the First Deficiency Appropriation Bill, 1944 (Reported March 7, 1944) pointed out that the total war housing program has approximated $6 billion, of which $4 billion has been through private sources and $2 billion by Government funds. The Committee stated that the programing and assignment of housing has passed the peak, this being borne out by the expenditure estimates shown above. The necessity remains of providing for shifting conditions in connection with manpower and production changes and the necessities arising in connection with areas around military and naval stations.

The Budget does not include a request for new appropriations for the fiscal year 1945.

Community Facilities

These facilities consist of schools, child-care centers, hospitals, sewage systems, roads and streets, etc., necessary to prevent impairment of community operations where there has been a large influx of war workers. The program of construction projects is now on a diminishing scale while the necessity for maintenance and operation of projects is increasing.

No new appropriations are requested in the Budget for the fiscal year 1945.

3-29-44

TREASURY DEPARTMENT

OFFICE OF THE UNDER SECRETARY

To ....

The 4% soldier deposit fund is only for enlisted men. The amount increased from $28,897,000 in July 1943 to $63,481,000 in March 1944. The number of accounts increased from 157,626 on July 1, 1943 to 266,818 on March 1, 1944.

These deposits carry restrictions as to withdrawal. They cannot be withdrawn except in emergency upon approval of commanding officer. Otherwise they must be left on deposit until separation from the service.

March 29, 1944

My dear Governor Stainback:

I wish to take this opportunity to congratulate the people of Hawaii on the first anniversary of the organization of their "Work to Win" Committee. Reports have reached me which indicate that this Committee has been of great benefit in the War Finance Program. This work has been so ably carried on in Hawaii that all quotas assigned have been oversubscribed in good measure. I hope that the success which has attended your efforts will encourage a vigorous continuation of this great project.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The Honorable Ingram M. Stainback,
Governor of Hawaii.

EWC:EN:deb

March 29, 1944

Dear Dr. King:

I have just learned that you are letting us have Peter Odegard to handle a very important assignment.

When I discussed this with Peter, I volunteered to write you about it but he requested that I do nothing until after he had had an opportunity to talk to you. You know, of course, how much fine work he has done for us, and I feel that you and all your associates at the college can be proud of the contribution that he has made to our wartime financing program.

The task that he is now undertaking is one that can only be done adequately by him, and we at the Treasury are most appreciative of your gracious willingness to help us in our work. I understand that we are to have him only until September 1st.

With all good wishes, I am,

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Dr. Stanley King, President,
Amherst College,
~~Springfield~~, Massachusetts.
Amherst

TRG:hsh

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 29, 1944

TO Miss Chauncey

FROM Kay Alger

Mr. Paul thought the Secretary might like to read the letter from Senator George.

Kay Alger

Attachment

United States Senate

COMMITTEE ON FINANCE

March 27, 1944

Honorable Randolph Paul
United States Treasury
Washington, D. C.

Dear Mr. Paul:

I sincerely appreciate your letter of March 25.

The kindness and courtesy you have shown me since your connection with the Treasury and your patience and willingness to work with the Committee have made our association most pleasant. On some questions of policy we have differed, but I question whether our differences have been so great upon the underlying and basic theory of taxation as disagreement over some particular recommendation might indicate.

I have always regarded you as honorable and fair and I wish for you continued happiness and success.

Sincerely yours,

Walter F. George

March 29, 1944

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

Subject: Taxes. (For your information; no action required)

1. The Ways and Means Committee met from 2 p.m. to 4 p.m. today. The Committee discussed methods of revising the dates for filing and of amending declarations of estimated income tax but reached no conclusions.

2. The Ways and Means Committee is to meet again at 10:30 tomorrow (Thursday) to resume the discussion of declarations and to consider the problem of treating the income of dependents. These are the two remaining undecided points in the simplification plans under consideration by the Committee.

3. On March 27 the House passed H. R. 3592, the so-called O'Hara Bill. This bill has the effect of restricting state taxation of a Federal employee to taxation by the state of "domicile." Thus an employee domiciled in Ohio, living in Maryland, and working in the District of Columbia could be taxed only by Ohio, which at the present time has no income tax. The Treasury reported in opposition to this bill.

RB

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
March 29, 1944

TO Mr. Thompson

FROM Mrs. Doyle

Subject: Visit to the Bureau of the Public Debt, Chicago, Illinois, March 21 to 25, 1944.

I. General Information

A. Number of Employees:

7224 people in all, of which 6651 are women and 1084 are negroes

B. Number of Buildings:

1. Merchandise Mart

The main office of the Bureau of the Public Debt is on the 6th floor of the Merchandise Mart. The Bureau's activities are housed on 8 separate floors of the building.

2. Furniture Mart

The Bureau of the Public Debt occupies space on 3 floors and will soon occupy space on the first floor.

3. Nash Building

This building houses the printed material and mailing lists for the War Bond Drives. It is constructed with ramps and delivery trucks haul all material to each of the 3 floors by use of the ramps. At present about 300 people are employed there, but during War Bond Drives several hundred more are added.

This building has no elevator and the steps are steep. A request for an elevator is in, I understand.

C. Volume of Work:

The volume of work is immense. The file is, according to Mr. Sloan, the largest in the world. 300,000,000 cards, flowing at the rate of 1,000,000 a day, was the record of 1943. The classification, sorting, filing, microfilming, of all records of War Bonds purchased, Series E, F, and G, the ledger books thereon, the checking of War Savings Stamps, the disposal under constant official supervision of cancelled stamps and bonds, represent a flow of work that has to be seen to be believed. The Fourth War Bond Drive sales have not yet reached the Chicago office, but when they arrive, the work will be substantially increased.

The Nash Building handled 95,000,000 pieces of literature during the Third War Bond Drive, and continuously maintains the comprehensive mailing lists. Mr. Owen, the manager of the building, does a remarkable job of organization.

II. <u>Administration</u>

The fact that the functions of the Public Debt are carried on in three separate buildings, considerably apart from each other, and on floors and parts of floors in broken sequence, make many problems of administration. A large force of guards is necessary to control entrance to the various offices. If everything could be housed in one building, many administrative problems would be solved.

More space is badly needed in the Merchandise Mart and condemnation proceedings will doubtless obtain it. This will necessitate the moving of several tenants and they, naturally, will not like it. Other Government Departments, including the Interior Department, are housed in the Merchandise Mart. They have generous space for their rather limited activities and the condemnation proceedings may bring out that fact.

Mr. Sloan is personally very active in visiting all the buildings. On my trip through with him I saw that he was thoroughly conversant with even minor details of administration.

III. <u>Working Conditions</u>

A. <u>Light and Air</u>

Partitions in the rooms of all the buildings have been torn out and work is done in huge rooms. Because these were display rooms there are large windows both on the exterior walls and on the corridor sides. The walls are all being painted a pale green. The executive office on each floor is in the back thus giving to the workers the maximum of light and air. The ceiling lights are numerous.

The windows are opened 5 minutes at intervals for ventilation. This procedure unfortunately cannot be always followed in the Furniture Mart as the wind from the lake is too strong. There is very little air-conditioning.

The program of making over these floors into effective working space has been a difficult one but the resulting work rooms are excellent.

B. <u>Facilities for Eating</u>

1. <u>Merchandise Mart</u>

This building has canteens on the 4th, 7th and 17th floors. There are also located in the building 4 public cafeterias to which the Treasury employees may go.

These canteens serve coffee, soft drinks, sandwiches and such. They have very limited space at present, but when the additional space is acquired on the 4th or 7th floors, tables will be put in and employees can have the opportunity to relax at meals.

2. <u>Furniture Mart</u>

A cafeteria will be built in the additional space on the 1st floor. At present they have only canteen with tables.

3. Nash Building
   Hot food is brought into the building in trucks. There are several restaurants nearby so canteen facilities are not needed.

C. Rooms for Women Employees
   There are an adequate number of lavatories for women employees. One woman is employed to make the rounds to see if they are clean and to watch for problems connected with smoking.

The smoking is a real problem. No smoking is permitted anywhere in the three buildings because of the nature of the work: handling so many valuable records. Smoking is done, therefore, in the lavatories and there is a great amount of it.

Mr. Sloan has a definite program planned to meet this problem. As he gets new space he plans to open up small recreation rooms for women smokers. This will not only provide relaxation but will curb the present practice where rest rooms are really smoking rooms. Until he can get such a program in operation he would like to have a couple of women guards who could police the rest rooms to curb careless smoking.

D. Emergency Rooms and Nursing Service
   1. Emergency Rooms are located in each building. The nurses are employed by the Bureau of the Public Debt.

      Nurses are on duty to cover all shifts. The rooms are good, and privacy for treatment is afforded through use of screens.

      There is no doctor. ~~But~~ patients are sent to a Civil Service doctor, and in cases of emergency, to a doctor who has his office in the Furniture Mart.

   2. Nursery Program
      Miss Anderson, the chief nurse, is a progressive person. She has one visiting nurse who visits homes and advises the employee on any home condition that should be corrected.

      In one section a serious bed-bug situation was controlled by two measures. First, the room was fumigated by experts in that work, and second, after this fumigation each employee had to be examined before he or she could return to work. Each supervisor led the line of her employees. 4 or 5 were found to be carriers of the pests and these were instructed in proper procedure to get rid of them. Their homes were visited, and they were instructed in how to rid their homes of the pests.

154 - D

E. Items under consideration by Mr. Sloan further to improve working conditions and relieve tension from monotonous work
1. Calisthenics once a day for 5 minutes in large work rooms when windows are open.
2. Trial use for 90 days of piped in music in the large work rooms
3. Radios in canteens.

IV. Conference with Mr. Willard Scott, Chief of Personnel and the Employee Relations Section
A. Recruitment and Placement Section
1. A Civil Service Commission employee works on the premises to process appointments.
2. The new employees are met at the train and taken to their living quarters. The Bureau of the Public Debt has several rooming houses and 5 hotel rooms are kept for Treasury recruits.
3. An "orientation course" of a day or a day and a half is given each employee by this Section. This includes:

First Day
1. Induction
2. Lunch
3. History of the Treasury
4. Safety Film or War Effort Film
5. Blue Book entitled "Information for Employees" is given out. (Supply now exhausted. They would like a new edition) Also city maps and city recreational activities.

Second Day
1. Review of preceding day including a quiz on the History of the Treasury.
2. Explanation of paydays, Credit Union, etc.
3. Request for suggestions on how the orientation course can be improved.
4. Placement by Mr. Chrissie.

4. After 60 days the new employee returns to the Recruitment Section, for advice or to make suggestions.

B. In-Service Training
1. Classes on typing are given for 3 hours a day. These classes will shortly be reduced to 1 hour a day.
2. A special pamphlet has been prepared for employees of the Stub Files. A copy is attached. This was prepared to impress these file employees with the importance of their work. Although their work is monotonous, it is of course very important.
3. Special Training Course on Letter Writing:

Mr. Earle A. Buckley, a professional specialist on letter writing, comes to Chicago from Philadelphia during one week each month. He gives a course in letter writing from Tuesday through Friday to 50 especially selected girls.

Mr. Sloan instituted this course because he thinks that the importance of good letters cannot be over-emphasized in the business of retaining all the customers for War Bonds.

C. Employee Relations Section
This is composed of an Acting Chief, Mrs. Rose, a Mrs. Fugitt, Mr. Landvoight and a Negro, Mrs. Grant.

1. All exit interviews are handled by the Employee Relations Section.

2. Mrs. Grant handles cases as they come to her, not just Negro cases.

3. They work closely with the nurses.

4. They have not yet been able to do much about the care of children of working mothers.

D. Absenteeism
A special committee of 3 section managers is working with Mr. Scott on the problems of absentees. The rate is about 12%.

E. Personnel Conferences
Mr. Scott holds regular staff conferences with the personnel people in each section.

V. Special Activities
I talked with Miss Epps, Administrative Assistant to Mr. Sloan.

1. Red Cross
Miss Epps works with the Red Cross Unit of the Merchandise Mart. She sends to them Treasury employees who wish to do knitting, sewing, etc. She also arranges for blood donors.

2. Posters on Absenteeism
Miss Epps is working with a young employee who formerly worked with Walt Disney in the hope of obtaining some good posters for display.

3. Miss Epps organized Christmas V-mail letters to all former employees who are now in the service. 400 were sent and the answers reflect the appreciation of the men in the service.

VI. Special Situations
1. Union (C. I. O.)
a. The present leader within the Bureau of the Public Debt is a colored man named Anglin. The officials feel he has poor judgment. Although no figures are given out, officials estimate the number in the Union to be 150.

b. Mr. Elkins, Chicago leader of the C. I. O. is, in the opinion of the officials, fair. He asked to have the C. I. O. meetings within the building, but the request was refused on "Treasury policy".

c. At present there are no unusual problems with the Union.

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2. Negro Situation

At the present time there is no problem. Mr. Sloan confers often with Negro leaders of his own personal acquaintance.

VII. General Conclusion

Throughout this report I have indicated the plans that Mr. Sloan discussed with me for the betterment of employees under his direction. He is aware of the problems and has progressive, well-thought out plans to meet them in every case.

Mr. Sloan, in my opinion, has done a note-worthy job in the face of many difficulties since he arrived in Chicago in July, 1943. I am confident that with his ingenuity, drive and genuine interest in the well-being of all his fellow workers, he will carry to a successful conclusion the program he has planned.

154-G

TREASURY DEPARTMENT
FISCAL SERVICE
CHICAGO, ILL.

BUREAU OF THE PUBLIC DEBT
DIVISION OF LOANS AND CURRENCY
CHICAGO BRANCH
MERCHANDISE MART
IN YOUR REPLY REFER TO

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

February, 1944

To Employees in Stub Assignment Subunit:

Subject: Filing and Indexing

The purpose of this manual is to explain briefly the principles of filing and indexing as applying to the particular filing and searching problems in our Stub Files.

For the year 1943, we estimate there will be about 900 million cards (stubs) which must be arranged in strictly alphabetic order and maintained that way at all times for the convenience of those who must locate the records of any War Bond purchases.

This is a big job. It is the largest card file in existence. No group of people has ever before had the tremendous responsibility of creating such an enormous file, or maintaining one representing such valuable data, involving the investments of nearly every family in the United States.

With so many hundreds of people filing and searching in this file, we must all have the same rules to follow. The principles of filing must be the same in every part of the file. There must be no exceptions.

It is your personal responsibility to go over this explanation carefully and understand each phase of filing and indexing thoroughly so that you can cooperate to the fullest extent of your ability to make our Stub File a <u>perfect</u> file, as well as the largest one in the world.

Sincerely yours,

H. T. Dean
Assistant Manager
Registration and Retirement Section

Indexing Series E Bond Stub Files

Indexing. What it is and what it does.

Indexing consists of dividers or markers, correctly called index guides. These index guides divide the cards or stubs into small groups, to make it easy to find any card without searching through a whole drawer and to file cards accurately in the least time.

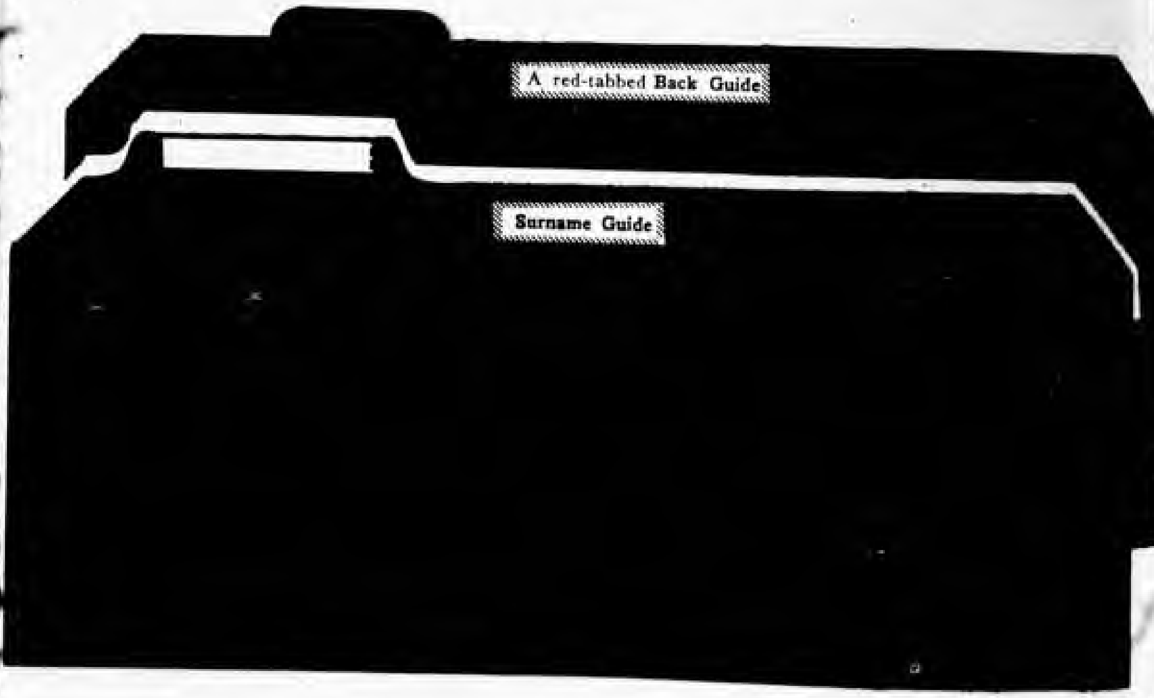
The special indexing designed for our Stub File has been made as simple as possible -- it is easy to set up in the files and it is easy to understand, so stub assignment clerks should have little trouble in filing accurately and rapidly, and the searchers will be able to find stubs quickly.

Surname Guides and red tab Back Guides.

For every surname (family name) having an inch or of stubs at the end of the year, we want to pr a Surname Guide to mark where the first card of name is, and a red tab Back Guide to show where last card of that name is.

Surname Guides for all common names are provided are ready to be filed. We shall typewrite hea for additional names later, and thus we shall have index guide for every name that needs indexing.

It is quite important that for every Surname G there must be a red tab Back Guide, filed back of last stub of that name.



Subdividing stubs by first names.

Surnames which will eventually occupy one or two file drawers are provided with sets of 30-division made-to-order First name index guides as illustrated on the opposite page. Some of the guides are merely first initials, some are for full first names, and others are for the first two or three letters of first names.

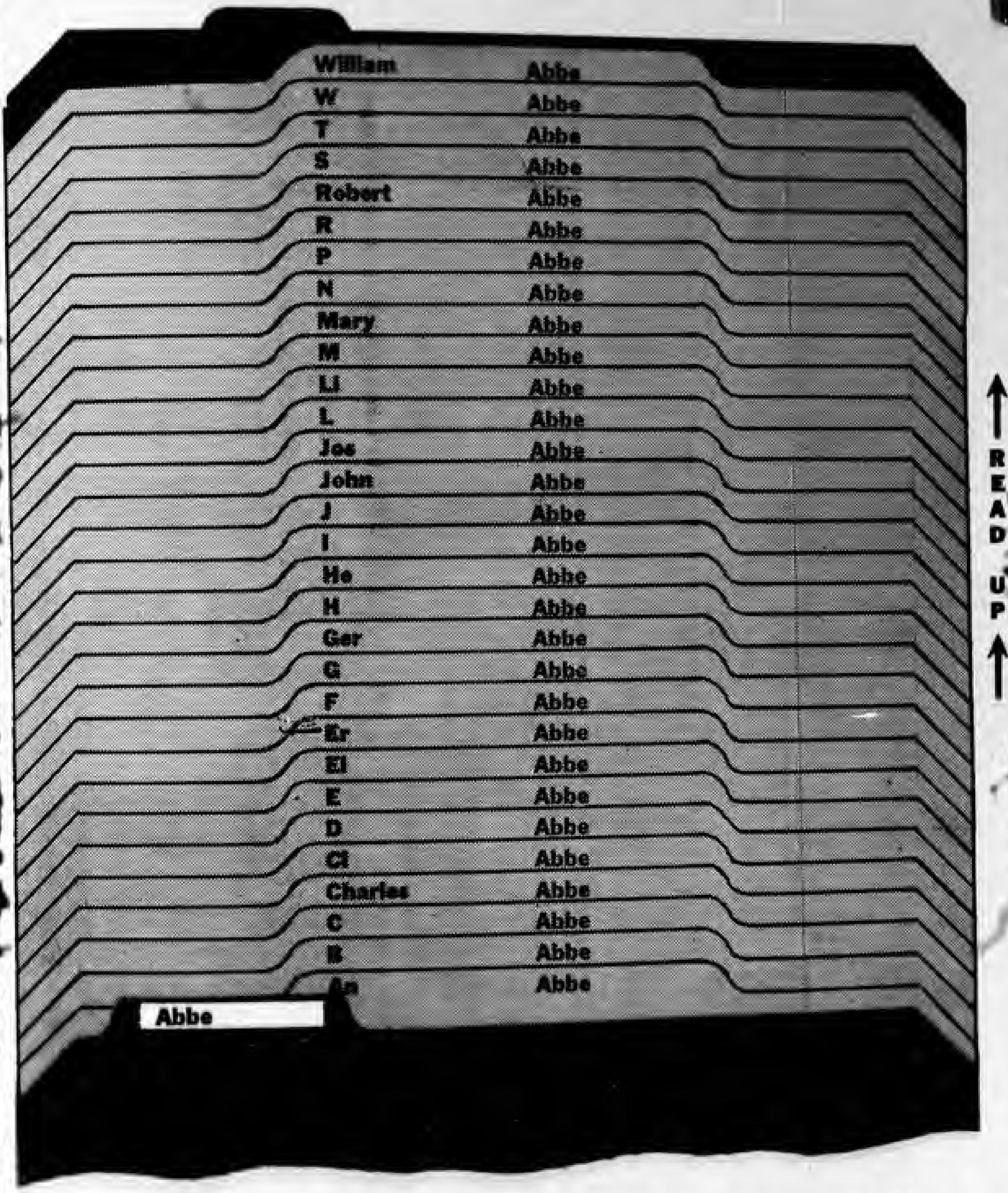
As these guides are filed you will notice that the stubs are quite evenly subdivided, and reference to any common first name is quite rapid and easy.

Indexing the Adams stubs.

On pages 4 and 5 is a chart showing how large surna like Adams are indexed. Study that chart thorou and understand the purpose of each guide. If you this, you will discover that filing and finding c will be quite easy, even when there are a hundre more drawers of the same name.

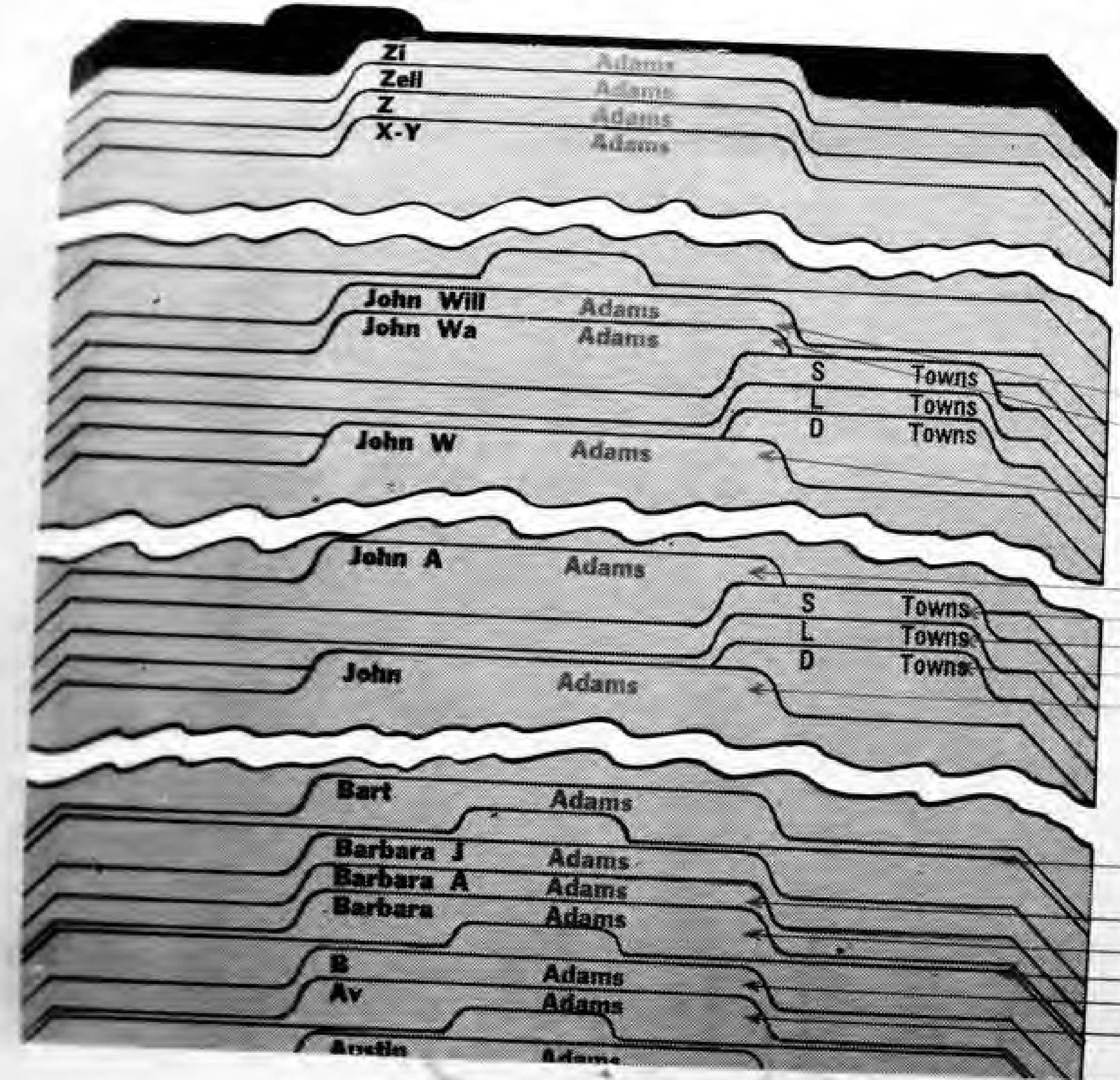
The same basic principles of indexing apply to sections of the file, regardless of whether a surn is divided by only 30 guides or as fully as Adams.

30-division First Name Index



This is typical of indexing for a name which will occupy one or two file drawers when all stubs for the year are filed

How the Adams Stubs Are Indexed **Read chart from bottom**



This page illustrates all phases of indexing and is typical of all indexing of surnames which will occupy 100 file drawers when all the stubs for the year have been filed.

Read chart from bottom.

Watch Out For These Discrepancies

THE FOLLOWING DISCREPANCIES MUST BE CLEARED BEFORE STUBS ARE INSERTED IN THE FILES:

1. REGISTRATION IN ANY FORM OTHER THAN IN THE NAME OF AN INDIVIDUAL, IN THE NAMES OF TWO PERSONS AS CO-OWNERS, IN THE NAME OF AN INDIVIDUAL PAYABLE ON DEATH TO A SINGLE BENEFICIARY, OR IN THE NAME OF AN INDIVIDUAL PAYABLE ON DEATH TO THE TREASURER OF THE UNITED STATES.

2. REGISTRATION IN WHICH ANYTHING OTHER THAN A NATURAL PERSON IS DESIGNATED AS BENEFICIARY OR CO-OWNER; FOR INSTANCE, "SAMUEL C. SMITH, PAYABLE ON DEATH TO PRINCETON UNIVERSITY", (EXCEPT THAT REGISTRATION IN THE FORM "A, PAYABLE ON DEATH TO THE TREASURER OF THE UNITED STATES" IS SATISFACTORY).

3. CITY OR STATE OMITTED FROM THE ADDRESS, (EXCEPT THAT THE STATE "NEW YORK" MAY BE OMITTED IF THE CITY GIVEN IS "NEW YORK CITY").

4. (a) ADDRESS OF A SOLE OWNER, EITHER OR BOTH CO-OWNERS, OR BENEFICIARY GIVEN AS AN ENEMY COUNTRY (BULGARIA, GERMANY, HUNGARY, ITALY, JAPAN, OR RUMANIA);

   (b) ADDRESS OF SOLE OWNER OR BOTH CO-OWNERS GIVEN AS OUTSIDE THE UNITED STATES, ITS TERRITORIES AND POSSESSIONS, OR THE CANAL ZONE (EXCEPT THAT AN "APO" (ARMY POST OFFICE) ADDRESS IS ACCEPTABLE FOR MEMBERS OF THE ARMED FORCES OF THE UNITED STATES);

   (c) ADDRESS OF A SOLE OWNER OR OF BOTH CO-OWNERS GIVEN AS THE PHILIPPINE ISLANDS, IF THE BONDS WERE ISSUED ON OR AFTER JUNE 17, 1943.

5. ISSUE DATE INCOMPLETE, INCORRECT, OMITTED, OR ALTERED.

6. DATING STAMP OMITTED, INCOMPLETE, ILLEGIBLE, OR OF MONTH EARLIER THAN THE ISSUE DATE.

7. ERASURES OR ALTERATIONS IN THE INSCRIPTION. (A STRIKE-OVER IN THE MIDDLE INITIAL IS NOT QUESTIONED.)

8. INSCRIPTION IN LEAD PENCIL.

9. DESIGNATION OF A PERSON AS "ATTORNEY" OR "AGENT" FOR ANOTHER, FOR INSTANCE, "MR. JOHN J. JONES, PAYABLE TO MR. HENRY SMITH, ATTORNEY-IN-FACT" OR "MR. JOHN J. JONES, AGENT, (ATTORNEY) FOR MISS MAY SMITH".

10. STUBS IN THE NAME OF AN INDIVIDUAL FOLLOWED BY THE WORDS, "A MINOR (OR AN INCOMPETENT) UNDER LEGAL GUARDIANSHIP", WHEN THERE ARE OTHER STUBS FOR THE SAME PERSON WITHOUT THESE WORDS.

11. REGISTRATION IN THE NAMES OF TWO PERSONS WHERE ONLY ONE SURNAME IS GIVEN; FOR INSTANCE, "MR. JOHN J. OR MRS. EMMA M. SMITH".

12. REGISTRATION IN THE NAMES OF MORE THAN TWO PERSONS, OR REGISTRATION FROM WHICH IT IS IMPOSSIBLE TO DETERMINE WHETHER THE NAMES OF MORE THAN TWO PERSONS WERE INTENDED.

13. REGISTRATION IN THE NAMES OF TWO INDIVIDUALS WHERE THE INTEREST OF EITHER IS IN DOUBT; FOR INSTANCE, "MISS EUNICE M. SMITH OR SURVIVOR, MISS EDNA M. JONES", OR "MISS MARIA J. WRIGHT OR MRS. ALICE G. WRIGHT, IF SURVIVOR", OR "JOHN J. JONES OR MISS MARY M. JONES, BENEFICIARY".

14. REGISTRATION OF SEVERAL BONDS IN SLIGHTLY DIFFERENT NAMES, OR WITH AN APPARENT MISSPELLING IN ONE NAME OR A DIFFERENCE BETWEEN MIDDLE INITIALS, BUT WHERE, FROM THE NAME AND ADDRESS, IT APPEARS THAT THE BONDS MAY BELONG TO THE SAME PERSON; FOR INSTANCE, "MISS ALYCE C. SMITH, 10 SECOND STREET, ATHENS, OHIO" AND "MISS ALICE D. SMITH, 10 SECOND STREET, ATHENS, OHIO".

15. REGISTRATION IN THE NAME OF A MARRIED WOMAN WHERE HER OWN GIVEN NAME IS NOT USED; FOR INSTANCE, "MRS. JOHN J. SMITH" OR "MR. AND MRS. JOHN J. SMITH". STUBS INSCRIBED, FOR EXAMPLE, "MR. JOHN H. SMITH OR MRS. JOHN H. SMITH" FOR BONDS ISSUED BY THE WAR DEPARTMENT, THE NAVY DEPARTMENT, OR THE DIVISION OF LOANS AND CURRENCY SHOULD NOT BE QUESTIONED.

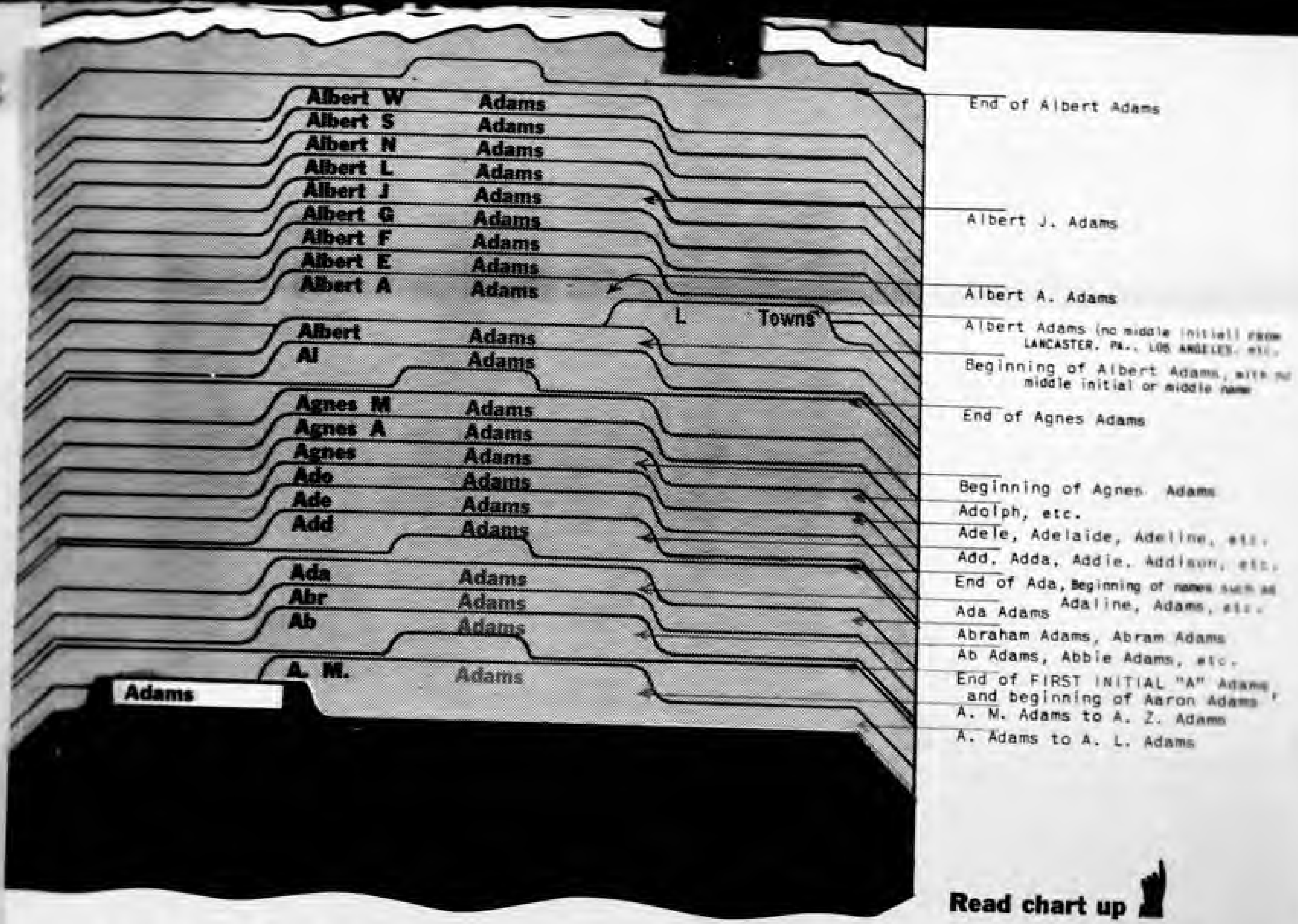
16. STUBS NOT MARKED AS HAVING BEEN FILMED.

17. DUMMY STUBS WITHOUT NOTATIONS THAT THEY ARE REPLACEMENTS FOR PAPER STUBS MUST BE EXTRACTED IN ORDER THAT THE ORIGINALS MAY BE OBTAINED. (PINK STUBS, WHICH ARE CERTIFIED COPIES, SHOULD BE TREATED AS ORIGINAL STUBS.)

18. STUBS WHICH BEAR A MARGINAL NOTATION CORRECTING A NAME IN THE INSCRIPTION SHOULD BE FILED IN ACCORDANCE WITH THE ORIGINAL INSCRIPTION, NOT IN ACCORDANCE WITH THE NAME IN THE MARGINAL NOTATION, UNLESS THE MARGINAL NOTATION STATES SPECIFICALLY THAT THE BOND IS INSCRIBED AS STATED IN THE MARGINAL NOTATION. ALL DISCREPANCIES BETWEEN MARGINAL NOTATIONS AND ORIGINAL INSCRIPTIONS SHOULD BE REFERRED TO YOUR GROUP SUPERVISOR.

19. REGISTRATION IN CO-OWNERSHIP FORM WHERE THE CONJUNCTION "AND" APPEARS, UNLESS THE TOTAL AMOUNT REPRESENTED BY THE STUBS IS LESS THAN $100.

QUES. ______________	ANS. ______________
QUES. ______________	ANS. ______________
QUES. ______________	ANS. ______________
QUES. ______________	ANS. ______________



Indexing is to assist those filing and searching. Keep your filing and indexing as nearly perfect as possible.

General Filing Rules

1. All material should be arranged in alphabetic order, sequence of letters being maintained to the last letter.

   EXAMPLE:

   ABBOT, Henry
   ABBOTT, Arthur
   ABOTT, Alice
   ADAMS, Edward
   ADAMSON, Benjamin
   ALLAN, Frank
   ALLEN, F. Albert
   ALLERT, Elizabeth
   ANDREWS, Samuel
   ATWOOD, Catherine

2. Proper names should be filed by the surname first, then by the given name or initial.

   EXAMPLE:

   BROWN, James
   BROWN, John
   BROWNLEE, John
   BROWNLEE, Katie
   BURTON, Lester
   BYERS, Anna
   BYERS, Charles

3. An initial should precede a name beginning with that letter.

   EXAMPLE:

   CARTER, H.
   CARTER, H. A.
   CARTER, H. J.
   CARTER, H. John
   CARTER, H. S.
   CARTER, H. Stanley
   CARTER, H. W.
   CARTER, H. William
   CARTER, Harry
   CARTER, Harry C.
   CARTER, Henry
   CARTER, Henry J.
   CARTER, Henry Jack
   CARTER, Henry John
   CARTER, Horace
   CARTER, Horace A.
   CARTER, Horace Albert
   CARTER, Hugh

4. Given names or surnames spelled as two words are treated as one word. This covers such prefixes as "La," "Le," "De," "ter," "Van," "Von," and "von der".

   EXAMPLE:

   de Puyster . . . file as Depuyster
   Di Bianco . . . " " Dibianco
   Du Pont . . . . " " Dupont
   Le Blanc . . . . " " Leblanc
   Le Roy . . . . . " " Leroy
   L'Hommediu . . . " " Lhommediu
   Van der Au . . . " " Vanderau
   Von Allen . . . " " Vonallen
   ter Muelen . . . " " Termuelen

5. Surnames joined by a hyphen shall be regarded as one word.

   EXAMPLE:

   John Higgins-Smith file as Higginssmith, John
   John Higgins Smith " " Smith, John Higgins
   Au-Pah-Sho-Kah " " Aupahshokah

6. Indian Names. Indian names shall be filed as follows:

   (a) When the name is composed of a given first name and an Indian last name, file under the first letter of the last or Indian part of name, even though the Indian name be composed of several words.

   EXAMPLE:

   Rain in the Face, John
   Red Crow, Annie Marie
   Wolf Bear, Maggie

   (b) When the entire Indian name is descriptive, and it is impossible to tell the family name, file from the beginning.

   EXAMPLE:

   Nas Ta bega
   Rain in the face
   Reed that Bends
   Sitting Bull

   (c) When the Indian name is composed of an Indian first name and a last name which is a common surname, file under the surname.

   (d) When the Indian name is broken by a comma, file from the beginning.

   EXAMPLE:

   Bear Going up Hill, Sallie
   Quast Quah Me, Joseph Roubidoux
   Wa Ko the Quah, Josephine Masquat

7. (a) The alphabetic arrangement is to be followed for names beginning with Mac. This means that names beginning with the prefix "Mac" are to be filed in the letter "M".

   EXAMPLE:

   Maar
   Mabb
   MacBride
   Madden

   (b) All surnames beginning with Mc are to be filed separately from all other surnames beginning with "M". The "Mc's" to follow all the other "M's".

   (c) "M apostrophe" (M') is to be considered as Mc and filed accordingly.

   EXAMPLE: M'Gregor . . . file as McGregor

General Filing Rules

8. The prefixes "Mc" and "M apostrophe", when used as part of <u>given</u> names, <u>middle</u> names, or names of <u>cities</u> are filed exactly as spelled.

EXAMPLE:

JONES, Malcolm
JONES, McArthur
JONES, McBride
JONES, McKinley
JONES, Meredith
JONES, M'Gregor

9. When one name occurs with different addresses, alphabetic arrangement according to towns is maintained, the state being considered only when there is a duplication of town names.

EXAMPLE:

John L. Brown, Adams, Mass.
John L. Brown, Bridgeport, Conn.
John L. Brown, Chicago, Ill.
John L. Brown, Springfield, Ill.
John L. Brown, Springfield, Ohio

Compound geographic names are considered as two words.

EXAMPLE:

John L. Smith, New Bedford
John L. Smith, New London
John L. Smith, New Troy
John L. Smith, New York
John L. Smith, Newark
John L. Smith, Newberne
John L. Smith, Newport
John L. Smith, Newton

10. Abbreviations which can represent but one word are treated as though spelled in full.

EXAMPLE:

Wm . . . . file as William
Jno . . . " " John
Jos . . . " " Joseph
Chas . . . " " Charles
St or Ste " " Saint or Sainte
N. Y. . . " " New York

Other abbreviated names or nicknames should be filed only as spelled.

EXAMPLE:

Ed . . . . file as Ed
Edw . . . . " " Edw
Al . . . . " " Al
Chris . . . " " Chris
Will . . . " " Will
Abe . . . . " " Abe
Bob . . . . " " Bob
Dick . . . " " Dick

11. <u>Senior and Junior</u>. "Jr." and "Sr." shall be disregarded in all cases except when the names and addresses are identical; then "Jr." shall precede "Sr."

When either "Junior" or "Senior" represents a given or a surname, it shall be filed as a name.

EXAMPLE:

George <u>J</u>unior
Frank, <u>S</u>enior
Junior <u>Wa</u>lters
Senior <u>Wa</u>lters

<u>Miss and Mrs</u>. "Miss" and "Mrs." shall be disregarded in all cases except when the names and addresses are identical; then "Miss" shall precede "Mrs."

EXAMPLE:

Miss Blanche Hale, Harlan, Ind.
Mrs. Blanche Hale, Harlan, Ind.

12. (a) Foreign names should be filed first by the last name, in alphabetic order.

EXAMPLE:

Cheang Wing Shek . . file as Shek, Cheang Wing
Chee Kee Fat . . . . " " Fat, Chee Kee
Cheen Kyung Mar . . " " Mar, Cheen Kyung
Chee Jung Shee . . . " " Shee, Chee Jung
Hernandos, Fernandez " Fernandez, Hernandos

(b) Also follow this rule in filing religious names when the secular name is not given.

EXAMPLE:

Heavenly Joy . . . . . file as Joy, Heavenly
Father Bernard . . . . " " Bernard, Father

QUES.______________________________
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THIS BOOK IS THE PROPERTY OF__________________ SUPERVISOR__________________

STANDARD FORM NO. 64

155 V

Office Memorandum · UNITED STATES GOVERNMENT

DATE: Mar 29, 1944

TO : Secretary Henry Morgenthau Jr

FROM : Oscar Cox

SUBJECT :

On second thought, I think your first thought of not using a memo is a good one. Oral presentation — with your force and knowledge — would doubtless be far better. And a written presentation at this time might detract.

OSC

MAR 29 1944

My dear Mr. Secretary:

This will acknowledge your note of March 22, 1944 enclosing copies of communications dealing with the proposed sale of a stock of tea in the possession of the Italian Legation at Lisbon. The procedure established in these cables whereby Italian assets in neutral countries may be disposed of and proceeds used only with the approval of the Allied Control Commission is agreeable to this Department.

Very truly yours,
(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable,
The Secretary of State.

T:Drl -3-27-44

reply refer to

DEPARTMENT OF STATE
WASHINGTON

March 22, 1944

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses for the information of the Division of Monetary Research copies of several communications dealing with the proposed sale of a stock of tea in the possession of the Italian Legation at Lisbon. This matter has been the subject of discussion between Mr. Taylor of the Division of Monetary Research and an officer of the Department.

Enclosures:

1. Paraphrase of telegram from Lisbon, February 4, 1944.
2. Copy of telegram from London, February 21, 1944.
3. Paraphrase of telegram to Algiers, March 4, 1944.
4. Paraphrase of telegram to Lisbon, March 4, 1944.

[illegible]

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, Lisbon.

TO: Secretary of State, Washington.

DATED: February 4, 1944, 5:13 p.m.

NUMBER: 332

The following telegram is sent to Washington and repeated to London as the Legation's 53.

Approval has been requested by the Legation of Italy here of the following proposal which it has under consideration. The Legation has a stock of tea which it wishes to sell to approved buyers in Switzerland or Tangier. The funds derived from the sale would be used to buy blankets manufactured in this country, to be shipped to liberated Italian territory for relief purposes. Only a small part of the required quantity of blankets could be purchased on the basis of the escudos which would be yielded at the best price offered thus far. The matter was considered by the Anglo-American Economic Committee yesterday which did not believe that the transaction in itself would interfere with our own purchase arrangements here. However, the Committee decided that Washington and London should be asked to decide the policy question of permitting the Italians to

utilize

utilize the proceeds of the sale of Italian assets abroad for purchases for their own purposes. It would be appreciated if the Legation could be furnished the Department's views regarding this aspect of the proposal.

NORWEB

LA:JJR:eph

PLAIN

London

Dated February 21, 1944

Rec'd 4:42 p.m.

...retary of State,

Washington:

1444, Twenty-First.

CONFIDENTIAL.

FOR LIMITED DISTRIBUTION ONLY.

FOR DEPARTMENT AND FEA

The following statement represents MEW'S views ...rning sale by Italians of assets they may have abroad ...purchases for their own account raised by Lisbon in ...gram 332 to Department, February 4:

"The general position is that so long as H M G ...S G continue to share equally any necessary expenses ...the maintenance of Italian interests, Italian assets ...only be sold with our consent and the proceeds must ...sed as we direct to the maintenance of such interests ...ould otherwise have to be maintained at our expense. ... I think covers the sale of the tea, so long, of ...se, as it is disposed of in accordance with the

requirements

44, Twenty-First, from London.

ments of the blockade.

"As regards the purchase of blankets, I have no

ation at present whether these blankets are to be

lied under the general plan of relief in Italy. If

then since in the absence of purchase with Italian

ey, we should have jointly to foot the bill, I see no

objection to the Italians purchasing the blankets".

Embassy would appreciate expression of your views.

WINANT

WTD

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington

TO: American Consul, Algiers

DATED: March 4, 1944

NUMBER: 688

CONFIDENTIAL

ATTENTION OF L'HEUREUX FOR GRADY.

A request has been made by the Italian Legation at Lisbon for approval of the sale of the stock of tea in the possession of the Legation and for use of the proceeds to buy blankets manufactured in Portugal. It is their intention to send the blankets to Southern Italy for relief purposes. It is our understanding that there is also a quantity of blankets in possession of the Legation. The total number of blankets would probably not be large. Lisbon is being asked to furnish you information as to quantity and type and as to whether there have been proposed any shipping arrangements.

Lisbon has been informed by us that disposition of Italian assets abroad can be made only with approval of the Control Commission and that the matter is being submitted to the Commission. We are also asking the Legation whether it appears possible to dispose of other goods which are being held by the Italian Legation.

No objection

No objection is made by us to the sale of the tea nor to the use of the proceeds either for purchasing supplies, which we would otherwise have to furnish, or for the maintenance of the Italian Legation. It is our understanding that similar views are held by the British.

Since the Legation has initiated action looking toward the sale of the tea, we suggest that the Italian Government give appropriate instructions to the Italian Legation at Lisbon.

STETTINIUS
(Acting)

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington

TO: American Legation, Lisbon

DATED: March 4, 1944

NUMBER: 689

CONFIDENTIAL

No disposal may be made of Italian assets abroad without United Nations' consent as expressed by the Allied Control Commission with which the matter is being taken up. There is no objection on our part to the disposal to approved sources of the tea and other cargo under the Italian Government's control provided it is done with the Allied Control Commission's consent and the proceeds used only with its approval. London informs us that this is the British view also. The importance of observance of blockade requirements in disposal of tea is emphasized by the British. The use of the proceeds to maintain the Italian Legation at Lisbon or to purchase goods which we would otherwise supply appear to be unobjectionable in general. We suggest that it might be desirable to handle both the purchase of blankets and the sale of tea through the American and British Missions in Lisbon.

Any shipment of goods to Italy would have to be carried out in accordance with Allied Control Commission's directives. The view of the Commission will be given to you.

It is requested that you inform us of the number and type of blankets which could be purchased and whether there has been any discussion regarding shipping arrangements. It is our impression that the Italians already have some blankets in Lisbon. It is also requested that you report whether it appears possible to dispose of other cargo which the Italians hold. Please repeat the foregoing to Algiers from L'Heureux for Grady.

The foregoing message has been repeated to London as Department's cable No. 1662, referring to Embassy's wire of February 21, 1944, No. 1444.

STETTINIUS
(Acting)

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TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25

OFFICE OF THE DIRECTOR

SECRET

March 29, 1944

MEMORANDUM TO THE SECRETARY:

There is transmitted herewith the weekly report of Lend-Lease purchases.

We have been requested by the Foreign Economic Administration to take over the Army Shoe Reconstruction Plant at Buford, Georgia, for the purpose of rebuilding 1,200,000 pairs of used Army shoes to be furnished to us by the Salvage Branch of the Quartermaster General.

The War Department expects to relinquish operations between April 15 and April 30, and it is expected that the processing of 1,200,000 pairs of shoes will be completed by October 1944, and will cost from $1.50 to $1.80 a pair, exclusive of export packing or freight. We are now investigating the matter to determine the requirements for this operation.

Army Ordnance has requested FEA to transfer the purchase of heavy machine tools to the Procurement Division, which will require a deletion from their budget, and an inclusion in the FEA budget. We are amending our 1945 budget, recently submitted, in accordance with this proposal.

Clifton E. Mack
Director of Procurement

LEND-LEASE
TREASURY DEPARTMENT, PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
AS OF MARCH 22, 1944
(In Millions of Dollars)

	Total	U. K.	Russia	China	Administrative Expenses	Miscellaneous & Undistributed
Allocations	$4698.0 (4696.9)	$2290.7 (2289.7)	$1877.3 (1877.3)	$113.9 (113.9)	$12.6 (12.6)	$403.5 (403.4)
Purchase Authorizations (Requisitions)	$3636.0 (3577.7)	$1883.2 (1846.6)	$1436.5 (1421.4)	$44.9 (44.7)	- -	$271.4 (205.0)
Requisitions Cleared for Purchase	$3538.6 (3521.5)	$1835.2 (1824.9)	$1400.4 (1399.4)	$44.6 (44.5)	- -	$258.4 (252.7)
Obligations (Purchases)	$3416.8 (3397.4)	$1807.9 (1796.3)	$1372.7 (1369.0)	$44.2 (44.1)	$10.6 (10.5)	$181.4 (177.5)
Deliveries to Foreign Governments at U. S. Ports*	$1794.8 (1764.8)	$1181.5 (1170.0)	$558.9 (540.5)	$21.9 (21.8)	- -	$32.5 (32.5)

*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of March [illegible], 1944.

28

March 29, 1944.

My dear General Wesson:

For the Secretary I am acknowledging the copy of the Soviet Aid Report as of February 29, 1944, which you were so good as to send him. Mr. Morgenthau much appreciates receiving these current reports, and has asked me to thank you for your courtesy in bringing them to his attention.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Major General C. M. Wesson,
Director, Division for Soviet Supply,
Foreign Economic Administration,
Five-Fifteen 22nd Street, N.W.,
Washington 25, D. C.

GEF/dbs

FOREIGN ECONOMIC ADMINISTRATION
~~OFFICE OF LEND-LEASE ADMINISTRATION~~
FIVE-FIFTEEN 22d STREET NW.
WASHINGTON 25, D. C.

March 28, 1944

MEMORANDUM

To: The Honorable Henry Morgenthau

From: Maj. Gen. C. M. Wesson
Director, Division for Soviet Supply

Subject: Soviet Aid Report

Attached herewith is your copy of the Soviet Aid Report as of February 29, 1944, which summarizes the amount of aid furnished to the U.S.S.R. during the First and Second Protocols and the first eight months of the Third Protocol.

SECRET
Copy No. IRA
170

STATUS OF THE SOVIET AID PROGRAM
AS OF FEBRUARY 29, 1944

Prepared for the President's Soviet Protocol Committee

Foreign Economic Administration
March 25, 1944

SECRET

PERFORMANCE DURING FEBRUARY 1944

Shipments to the Soviet Union from United States and Canadian ports fell to 375,300 long tons in February, the smallest quantity shipped in any month since July, 1943 but 95% of average monthly Protocol requirements. Shipments from July 1943 through February 1944 total 4,011,600 long tons, 132% of Protocol requirements for the period and 88% of requirements for the full Protocol year. Shipments during March are expected to total 375,000 long tons, bringing total shipments to 96% of the year's plan.

Cargo shipped during February and the Third Protocol period is summarized as follows:

	February		July-February	
	Long Tons	Per Cent	Long Tons	Per Cent
U. S. SUPPLIES				
Trucks & Other Vehicles	38,800	10	428,200	11
Metals	51,000	14	648,700	16
Chemicals & Explosives	21,600	6	332,300	8
Petroleum Products	33,300	9	399,600	10
Industrial Equipment	25,900	7	340,700	9
Food	123,500	33	1,271,500	32
Other	52,900	14	410,700	10
Total	347,000	93	3,831,700	96
BRITISH & CANADIAN SUPPLIES	28,300	7	179,900	[illegible]
TOTAL	375,300	100	4,011,600	100

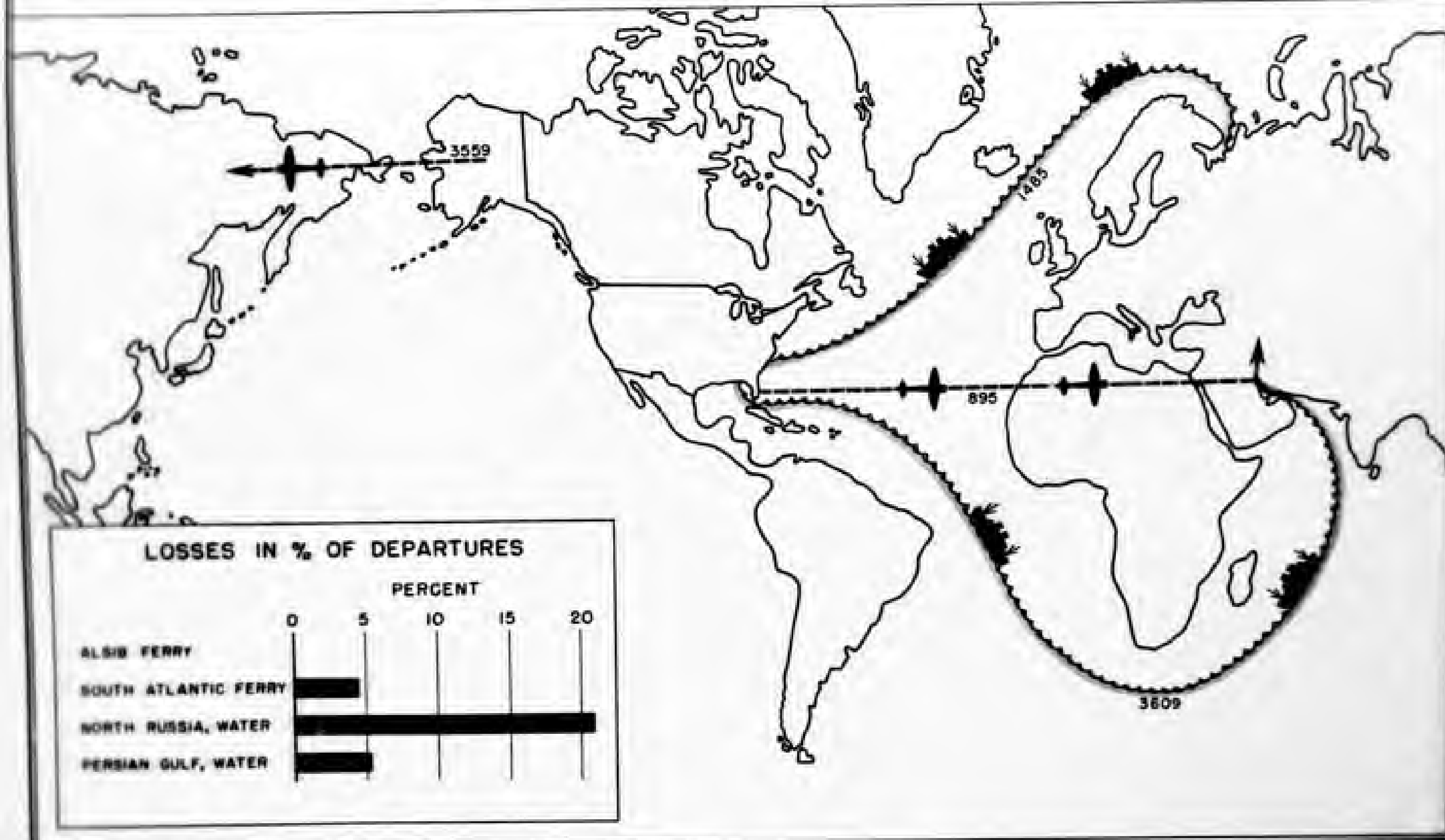
No losses were experienced in February.

During February 6,706 trucks, 30 locomotives, and 286 flat cars were dispatched to the Soviet Union.

Aircraft dispatched from North America in February totaled 461: 346 for U.S. Protocol Account and 115 for U.K. Account. Of the total number, 5 were shipped by water to Murmansk, 163 by water to the Persian Gulf, 57 by air via the South Atlantic, and 236 from Fairbanks by the Alaskan-Siberian ferry route.

Foreign Economic Administration
March 25, 1944

AIRCRAFT DELIVERIES TO U.S.S.R.
FACTORY DELIVERIES BY ROUTE
OCTOBER 1, 1941 – FEBRUARY 29, 1944



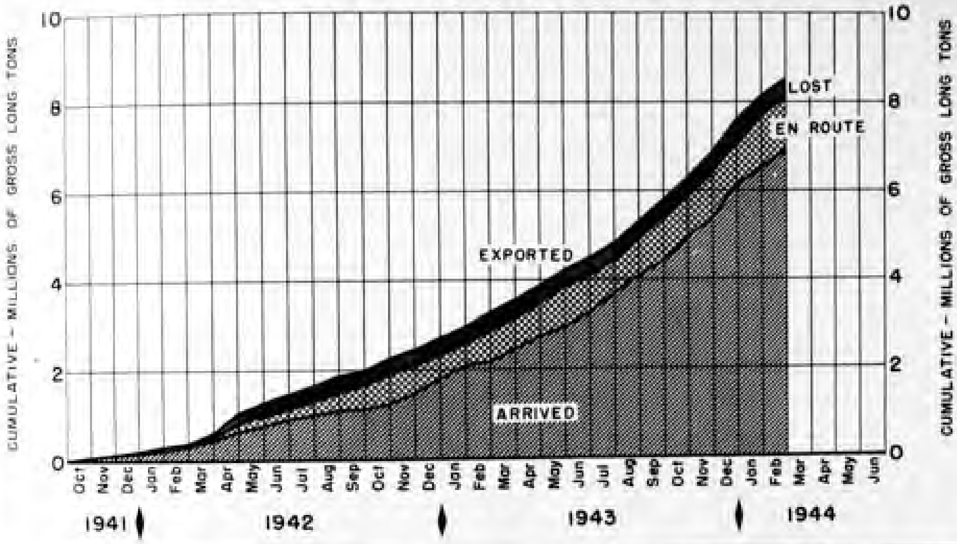
SECRET

Foreign Economic Administration

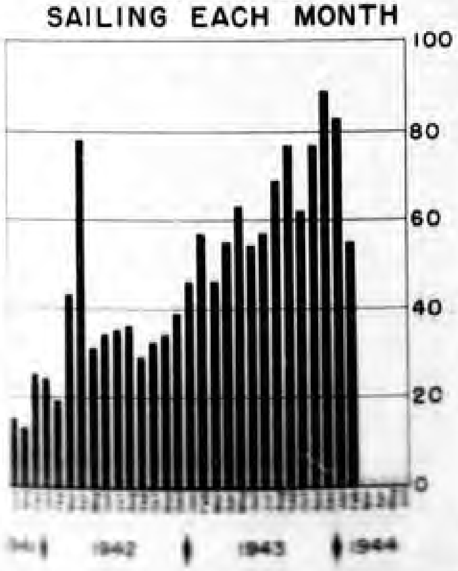
SECRET

SHIPMENTS TO U. S. S. R.

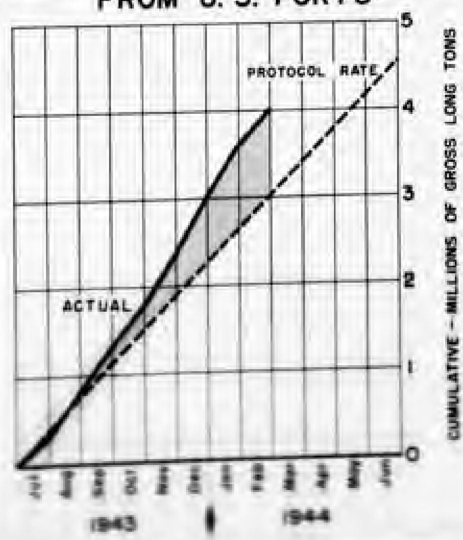
SHIPMENTS, ARRIVALS AND LOSSES



NUMBER OF SHIPS SAILING EACH MONTH



THIRD PROTOCOL CLEARANCES FROM U. S. PORTS

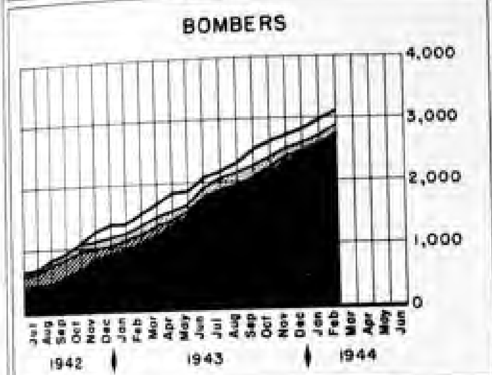


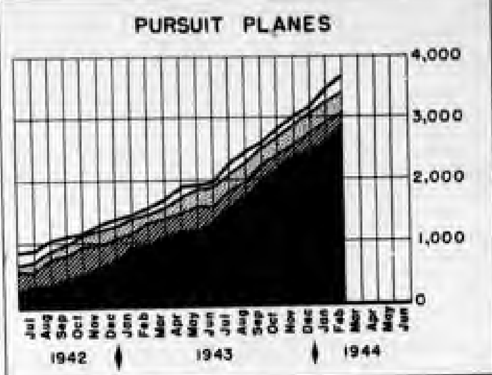
EXPORTS AND AVAILABILITY OF SELECTED ITEMS

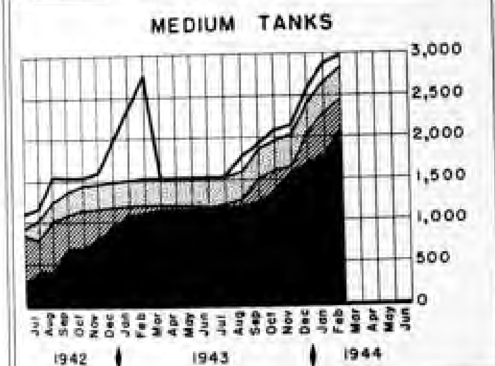
CUMULATIVE SINCE OCTOBER 1, 1941

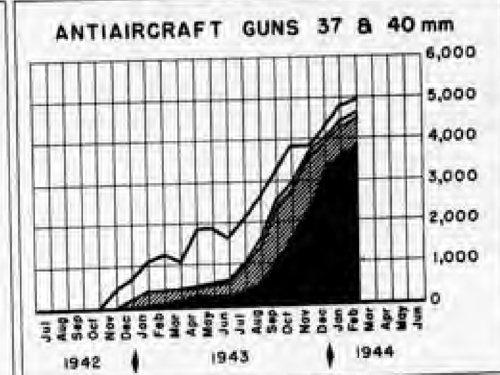
Exported — Lost — En Route — Arrived

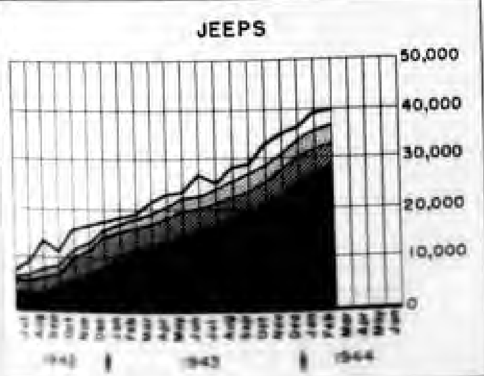
——— Quantity made available at U.S. centers of production

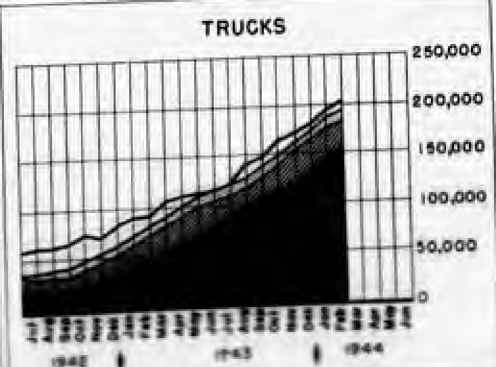






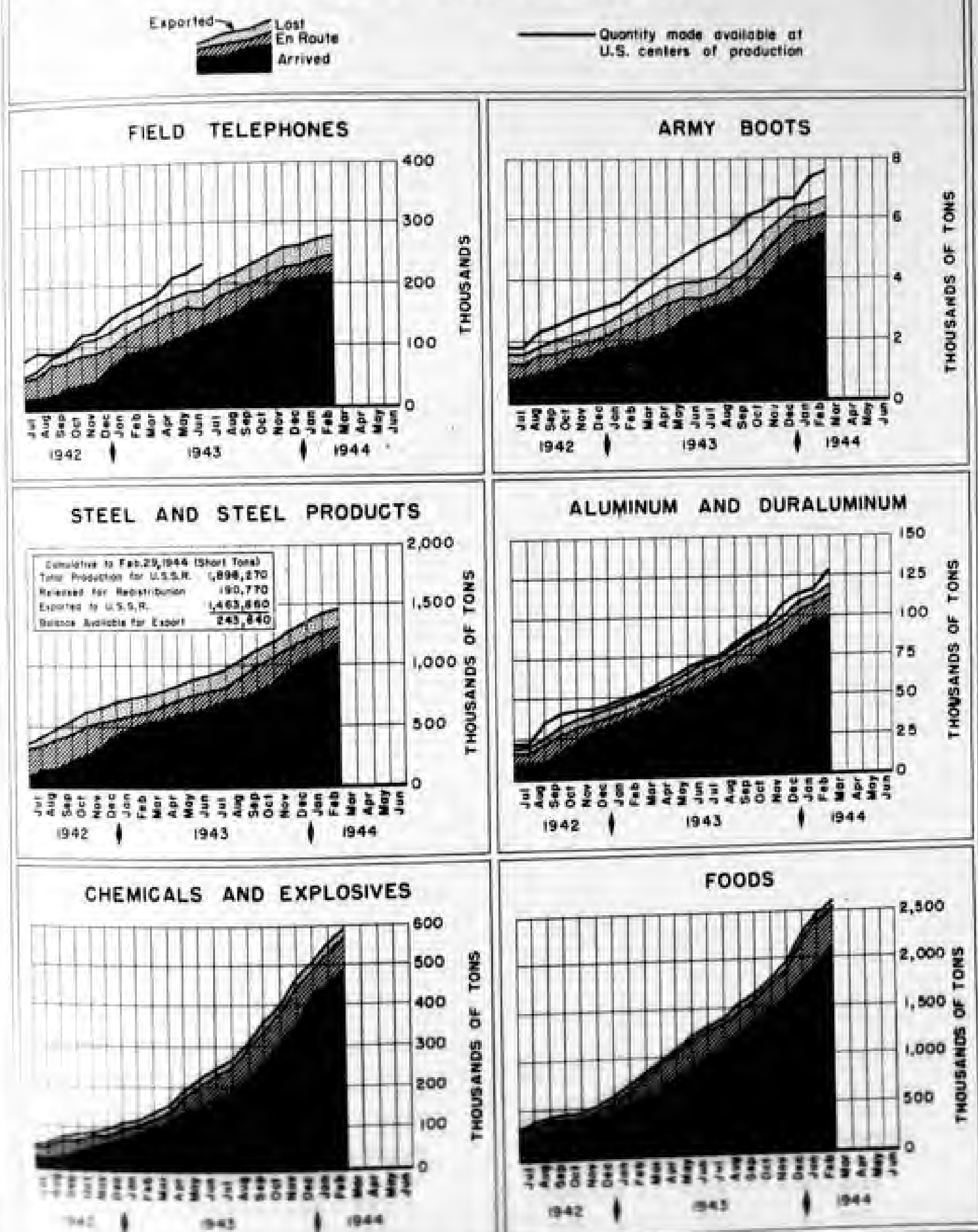






EXPORTS AND AVAILABILITY OF SELECTED ITEMS

CUMULATIVE SINCE OCTOBER 1, 1941



SECRET

PROGRESS OF INDUSTRIAL PROJECTS FOR THE U.S.S.R.
As of February 29, 1944

PETROLEUM REFINERY PROJECT This project was developed to replace Soviet facilities destroyed by the German Army. It was designed to produce aviation gas, motor gas, and lubricating oils. Of the entire project valued at $43,938,000, equipment valued at $43,219,000 has been made ready for shipment. Equipment valued at $39,564,000 has been exported. Most of the equipment remaining to complete the project consists of valves, instruments, spare parts and tank cars which are expected to be shipped before summer. Nineteen U.S. engineers are in the U.S.S.R. aiding in construction.

Approval has been given for additions to supplement the facilities already supplied. This additional equipment, valued at $25,150,000 is now being engineered.

POWER PROGRAM Under the Second Protocol program 320,000 KW of stationary steam generating equipment has been made available. This includes nine units with a total capacity of 40,500 KW furnished with the petroleum refinery project, two units totaling 11,000 KW furnished with the tire plant and 42 units totaling 1,680 KW to be furnished with the Block Signal System. The remaining units of the Second Protocol program totaling 258,500 KW are rated from 250 KW to 35,000 KW and are for installation as power utility plants. Over 70 percent of this equipment has been exported.

Diesel generating equipment totaling 162,000 KW and 59 industrial steam boilers have been made available for export.

Power equipment approved under the Third Protocol has now been placed under contract. Designing and manufacturing are progressing on schedule. The program consists of generating equipment as follows:

Stationary Steam Generating Equip.	166,500 KW	Mobile Diesel Generating Equip.	32,000 KW
Mobile Steam Generating Equipment	217,000 KW	Hydro-electric Equipment	68,150 KW
Stationary Diesel Generating Equip.	106,925 KW	Total	590,575 KW

Thirty-two industrial steam boilers and transmission equipment valued at $5,000,000 are also being supplied.

R.R. BLOCK SIGNAL SYSTEM This project is to permit automatic signal operation of a portion of the U.S.S.R. railroad system. When installed it will increase the carrying capacity of existing rail facilities without increase of rolling stock. The system valued at $11,558,000 will provide signal and signal operating equipment for 3,000 Km of track. Equipment valued at $3,488,000 has been made ready for shipment of which $81,000 has been exported.

In addition 42 power plants of 40 KW each, all valued at $500,000, are being furnished to provide the necessary electricity to operate the system. Production of the power units has commenced.

ROLLING MILLS An aluminum rolling mill to supply aluminum sheet for the U.S.S.R. aircraft industry is nearly complete. Of the total valued at $6,377,000, equipment valued at $6,290,000 has been made ready for shipment and $5,018,000 has been exported.

One 18" merchant mill, a blooming mill, rail and structural mill, R.R. tie plate and splice bar mill, and a pipe fabricating mill, all estimated to cost $19,347,000 are now in production. A portion of the 18" merchant mill has been prepared for shipment but has not yet been exported.

STEEL EXPANSION PROGRAM Production of equipment valued at $12,664,000 for expansion of U.S.S.R. steel production is now progressing. This equipment, all of which is to supplement existing facilities, is expected to increase Soviet production of carbon steel ingots by 2,500,000 tons a year. Equipment valued at $729,700 has left suppliers but none has been exported.

OTHER PLANTS

	Cost	Manufactured	Exported
Wall Board Plant	$536,563	$404,737	0
Glass Bulb and Tubing Plant	1,400,000	0	0
Voltol Plant (Pilot)	142,785	134,072	$72,624
Nitric Acid Plant	528,277	436,046	0
Hydrogen Gas Plant	531,800	531,800	51,783
Hydrogen and Catalyst Plants	2,616,900	488,165	0

TIRE PLANT This $9,000,000 project was designed to permit the production of a minimum of 1,000,000 military tires a year from U.S.S.R. supplies of synthetic rubber and natural rubber obtained from shrubs. To [illegible] American equipment basic elements of the tire plant of the Ford Motor Company have been acquired.

[illegible] equipment necessary to complete the production cycle for large size military tires has been purchased. [illegible] to supply the necessary steam and electrical power is being supplied at a cost of $1,100,000.

[illegible] equipment valued at $8,500,000 has been made available by suppliers. Equipment valued at [illegible] has been exported.

[illegible] plant is in production and a small portion has already left the United States.

STATEMENT OF VESSELS SAILED TO U.S.S.R.

As of February 29, 1944

Date of Sailing	Number of Vessels Sailing: For North Russia	For Persian Gulf	For Soviet Arctic	For Soviet Far East	Total	Arrived	En Route as of Feb. 29	Cargo Disch. in U.K.	Lost	Losses by Month
1941 Oct	10	-	-	5	15	14	-	-	1	-
Nov	9	1	-	3	13	12	-	-	1	-
Dec	14	7	-	4	25	22	-	-	3	1
1942 Jan	20	-	-	4	24	19	-	1	4	3
Feb	13	2	-	4	19	16	-	-	3	1
Mar	31	6	-	6	43	32	-	4	7	9
Apr	62	6	-	10	78	46	-	13	19	-
May	14	10	-	7	31	21	-	4	6	6
Jun	8	11	6	9	34	27	-	-	7	6
Jul	2	5	16	12	35	34	-	-	1	16
Aug	11	5	1	19	36	33	-	-	3	1
Sep	4	8	-	17	29	29	-	-	-	10
Oct	-	13	-	19	32	32	-	-	-	-
Nov	-	8	-	26	34	32	-	-	2	3
Dec	4	11	-	24	39	38	-	1	-	-
1943 Jan	12	12	-	22	46	38	-	8	-	-
Feb	23*	7	-	28	58	36	-	20	2	1
Mar	1	19	-	26	46	44	-	1	1	2
Apr	-	18	-	37	55	54	-	-	1	1
May	-	15	4	44	63	62	-	-	1	-
Jun	-	4	5	45	54	54	-	-	-	2
Jul	-	17	16	24	57	57	-	-	-	-
Aug	-	24	7	38	69	67	-	-	2	2
Sep	-	27	-	50	77	76	1	-	-	-
Oct	10	25	-	27	62	61	1	-	-	-
Nov	20*	25	-	32	77	76	-	-	1	-
Dec	29*	21	-	39	89	79	8	-	2	-
1944 Jan	30	26	-	27	83	25	58	-	-	3
Feb	20**	16	-	19	55	-	55	-	-	-
Total Oct. 1941 to Feb. 29, 1944	347	349	55	627	1,378	1,136	123	52	67	67

* Includes one tanker from U. K. for U. S. Protocol Account.
** Includes two tankers from U. K. for U. S. Protocol Account.

Of the 1,378 sailings from October 1, 1941 to February 29, 1944, 652 were made by American vessels, 462 by Soviet vessels, 238 by American vessels transferred to Soviet registry, 25 by British vessels and 1 by a Swedish vessel. In addition to the 1,378 sailings, there were 101 ships that loaded partial cargoes in the U.S. for the U.S.S.R. In addition to the 67 ships shown above as lost, several ships have been sunk on their return voyages.

ACTUAL SHIPMENTS COMPARED WITH PROTOCOL SHIPPING OBJECTIVES

July 1943 - February 1944

FIGURES IN LONG TONS

	Atlantic Route	Pacific Route	Total
Protocol Objective	1,428,600	1,607,100	3,035,700
Shipments	2,246,900*	1,764,700	4,011,600
Shipments in % of Objective	157%	110%	132%

* Includes [illegible] tons of petroleum products from Abadan for U. S. Protocol account, the material being replaced to U. K. from the U. S.

SECRET

STATEMENT OF CARGO SHIPPED TO U.S.S.R.

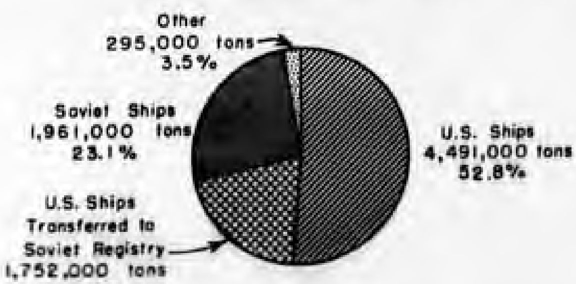
As of February 29, 1944

(Thousands of Gross Long Tons)

Month	For North Russia	For Persian Gulf: Full Cargoes	For Persian Gulf: Partial Cargoes	For Persian Gulf: From Abadan	For Soviet Arctic	For Soviet Far East: Full Cargoes	For Soviet Far East: Partial Cargoes	Total	Arrived	En Route as of Feb. 29	Cargo On Hand or Diverted In U. K.	Lost	Losses by Month
1941 O[illegible]	48	-	-	-	-	17	-	65	62	-	-	3	-
[illegible]	41	3	-	-	-	14	-	58	55	-	-	3	-
D[illegible]	50	10	-	-	-	11	-	71	63	-	-	8	3
1942 Jan	63	-	-	-	-	26	-	89	72	-	1	16	9
Feb	66	4	1	-	-	20	-	91	76	-	-	15	5
Mar	171	17	1	-	-	25	-	214	163	-	5	46	42
Apr	376	21	-	-	-	38	-	435	267	-	40	128	-
May	92	79	8	-	-	33	-	212	141	-	19	52	38
Jun	55	84	7	-	18	31	-	195	139	-	-	56	55
Jul	13	39	25	-	46	59	1	183	174	-	-	9	114
Aug	69	40	25	-	2	83	-	219	197	-	-	22	7
Sep	28	63	9	-	-	79	-	179	179	-	-	-	65
Oct	-	109	12	-	-	108	-	229	229	-	-	-	2
Nov	-	66	5	-	-	106	1	178	165	-	-	13	17
Dec	29	83	9	-	-	123	-	244	237	-	7	-	2
1943 Jan	73	83	4	-	-	98	-	258	210	-	48	-	2
Feb	173	40	-	-	-	129	-	342	178	-	150	14	8
Mar	9	131	-	-	-	123	-	263	246	-	9	8	16
Apr	-	138	5	-	-	194	-	337	330	-	-	7	7
May	-	112	[illegible]	-	13	216	-	350	343	-	-	7	-
Jun	-	25	4	-	16	229	1	275	275	-	-	-	15
Jul	-	116	10	10	58	152	-	346	346	-	-	-	-
Aug	-	173	4	7	32	262	-	478	464	-	-	14	14
Sep	-	194	4	8	-	313	-	519	512	7	-	-	-
Oct	66	187	6	10	-	181	-	450	441	9	-	-	-
Nov	145	194	1	10	-	229	-	579	571	-	-	8	-
Dec	214	167	-	10	-	262	-	653	581	57	-	15	-
1944 Jan	222	202	-	12	-	176	-	612	197	415	-	-	23
Feb	149	114	-	12	-	100	-	375	12	363	-	-	-
Total Oct. 1941 to Feb. 29, 1944	2,152	2,494	149	79*	185	3,437	3	8,499	6,925	851	279	444	444

* Petroleum products by rail ex Abadan for U. S. account, replacement to U. K. from U. S.

DISTRIBUTION OF TONNAGE SHIPPED TO FEB. 29, 1944
BY REGISTRY OF SHIPS



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AIRCRAFT DELIVERIES TO U.S.S.R.

October 1, 1941 to February 29, 1944

Protocol requirements are considered filled upon delivery of aircraft from factories.

Departure points from North America are: U.S. ports for water shipments, Fairbanks for flight-deliveries via the Alaskan-Siberian Ferry Route, and Miami, Florida or adjacent fields for flight-deliveries via the South Atlantic. Planes shipped by water to North Russia are considered delivered upon arrival at Murmansk or Archangel. Planes shipped by water to the Persian Gulf are assembled at Abadan and with planes arriving there over the South Atlantic Ferry Route are delivered at Abadan to U.S.S.R. pilots. Alaskan-Siberian Ferry route planes are delivered to Soviet pilots at Fairbanks.

With the exception of 59 P-40 fighters shipped from U.S. ports in September, 1941 and arrived in North Russia in November and December 1941, this schedule includes all aircraft departed from the U.S. for direct delivery to the U.S.S.R. Aircraft shipped from the U.S. intended for use in the United Kingdom but retransferred from the United Kingdom to the U.S.S.R. are not included.

	Delivered at Factories	In North America Feb. 29, 1944		Lost in North America		Departed North America	Lost After Departure	Diverted to Others	En Route N.A. to Destination 2/29/44	Arrived at Destination	Delivered to USSR at Destination
		In U.S.	In Canada and Alaska	In U.S.	In Canada and Alaska						
BY ROUTES											
Alaskan-Siberian Ferry Route	3,559	195	123(77)*	49	38	3,154	0	0	0	3,154	3,154
South Atlantic Ferry Route to Abadan	895	16	0	16	0	863	38	1	23	801	758
Water to North Russia	1,485	3	0	0	0	1,482	310	1	30	1,141	1,141
Water to Persian Gulf Assembly at Abadan	3,609	275	0	0	0	3,334	175	0	278	2,881	(16)** 2,736
Total	9,548	489	123(77)*	65	38	8,833	523	2	331	7,977	(16)** 7,789
U.S. PROTOCOL ACCOUNTS											
Pursuit Planes											
P-40 Alsib	50	0	0	0	2	48	0	0	0	48	48
P-40 North Russia, water	1,149	0	0	0	0	1,149	248	1	22	878	878
P-40 Persian Gulf, water	722	81	0	0	0	641	25	0	20	596	(4)** a/
P-39 Alsib	602	19	12(8)*	5	11	555	0	0	0	555	555
P-39 North Russia, water	57	0	0	0	0	57	7	0	0	50	50
P-39 Persian Gulf, water	971	45	0	0	0	926	28	0	150	748	(1)** a/
P-47 Alsib	3	0	0	0	0	3	0	0	0	3	3
P-47 North Russia, water	5	0	0	0	0	5	0	0	5	0	0
P-47 Persian Gulf, water	91	86	0	0	0	5	0	0	5	0	0
[illegible] North Russia, water	3	3	0	0	0	0	0	0	0	0	0
Total Pursuit Planes	3,653	234	12(8)*	5	13	3,389	308	1	202	2,878	-
Light Bombers											
A-20 Alsib	1,102	57(a)	55(40)*	20(d)	8	962	0	0	0	962	962
A-20 South Atlantic	767	16	0	16	0	735	34	1	23	677	634
A-20 North Russia, water	165	0	0	0	0	165	39	0	0	126	126
A-20 Persian Gulf, water	637	0	0	0	0	637	79	0	0	558	(8)** 550
Total Light Bombers	2,671	73	55(40)*	36	8	2,499	152	1	23	2,323	(8)** 2,272
Medium Bombers											
B-25 Alsib	304	31(b)	21(16)*	0	1	251	0	0	0	251	251
B-25 South Atlantic	128	0	0	0	0	128	4	0	0	124	124
B-25 North Russia, water	5	0	0	0	0	5	0	0	0	5	5
Total Medium Bombers	437	31	21(16)*	0	1	384	4	0	0	380	380
Heavy Bombers											
B-24 Alsib (total)	1(c)	0	0	0	0	1	0	0	0	1	1
Cargo Planes											
C-47 Alsib	250	10	6(5)*	1	0	233	0	0	0	233	233
Observation Planes											
O-52 North Russia, water	30	0	0	0	0	30	11	0	0	19	19
Advanced Trainers											
AT-6-C North Russia, water	8	0	0	0	0	8	0	0	3	5	5
AT-6-C Persian Gulf, water	22	0	0	0	0	22	0	0	0	22	(1)** 20
Total Advanced Trainers	30	0	0	0	0	30	0	0	3	27	(1)** 25
U.K. PROTOCOL ACCOUNTS											
[illegible] Agreements)											
[illegible], water	300	0	0	0	0	300	0	0	0	300	a/
[illegible]	1,217	78	29(?)*	23	13	1,074	0	0	0	1,074	1,074
[illegible], water	35	0	0	0	0	35	5	0	0	30	30
[illegible], water	745	63	0	0	0	682	43	0	103	536	(1)** a/
Total [illegible]	2,297	141	29(?)*	23	13	2,091	48	0	103	1,940	-
[illegible] ACCOUNT											
[illegible]	30	0	0	0	3	27	0	0	0	27	27
[illegible], water	28	0	0	0	0	28	0	0	0	28	28
[illegible], water	121	0	0	0	0	121	0	0	0	121	(1)** a/
Total [illegible]	179	0	0 *	0	3	176	0	0	0	176	-

* At Fairbanks
** [illegible] before delivery to U.S.S.R. pilots
a/ [illegible]
b/ [illegible]
c/ [illegible]
d/ [illegible]
[illegible]

EXPORTS AND AVAILABILITY

As of February 29, 1944

SECRET
Sheet 1

Ref.	Item	3rd Protocol Performance July 1, 1943 - February 29, 1944: 3rd Protocol Offering a	Offered to Date a	Made Avail. To Date b	Exported: During Feb. 1944	7/1/43 - 2/29/44	Cumulative Performance - 1st, 2nd and 3rd Protocols October 1, 1941 to February 29, 1944: Made Avail. a	Exported	Arrived d	Lost	Diverted After Export e	In U.S. Awaiting Forwarding e	Balance On Books Feb. 29 1944 g
	MILITARY ITEMS												
	Aircraft f												
	For U.S. Protocol Accounts												
I 1A	Pursuit Planes	2,400	1,600	1,706	147	1,498	3,663	3,389	See Detailed Schedule				
I 1B	Light Bombers	1,200	800	850	134	775	2,671	2,499					
I 1C	Medium Bombers	300	300	217	21	178	437	384					
I 1D	Heavy Bombers	0	0	0	0	0	1	1					
I 1E	Cargo Planes	240	160	170	34	150	250	233					
I 1F	Advanced Trainers	0	0	0	0	0	30	30					
I 1G	Observation Planes	0	0	0	0	0	30	30					
	For U.S. Protocol (Under Reciprocal Agreements)												
I 1A	Pursuit Planes	1,800	1,200	1,147	150	1,131	2,297	2,091					
	For Reimbursement Account												
I 1A	Pursuit Planes	0	0	0	0	0	179	176					
I 1AA	Link (Ground) Trainers f	0	0	10	5	5	10	5	0	0	0	0	5
	Tanks f												
I 2A	Light Tanks	0	0	0	0	0	1,680	1,680	1,222	433	0	0	25
I 2B	Medium Tanks	2,000	1,334	1,280	170	1,303	2,980	2,839	2,117	371	0	0	351
	Guns, etc. f												
I 3A	AA Guns 90 mm.	0	0	94	0	136	224	224	172	8	0	20	44
I 4A	AA Guns 40 mm.	0	0	3,366	192	4,134	4,341	4,209	3,461	356	0	0	392
I 4B	AA Guns 37 mm.	0	0	0	0	0	424	424	340	16	0	68	0
I 4C	AA 50 Cal. mg.	0	0	**	0	1,025	**	1,825	1,125	0	0	400	300
I 4D	AA Guns 37 mm. S.P.	0	0	**	25	50	**	50	25	0	0	0	25
I 4E	AA Guns 50 Cal. S.P.	0	0	**	390	464	**	464	0	0	0	0	464
I 5B	AT Guns 37 mm.	0	0	0	0	0	63	63	28	28	0	0	7
I 5E	AT 76 mm. S.P. (Tank Destroyers)	0	0	5	0	5	5	5	5	0	0	0	0
I 5C	AT 57 mm. S.P. (Tank Destroyers)	0	0	657	0	657	657	657	657	0	0	0	0
I 5D	AT 3" S.P. (Tank Destroyers)	0	0	50	0	50	52	52	52	0	0	0	0
I 6A	Submachine Guns .45 Cal.	0	0	1,637	0	700	134,420	133,483	106,853	21,690	0	0	5,000
I 8B	Rocket Launchers	0	0	0	0	0	3,000	3,000	3,000	0	0	0	0
I 8C	Mortars, 81 mm.	0	0	0	0	0	30	30	30	0	0	0	0
I 8D	Pistols and Revolvers	0	0	6,000	0	8,000	11,950	8,000	7,950	0	0	0	50
	Ammunition is being supplied for all weapons furnished by the U. S. in accordance with standards prescribed for U. S. Forces. Additional ammunition is furnished for weapons of Soviet manufacture.												
	Trucks (with equipment and spare parts including tires)												
I 10A	Cargo & Weapon Carriers (3/4 ton)	/	/	5,612	334	4,642	10,416	9,290	7,394	78	598	0	1,220
I 10B	Trucks (1½ ton)	/	/	38,590	3,348	42,144	98,033	96,375	77,571	5,994	1,826	1,446	9,538
I 10C	Trucks (2½ ton)	/	/	34,856	2,988	31,684	94,232	87,148	72,408	4,176	704	3,418	6,442
I 10D	Trucks (5 ton & over)	/	/	28	28	28	82	82	54	0	0	0	28
I 10E	Tank Transporters (20 & 40 ton)	/	/	222	8	194	298	270	242	16	0	0	12
	Total Trucks	132,000	84,000	79,308	6,706	78,692	203,061	193,165	157,669	10,264	3,128	4,864	17,240
	Other Vehicles f												
I 9A	Armored Scout Cars	4,500	-	1,985	224	1,458	2,899	2,372	1,425	168	0	0	579
I 9B	Jeeps (¼ ton 4x4)	24,000	16,000	14,855	1,082	14,232	39,987	35,680	28,995	3,636	1,378	0	2,671
I 9F	Amphibian Jeeps (¼ ton)			1,783	595	1,650	1,783	1,652	875	0	0	0	777
I 9C	Personnel Carriers (½ track)	600	400	292	28	286	621	615	489	54	0	0	72
I 9E	Cargo Carriers (1½ ton, ½ track)	0	0	2	0	2	2	2	2	0	0	0	0
I 17	Motorcycles	12,000	8,000	8,381	1,122	8,522	20,481	19,922	15,408	1,592	1,100	0	1,822
I 18	Military Tractors	2,400	1,600	1,622	145	1,740	4,670	3,633	2,974	223	0	155	281
I 10F	Tank Recovery Units	0	0	145	0	130	145	130	102	0	0	0	28
I 34	Field Repair Trucks	0	0	278	17	583	1,437	987	881	3	0	0	103
I 10G	Gas & Diesel Engines for Trucks	0	0	2,584	100	2,101	3,127	2,468	1,368	0	0	0	1,100
	Signal Equipment f												
I 20A	Radio Stations (over 1 KW)	81	27	12	0	10	**	**					
I 20B	Radio Stations (1 KW & under)	12,000	9,400	9,899	1,478	8,638	**	**					
I 20C	Radio Receivers	2,230	1,164	1,456	214	1,575	**	**					
I 21	Ground Radio Locators	0	0	0	0	22	25	25	25	0	0	0	0
I 26	Radio Beacons	0	0	202	25	157	**	**					
I 27	Radio Direction Finders	150	84	48	0	28	**	**					
I 32	Radio Parts & Access. ($1000)	3,000	2,000	1,100	**	**	**	**					
I 28	Radio Meas. & Test. Eq. ($1000)				**	**	**	**					
I 23	Radio Tubes (1000 Units)	2,400	1,983	1,284	**	**	**	**					
I 11	Field Telephones	100,000	66,667	93,323	8,000	89,652	**	277,943	216,966	30,648	600	11,600	18,130
I 12	Field Telephone Wire (miles)	186,000	162,000	141,672	9,111	181,808	**	860,162	690,966	127,008	0	12,604	29,584
I 24	Gas Driven Generators	4,000	3,334	1,512	70	3,510	**	14,573	14,256	103	0	0	214
I 31A	Dry Cells for Radios	0	0	**	0	119,810	**	158,778	120,238	0	0	0	38,540
I 31B	Flashlights with Dry Cells	0	0	45,000	0	60,000	100,000	85,000	85,000	0	0	0	0
	Explosives (tons)												
I 14A	Smokeless Powder	72,700	48,900	64,328	3,837	68,001	111,751	103,849	84,007	4,603	0	9,368	9,870
I 14B	Nitroglycerine Powder			807	0	306	807	306	119	0	0	0	187
I 14C	T.N.T.	26,880	17,920	33,350	3,200	42,838	84,141	76,896	61,002	3,849	250	2,451	9,142
II 14AJ	Dynamite (Ammonite)	0	0	11,996	0	12,306	21,803	18,617	16,929	0	0	0	1,688
	Total Explosives (tons)	99,580	66,820	110,481	7,037	123,451	218,502	199,168	162,057	8,452	250	7,822	20,687
	Other Military Items												
	Pneumatic Floats	0	0	0	0	0	3,000	3,000	2,398	552	0	50	0
	Bridges, Callender	0	0	15	0	4	15	4	4	0	0	0	0
	Barbed Wire Cutters ($1000)	0	0	**	0	348	**	448	333	0	0	0	115
	[illegible]	0	0	782,420	241,232	417,548	707,420	622,548	244,576	0	0	0	339,972
	Portable Pipeline (100 mile units complete with pumps, etc.)	0	0	2	0	0	0	0	0	0	0	0	0

Notes: All tons are 2,000 lbs. net weight

** Data not available

a [illegible]

b [illegible]

c [illegible]

d [illegible]

e [illegible]

f [illegible]

g [illegible]

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Sheet 2

	Item	3rd Protocol Performance July 1, 1943 - February 29, 1944: 3rd Protocol Offering a	Offered to Date a	Made Avail. To Date b	Exported: During Feb. 1944	7/1/43 - 2/29/44	Cumulative Performance - 1st, 2nd and 3rd Protocols October 1, 1941 to February 29, 1944: Made Avail. c	Exported	Arrived d	Lost	Diverted after Export e	In U. S. Awaiting Forwarding e	Balance En Route Feb. 29 1944 +
	MILITARY ITEMS (cont.)												
	Quartermaster Items												
II 114	Leather (tons)	18,000f	12,000	8,094	712	10,965	37,352	34,880	27,153	4,815	774	0	2,118
II 71A	Army Boots (1000 pr.)	3,600	2,400	2,519	403	2,751	7,387	6,750	5,549	585	0	256	370
II 71B	Ski Boots (1000 pr.)			100	15	109	325	168	116	0	0	4	48
II 71C	Leather Soles (1000 units)	0	0	938	258	543	2,318	1,974	1,275	193	0	0	506
II 71D	Leather Jackets (1000 units)	0	0	36	**	**	176	**	**	**	**	**	**
II 71E	Woolen Cloth (1000 yds)	18,000	12,000	8,935	3,219	18,599	28,401	27,211	20,182	943	0	1,089	4,997
II 71F	Cotton Cloth (1000 yds.)	26,045	17,368	29,776	7,242	35,850	115,489	56,207	40,971	1,222	0	1,478	12,536
II 71G	Webbing (1000 yds.)	12,000	8,000	15,614	3,313	12,655	39,294	34,342	24,819	2,207	0	2,027	5,289
II 71H	Tarpaulin & Duck (1000 yds.)	3,000	2,000	2,308	**	**	10,294	**	**	**	**	**	**
II 71J	Other Q.M. Textiles ($1000)	0	0	3,101	940	7,617	6,506	4,669	2,914	159	0	3	1,541
II 71K	Q.M. Apparel ($1000)	0	0	3,034	894	3,885	7,779	6,613	4,356	47	0	896	1,314
	MEDICAL SUPPLIES												
V-1	Drugs, Instruments, Eq., etc. ($1000) (Protocol Quantities only)	12,000	8,000	5,843	**	**	**	**					
	MATERIALS												
	Non-Ferrous Metals												
II 3	Aluminum Ingot	35,750	23,840	41,584	3,163	35,254	79,665	73,334	60,774	4,533	0	0	8,027
II 3A	Aluminum Fabricated			15,731	1,921	12,896	48,857	43,340	37,302	2,393	0	14	3,631
II 4A	Pig Nickel	3,600	2,400	2,900	100	2,310	7,622	6,905	5,281	828	0	0	696
II 4B	Nickel Metal Scrap	952*	635*	413g	0	75	415	75	75	0	0	0	0
II 4C	Basic Products of Nickel	-h	–	991	1	57	206	163	104	13	0	0	46
II 5	Molybdenum Concentrates	4,000	2,668	2,448	287	2,587	11,059	10,958	8,604	1,429	0	0	905
II 6	Copper, Electrolytic	–	–	0	0	142	3,146	3,144	1,144	0	0	0	0
II 7	Brass, Bronze, etc.	107,520	71,680	77,868j	8,287	68,494	230,791	201,683	151,929	14,457	0	5,209	30,088
II 11	Copper Tubes, etc.	15,000	10,000	8,873j	479	8,156	27,002	22,523	19,920	1,193	36	284	1,090
II 8	Magnesium	4,077	2,688	2,355	148	2,807	4,373	4,373	3,593	0	0	0	780
II 9	Zinc Slabs	13,440	8,960	10,323	66	10,300	49,654	49,560	44,997	2,323	0	0	2,240
II 29	Special Non-Ferrous Wires	269	180	91	2	140	481	454	417	4	0	3	30
II 30A	Nichrome Wire and Strip	538	360	294	33	308	1,020	1,013	846	90	0	0	77
II 30B	Basic Nichrome Products	-h	–	131	0	75	508	502	477	0	0	25	0
II 49	Mercury	0	0	0	0	30	895	895	895	0	0	0	0
II 55	Cerium Metallic	0	0	0	0	4	18	18	17	0	0	0	1
II 55A	Sodium Metallic	0	0	341k	67	256	1,443	1,359	1,034	258	0	0	67
II 58	Manganese	0	0	0	0	11	11	11	11	0	0	0	0
II 89	Lead	0	0	0	0	34	43	43	43	0	0	0	0
II 90	Tin	0	0	0	0	8	10	10	10	0	0	0	0
II 91	Aluminum, Tin and Nickel Foil	0	0	67k	0	65	217	215	210	4	0	0	1
II 92	Babbit Metal	0	0	56k	0	5	142	106	86	20	0	0	0
II 93	Cadmium	112k	38	0	0	0	201	201	201	0	0	0	0
II 94	Cobalt	81	81	81	0	70	249	216	216	0	0	0	0
	Total Non-Ferrous Metals (tons)	185,304	123,530	163,737	14,891	144,079	466,008	420,003	338,206	27,547	36	5,539	49,678
II 35B	Misc. Non-Ferrous Metals and Products ($1000)	–	–	914	58	61	101	71	13	0	0	0	58
	Copper Cable and Wire												
II 1	Marine Cable (miles)	748	498	721	12	233	1,353	1,136	905	127	0	92	12
II 2	Submarine Cable (miles)	373	249	721	0	259	839	833	783	50	0	0	0
II 74	Insulated Cable ($1000)	(12,000Ka)	(8,000Ka)	15,927Ka	3,406	14,706	39,593	24,008	17,762	218	0	866	5,162
II 74A	Bare Copper Cable & Wire (tons)	20,000	13,336	**j	111	1,149	**	4,073	2,816	0	0	80	1,177
	Ferro-Alloys (tons)												
II 12	Ferro-Silicon	9,408	6,272	744m	847	4,351	8,341	8,309	6,855	1,049	0	28	377
II 13	Ferro-Chromium	5,376	3,584	0	45	2,154	4,139	4,139	3,311	494	0	0	334
II 85	Ferro-Phosphorus	/	/	0m	0	0	4	4	4	0	0	0	0
II 86	Ferro-Vanadium	/	/	223m	56	223	225	225	2	0	0	0	223
II 87	Ferro-Tungsten	/	/	212m	93	203	224	205	2	0	0	0	203
II 87A	Ferro-Molybdenum	/	/	1,141m	250	1,021	1,141	1,021	0	0	0	0	1,021
	Total Ferro-Alloys (tons)	14,784	9,856	2,660	1,295	7,952	14,064	13,907	10,174	1,543	0	28	2,158
	Steel (tons)												
II 10	Bimetal	/	/	8,211j	33	13,102	21,501	18,643	16,465	968	0	288	922
II 14	Armor Plate	/	/	0	0	0	8,951	8,951	5,787	2,897	267	0	0
II 16	Polished Drill Rods	/	/	144	3	172	420	362	297	2	0	10	53
II 17	High Speed Tool Steel	/	/	4,534	1,003	3,379	9,504	7,978	5,914	386	0	83	1,595
II 18	Tool Steel	/	/	10,779	1,806	10,403	25,629	23,675	19,783	939	25	448	2,480
II 19	Cold Finished Bars	/	/	21,609p	3,749	40,413	127,404r	111,311	95,438	6,485	180	3,004	9,084
II 20	H.R. Aircraft Steel	/	/	17,508	4,660	61,247	151,044b	122,483	108,498	1,994	0	657	11,344
II 21	Cr. Ni. Mo. Billets	/	/	(-)4,097p	0	3	83,518p	79,288	66,012	9,631	431	3,214	0
II 22	Cold Rolled Sheets	/	/	(-)345p	0	409	85,397p	81,153	49,079	29,853	1,709	699	13
II 22A	Cold Rolled Strip	/	/	(-)26,928p	534	8,174	75,796p	72,809	57,498	11,266	797	1,089	2,159
II 23	Stainless Steel	/	/	2,719	658	2,725	8,234	6,473	5,548	70	0	1	854
II 24	Tinplate	/	/	33,956	759	12,212	112,919	87,927	66,340	10,602	930	1,902	5,113
II 25	Steel Wire	/	/	(-)25,667p	1,328	23,201	87,268p	78,902	64,352	5,077	492	968	5,833
II 26	Wire Rope	/	/	3,907p	95	9,031	29,478p	23,954	22,036	789	0	344	785
II 27	Steel Alloy Tubes	/	/	17,955	1,756	15,068	59,688	22,959	20,134	265	0	105	2,455
II 28	Stainless Steel Wire	/	/	347	105	313	2,765	2,616	2,352	94	13	44	113
II 79	Barbed Wire and Staples	/	/	(-)14,583p	478	2,444	52,498p	48,209	36,417	10,538	203	99	952
II 80	Pipe and Tubing	/	/	23,564p	3,980	43,318	147,471j	101,952	74,903	13,918	1,671	288	9,278
II 81	H.R. Sheets and Plates	/	/	27,605p	1,639	60,434	205,778p	170,004	143,866	18,542	1,833	4,383	3,580

Notes: All tons are 2,000 lbs. net weight

\+ Estimated
** Data not available
a Offerings selected by U.S.S.R. are in excess of the aggregate of shipping commitments and reasonable stocks. Production control provisions of the Protocol have been exercised and will reduce production below offerings in some instances. Offerings for which no monthly schedules are quoted in the Protocol have been computed on the basis of proportional time elapsed.
b New production or assignments in addition to quantities made available but not exported at end of Second Protocol period and after deductions of quantities repossessed or diverted before export.
c New production or assignments after deductions of quantities repossessed or diverted before export.
d Includes shipments for clearance through Persian Corridor reported arrived in Persian Gulf ports.
e [illegible]
f [illegible]
g [illegible]
h [illegible]
j [illegible]
k [illegible]
m [illegible]
n [illegible]
p [illegible]
r [illegible]

Ref	Item	3rd Protocol Performance July 1, 1943 - February 29, 1944: 3rd Protocol Offering a	Offered to Date a	Made Avail. To Date b	Exported: During Feb. 1944	7/1/43 - 2/29/44	Cumulative Performance - 1st, 2nd and 3rd Protocols October 1, 1941 to February 29, 1944: Made Avail. c	Exported	Arrived d	Lost	Diverted after Export e	In U.S. Awaiting Forwarding e	Balance En Route Feb. 29 1944 e
	MATERIALS (cont.)												
	Steel (tons) (cont.)												
II 34	Bolts, Nuts, Rivets, etc.			2,306	866	3,386	12,431	7,317	6,914	0	0	0	403
II 35D	Aircraft Landing Mats			8,533	0	8,533	8,533	8,533	8,533	0	0	0	0
II 201	R. R. Rails and Access.			158,205	14,493	185,319	322,425	296,397	233,932	21,841	1,421	418	38,785
II 202	Mounted Sets, Wheels & Axles			0	0	20,416	24,076	22,538	21,277	90	0	911	260
II 203	Car Axles			0	0	14,264	35,910	33,950	27,816	1,367	0	4,050	417
II 204	Locomotive and Car Wheel Tires			3,982	1,197	10,379	16,960	15,922	12,566	53	0	484	2,819
II 205	Rolled Steel Car Wheels			3,276	1,062	5,333	11,848	7,167	5,593	0	0	512	1,062
II 207	Locomotive Axles			0	0	141	255	183	183	0	0	0	0
II 208	Electric Locomotive Axles			0	0	0	300	222	222	0	0	0	0
	Total Steel (tons)	900,000	333,334	298,998	39,863	551,939	1,707,481	1,463,858	1,182,855	149,397	9,882	24,219	97,555

Note: p The following quantities released from U.S.S.R. export stocks for redistribution have been deducted from amounts made available.

Ref	Item	July 1943-Feb. 1944	Oct. 1941-Feb. 29, '44
II 19	Cold Finished Bars	945	956
II 20	H.S. Aircraft Steel	0	73
II 21	Cr.Ni.Mo. Billets	4,141	30,866
II 22	Cold Rolled Sheets	345	3,505
II 22A	Cold Rolled Strip	38,484	38,484
II 25	Steel Wire	31,955	31,955
II 26	Wire Rope	350	430
II 31	Barbed Wire & Staples	6,586	17,127
II 32	Pipe and Tubing	(-) 15,669	40,197
II 33	H.R. Sheets and Plates	1,152	17,396
	Total Released (tons)	58,269	190,789

Ref	Item	3rd Protocol Offering a	Offered to Date a	Made Avail. To Date b	During Feb. 1944	7/1/43 - 2/29/44	Made Avail. c	Exported	Arrived d	Lost	Diverted after Export e	In U.S. Awaiting Forwarding e	Balance En Route Feb. 29 1944 e
II 35B	Pig Iron (tons)	-	-	2,279k	0	2,209	4,676	4,113	4,113	0	0	0	0
II 35A1	Chains and Anchors (tons)	-	-	1,735k	0	1,117	2,697	1,684	1,683	0	0	0	11
II 35F	Power Boilers ($1000)	-	-	6,622k	311	1,574	7,767	1,584	1,273	0	0	0	311
II 35G	Misc. Ferrous Metals & Prods. ($1000)	-	-	1,609k	21	668	2,275	1,295	1,120	6	0	0	169
II 37	Petroleum Products												
	From U. S.	360,000	240,000	h	4,366	321,738	h	721,414	554,543	10,786	87,997f	0	68,128
	From U.K. for U.S. Account (Replacement to U.K. from U.S.)				8,930	18,023		28,219	28,219	-	-	-	-
	From Abadan for U.S. Account (Replacement to British from U.S.)	120,000	80,000	h	14,141*	86,909*	h	86,909*	86,909*	-	-	-	-
	Shipments from U.K. to U.S.S.R. as Replacement for Diversion to U.K.	-	-	-			-	(31,867)g	(31,867)				
	Additional U.S. Allocation to U.S.S.R. at U.K. expense as Replacement for Diversion to U.K.	-	-	-	-	-	29,974g	-					
	Chemicals (tons)												
II 41A5	Acetone	6,720	4,480	1,868	536	1,933	2,869	2,840	2,027	0	0	0	813
II 38a	Alcohol, Ethyl from U.S. Acct.	107,520	71,680	109,843	9,529	107,914	130,236	128,060	98,132	159	0	0	29,769
	Alcohol, Ethyl from U.K. for U.S. (Replacement to U.K. from U.S.)			20,187	10,022	20,187	20,187	20,187	20,187	-	-	-	-
II 41A3	Caustic Soda	40,320	26,880	25,275	638	26,523	52,796	50,359	45,159	707	0	0	4,493
II 39	Ethylene Glycol	3,360	2,240	1,792	0	4,131	8,744	8,462	7,856	189	0	358	249
II 41A11	Glycerine, from U.S.	6,720	4,480	2,151	62	3,148	11,816	10,313	9,948	301	0	0	64
	Glycerine, Lend-Lease Retransfer from U.K.			5,478	0	5,478	5,478	5,478	5,478	-	-	-	-
II 40	Methanol	6,720	4,480	1,489i	450	4,247	18,689i	17,266	12,332	2,963	371	683	917
II 39	Phenol	11,160j	7,832	7,591	658	7,953	25,190	22,482	18,745	2,581	170	448	1,478
II 41A75	Potassium Tetroxide	21	-	165	52	227	410	395	271	0	0	0	124
I 13A	Toluol	40,320	25,387	31,327	0	27,343	73,631	63,120	51,017	3,392	399	1,810	6,742
II 40	Urotropine	6,720	4,480	4,650	378	4,977	12,727	10,486	8,795	358	25	201	1,117
	Other Chemicals (tons)												
II 48	Ammonia Chloride			(-)1213i	0	75	4,594i	726	726	0	0	0	0
II 41A27	Ammonia Nitrate			(-)2,406i	0	0	3,394i	3,394	2,802	113	0	479	0
II 51	Ammonia Sulpho Cyanide			0	0	0	3	3	3	0	0	0	0
II 41A8	Aniline Oil			(-)2,192i	0	0	3,521i	3,521	2,466	927	16	112	0
II 42	Anthracene			0	0	0	9	9	9	0	0	0	0
II 54	Barium Peroxide			1	0	0	332	106	106	0	0	0	0
II 41A13	Black Dyes (tons)			0	0	530	752	689	689	0	0	0	20
II 41A7	Boric Acid			960	0	0	1,029	459	292	167	0	0	0
II 38b	Butyl Alcohol			303	155	155	303	155	0	0	0	0	155
II 41A8	Calcium Carbide			168	0	186	424	354	354	0	0	0	0
II 41A14	Carbon & Lamp Blacks			0	0	13	2,251	2,251	2,251	0	0	0	0
II 52	Centralite, Ethyl			1,096	199	970	1,707	1,479	1,218	0	0	0	261
II 41A76	Citric Acid			531	40	531	1,044	1,044	696	56	0	0	292
II 44	Colloxyline (wet)			0	79	274	8,136	5,040	3,426	1,339	86	110	79
II 46	Cresol			0	0	0	441	292	231	61	0	0	0
II 41	Dibutyl Phthalate			339	54	1,230	5,579	4,557	3,538	859	90	20	70
II 41A17	Diethylene Glycol			307	30	282	552	457	392	0	0	0	65
II 42	Dimethyl Aniline			0	0	52	2,510	2,302	1,797	480	0	85	0
II 43	Diphenylamine			0	0	3	2,080	1,489	1,233	256	0	0	0
II 41A16	Ethylene Chlorohydrin			160	40	181	192	193	152	0	0	0	40
II 41A20	Ethylene Dibromide			0	0	993	4,613	2,042	2,042	0	0	0	0
II 41A77	Formaldehyde			0	0	0	560	494	432	62	0	0	0
II 41A23	Naphthenic Acid			0	0	127	600	127	127	0	0	0	0
II 41A14	Neozone			0	0	34	504	504	504	0	0	0	0
II 41A1	Phenol Formaldehyde			0	0	0	448	447	369	78	0	0	0
II 49	Phosphorus			(-)740i	0	390	2,823i	2,553	2,001	485	0	0	80
II 41A4	Picric Acid			697	378	881	1,487	1,238	998	92	0	147	402
II 41A75	Potassium Chlorate			221	38	378	1,344	814	764	0	0	40	30
II	Potassium Nitrate			(-)1310i	0	1,013	5,201i	2,178	1,847	0	0	138	93
II	Potassium Sulphate			(-)1,249i	0	179	580i	580	535	0	0	43	0
II	Resorcin			0	0	1	120	41	41	0	0	10	0
II	[illegible]			0	0	1	6	6	6	0	0	0	0
II 41A17	Saccharine			125	0	113	323	298	286	12	0	-	0

Notes: All tons are 2,000 lbs. net weight

* Estimated

a Offerings selected by U.S.S.R. are in excess of the aggregate of shipping commitments and reasonable stocks. Production control [illegible]. Offerings for which provisions of the Protocol have been exceeded and will reduce production below offerings in some instances [illegible] on monthly schedules are quoted in the Protocol have been computed on the basis of proportional time elapsed.

b From production or assignments in addition to quantities made available but not exported at end of Second Protocol period and after [illegible]

c Deductions of quantities repossessed or diverted before export.

d From production or assignments after deductions of quantities repossessed or diverted before export.

e Includes shipments [illegible] reported arrived [illegible] available in Washington.

f [illegible]

g [illegible]

h [illegible]

i [illegible]

j [illegible]

k [illegible]

Cat.	Item	3rd Protocol Performance July 1, 1943 – February 29, 1944: 3rd Protocol Offering a	Offered to Date a	Made Avail. To Date b	Exported: During Feb. 1944	Exported: 7/1/43 – 2/29/44	Cumulative Performance – 1st, 2nd and 3rd Protocols October 1, 1941 to February 29, 1944: Made Avail. c	Exported	Arrived d	Lost	Diverted After Export e	In U.S. Awaiting Forwarding e	Balance En Route Feb. 29 1944 e
	MATERIALS (cont.)												
	Steel (tons) (cont.)												
II 14	Bolts, Nuts, Rivets, etc.	/	/	2,306	265	3,386	13,431	7,317	6,914	0	0	0	403
II 15?	Aircraft Landing Mats	/	/	8,533	0	8,533	8,533	8,533	8,533	0	0	0	0
II 101	R. R. Rails and Access.	/	/	158,205	14,493	185,319	322,425	296,397	233,932	31,441	1,421	618	58,785
II 102	Mounted Sets, Wheels & Axles	/	/	0	0	20,416	24,076	22,538	21,277	90	0	911	260
II 103	Car Axles	/	/	0	0	14,264	35,910	33,950	27,916	1,307	0	4,050	617
II 104	Locomotive and Car Wheel Tires	/	/	3,982	1,197	10,339	16,960	15,922	12,566	93	0	484	2,819
II 105	Rolled Steel Car Wheels	/	/	3,276	1,062	5,333	11,848	7,167	5,593	0	0	512	1,062
II 107	Locomotive Axles	/	/	0	0	141	255	183	183	0	0	0	0
II 108	Electric Locomotive Axles	/	/	0	0	0	300	222	222	0	0	0	0
	Total Steel (tons)	500,000	333,334	298,996	39,863	351,939	1,307,481	1,461,858	1,182,895	148,337	9,892	24,219	97,553

Note: g The following quantities released from U.S.S.R. export stocks for redistribution have been deducted from amounts made available.

Cat.	Item	July 1943– Feb. 1944	Oct.1941– Feb.29,'44	Cat.	Item	July '43 – Feb. 1944	Oct.1941– Feb. 1944	Cat.	Item	July '43– Feb. 1944	Oct.1941– Feb. 1944
II 19	Cold Finished Bars	945	956	II 22A	Cold Rolled Strip	28,464	28,464	II 32	Pipe and Tubing	(-) 15,669	60,197
II 20	H.P. Aircraft Steel	0	73	II 25	Steel Wire	31,955	31,955	II 33	H.R. Sheets and Plates	1,132	17,396
II 21	Cr.Ni.Mo. Billets	4,141	30,866	II 30	Wire Rope	350	430		Total Released (tons)	58,266	190,766
II 22	Cold Rolled Sheets	345	3,305	II 31	Barbed Wire & Staples	6,586	17,127				

Cat.	Item	3rd Protocol Offering a	Offered to Date a	Made Avail. To Date b	Exported During Feb. 1944	Exported 7/1/43 – 2/29/44	Made Avail. c	Exported	Arrived d	Lost	Diverted After Export e	In U.S. Awaiting Forwarding e	Balance En Route Feb. 29 1944 e
II 15E	Pig Iron (tons)	-	-	2,279k	0	2,209	4,676	4,113	4,113	0	0	0	0
II 15A1	Chains and Anchors (tons)	-	-	1,735k	0	1,117	2,697	1,694	1,683	0	0	0	11
II 15F	Power Boilers ($1000)	-	-	6,422k	311	1,574	7,707	1,584	1,273	0	0	0	311
II 15A	Misc. Ferrous Metals & Prods. ($1000)	-	-	1,666k	21	668	2,275	1,295	1,120	6	0	0	169
II 37	Petroleum Products												
	From U. S.	360,000	240,000	h	4,466	321,738	h	721,414	554,543	10,784	87,957f	0	68,128
	From U.S. for U.K. Account (Replacement to U.K. from U.S.)			h	8,930	18,023		28,219	28,219	-	-	-	-
	From Abadan for U.K. Account (Replacement to British from U.S.)	120,000	80,000	h	14,141*	86,909*	h	86,909*	86,909*	-	-	-	-
	Shipments from U.K. to U.S.S.R. as Replacement for Diversion to U.K.	-	-	-			-	(31,867)g	(31,867)				
	Additional U.S. Allocation to U.S.S.R. at U.S. expense as Replacement for Diversion to U.K.	-	-	-	-	-	29,971g	-					
	Chemicals (tons)												
II 6A4	Acetone	6,720	4,480	1,868	536	1,933	2,869	2,840	2,027	0	0	0	813
II 36A	Alcohol, Ethyl from U.S. Acct.	107,520	71,680	109,843	9,529	107,914	130,236	128,060	98,132	159	0	0	29,769
	Alcohol, Ethyl from U.K. for U.S. (Replacement to U.K. from U.S.)			20,187	10,022	20,187	20,187	20,187	20,187	-	-	-	-
II 6A3	Caustic Soda	40,320	26,880	25,275	638	26,523	52,796	50,359	45,159	797	0	0	4,303
II 38	Ethylene Glycol	3,360	2,240	1,792	0	4,131	8,744	8,662	7,866	189	0	358	249
II 6A11	Glycerine, From U.S.	6,720	4,480	2,151	62	3,146	11,815	10,313	9,948	301	0	0	64
	Glycerine, Lend-Lease Retransfer from U.K.			5,478	0	5,478	5,478	5,478	5,478	-	-	-	-
II 45	Methanol	6,720	4,480	1,489i	450	4,247	18,689i	17,266	12,332	2,963	371	683	917
II 30	Phenol	11,160j	7,832	7,591	658	7,953	25,190	22,422	18,743	1,581	170	448	1,478
II 6A17	Potassium Tetraoxide	21	-	165	52	227	410	395	271	0	0	0	124
II 13A	Toluol	40,320	25,387	31,327	0	27,343	73,631	43,120	51,017	3,192	359	1,810	6,742
II 4A	Urotropine	6,720	4,480	4,660	378	4,977	12,727	10,486	8,785	358	25	201	1,117
	Other Chemicals (tons)												
II 18	Ammonia Chloride	/	/	(-)321i	0	75	4,594i	726	726	0	0	0	0
II 6A1	Ammonia Nitrate	/	/	(-)2,406i	0	0	3,794i	3,394	2,402	113	0	879	0
II 51	Ammonia Sulpho Cyanide	/	/	0	0	0	3	3	3	0	0	0	0
II 6A8	Aniline Oil	/	/	(-)2,101i	0	0	3,521i	3,521	2,466	927	16	112	0
II 41	Anthracene	/	/	0	0	0	9	9	9	0	0	0	0
II 54	Barium Peroxide	/	/	1	0	0	332	106	106	0	0	0	0
II 6A21	Black Dyes (tons)	/	/	0	0	530	752	689	689	0	0	0	20
II 6A7	Boric Acid	/	/	560	0	0	1,019	459	292	167	0	0	0
II 388	Butyl Alcohol	/	/	303	155	155	303	155	0	0	0	0	155
II 6A9	Calcium Carbide	/	/	168	0	186	424	354	354	0	0	0	0
II 6A14	Carbon & Lamp Blacks	/	/	0	0	13	2,251	2,251	2,251	0	0	0	0
II 52	Centralite, Ethyl	/	/	1,096	199	970	1,767	1,479	1,218	0	0	0	102
II 6A26	Citric Acid	/	/	531	40	531	1,044	1,044	996	56	0	0	292
II 46	Chlloxyline (wet)	/	/	0	79	274	8,136	5,040	3,426	1,379	86	110	79
II 59	Cresol	/	/	0	0	0	441	292	231	61	0	0	0
II 40	Dibutyl Phthalate	/	/	339	54	1,230	5,579	4,557	3,538	899	90	20	70
II 6A17	Diethylene Glycol	/	/	307	30	282	552	457	350	0	0	0	65
II 42	Dimethyl Aniline	/	/	0	0	52	2,510	2,302	1,797	420	0	85	0
II 43	Diphenylamine	/	/	0	0	3	2,080	1,489	1,233	256	0	0	0
II 6A16	Ethylene Chlorohydrin	/	/	160	40	181	192	192	152	0	0	0	40
II 6A13	Ethylene Dibromide	/	/	0	0	593	4,845	2,042	2,040	0	0	0	0
II 6A27	Formaldehyde	/	/	0	0	0	580	494	432	82	0	0	0
II 6A22	Naphthenic Acid	/	/	0	0	127	600	127	127	0	0	0	0
II 6A24	Neozone	/	/	0	0	34	904	304	304	0	0	0	0
II 6A6	Phenol Formaldehyde	/	/	0	0	0	448	447	369	78	0	0	0
II 49	Phosphorus	/	/	(-)742i	0	590	2,823i	2,555	2,001	485	0	147	80
II 14A	Picric Acid	/	/	807	378	881	1,487	1,238	598	92	0	40	401
II 6A19	Potassium Chlorate	/	/	221	80	370	1,344	814	744	0	0	138	30
II 50	Potassium Nitrate	/	/	(-)420i	0	1,013	3,202i	2,178	1,947	0	0	43	93
II 61	Potassium Sulphate	/	/	(-)1,248i	0	175	380i	580	535	0	0	12	0
II 53	Resorcin	/	/	0	0	1	130	61	51	0	0	0	0
II 44	[illegible]ine	/	/	0	0	1	6	6	4	0	0	0	0
II 6A27	Saccharine	/	/	529	0	113	303	298	286	12	0	-	0

Notes: All tons are 2,000 lbs. net weight

* Estimated

a Offerings selected by U.S.S.R. are in excess of the aggregate of [illegible] [illegible] provisions of the Protocol have been [illegible] [illegible] by monthly schedules are quoted in the Protocol [illegible]

b From production or assignments in addition to [illegible] Deductions of quantities repossessed or diverted before export.

c From production or assignments after deductions of quantities repossessed or diverted before export.

d [illegible]

e [illegible]

f Partially offset by replacements below.

g Offset by diversion of shipments from U.K. [illegible]

h [illegible] products and [illegible] made available as required.

i [illegible]

j [illegible] U.K. of U.S. offering [illegible]

SECRET
Sheet 4

	Item	3rd Protocol Performance July 1, 1943 – February 29, 1944: 3rd Protocol Offering a	Offered to Date a	Made Avail. To Date b	Exported: During Feb. 1944	Exported: 7/1/43 – 2/29/44	Cumulative Performance – 1st, 2nd and 3rd Protocols October 1, 1941 to February 29, 1944: Made Avail. c	Exported	Arrived d	Lost	Diverted After Export e	In U.S. Awaiting Forwarding *	Balance En Route Feb. 29 1944 *
	MATERIALS (Cont.)												
	Other Chemicals (tons) (Cont.)												
II 61A?	Soda Ash	/	/	111	0	754	1,501	1,388	1,388	0	0	0	0
II 61A?	Sodium Bichromate	/	/	101	90	250	701	576	471	55	0	0	50
II ??	Sodium Cyanide	/	/	(-12081)	25	143	2,179	1,812	1,395	334	0	58	25
II ??	Strontium Oxalate	/	/	0	0	52	96	80	76	0	0	0	4
II 57	Barium Nitrate	/	/	0	0	0	12	12	6	6	0	0	0
II 61A17	Twitchell or Petrov Reagent	/	/	215	387	387	722	904	904	0	0	0	0
II ??	Xylenes	/	/	255	0	251	587	458	391	5	0	22	37
II 61A??	Misc. Chemicals	/	/	3,428	1,243	3,530	13,173	10,339	7,720	129	0	23	2,467
	Total Other Chemicals (tons)	9,200	6,134	3,124	2,708	15,747	74,881	55,312	47,854	5,436	178	1,482	4,338
	Total Chemicals (tons)	238,781	158,073	215,040	25,033	225,806	437,234	394,910	323,801	14,906	1,097	4,092	50,114

Note: 1 The following all of which have been released during the Third Protocol Period from U.S.S.R. export stocks for redistribution to others have been deducted from amounts made available.

II 43	Methanol	737	II 40	Phosphorus	1,027	TOTAL CHEMICALS RELEASED
II 48	Ammonia Chloride	211	II 50	Potassium Nitrate	410	8,983 TONS
II 61A23	Ammonium Nitrate	2,406	II 60	Potassium Sulphate	1,216	
II 61A9	Aniline Oil	2,207	II 39	Sodium Bromide	729	

	Item	3rd Protocol Offering a	Offered to Date a	Made Avail. To Date b	Exported During Feb. 1944	Exported 7/1/43 – 2/29/44	Made Avail. c	Exported	Arrived d	Lost	Diverted After Export e	In U.S. Awaiting Forwarding *	Balance En Route Feb. 29 1944 *
	Other Materials & Products												
II 67B	Abrasive Grain (tons)	4,000	2,667	5,528	307	4,398	8,170	5,755	5,096	91	0	200	368
II 67B	Abrasive Products ($1000)	4,000	2,667	5,354	294	3,403	10,128	9,510	7,777	958	33	344	400
II 68A	Graphite Electrodes (tons)	5,757	3,839	4,259	667	4,561	13,199	12,713	10,427	1,319	25	403	539
II 68C	Graphite Powder (tons)	1,120	747	1,971	136	1,290	2,806	2,001	1,664	126	0	0	181
II 68D	Other Graphite Goods ($1000)	(1,128 S.T.)	(1,691 S.T.)	405g	50	300	1,272	1,209	1,028	100	0	29	52
II 78	Tires (1000 units)	–	–	958k	101	1,061	2,316	2,217	1,885	92	51	0	209
II 78	Tubes (1000 units)	–	–	974k	101	1,057	2,418	2,162	1,809	90	52	0	211
II 76	Rubber Hose ($1000)	–	–	3,359k	162	2,973	5,254	3,711	3,083	107	0	22	521
II 78A	Other Rubber Products ($1000)	–	–	9,155k	439	7,712	14,361	9,683	7,514	109	0	147	2,038
II 80	Sheet Fibre (tons)	1,000	667	1,371	169	2,186	4,322	3,725	2,692	496	3	0	387
II 81	Shock Absorber Cord (yds.)	0	0	**	0	5,000	**	171,111	166,111	0	0	0	5,000
II 82	Metallic Cloth & Screen ($1000)	1,000	667	367	22	375	1,363	1,212	1,073	7	0	0	132
II 87	Condenser Paper (tons)	146	98	37	0	20	393	157	157	0	0	0	0
II 83A	Cigarette Paper (tons)	336	224	0	0	142	1,042	534	457	68	0	0	9
II 83B	Parchment & Other Paper (tons)	1,680	1,120	740	687	1,931	4,326	2,718	1,778	0	0	0	940
II 95B	Rubber Footwear ($1000)	–	–	531	36	547	981	906	826	0	0	0	80
II 95C	Other Footwear except Q.M. ($1000)	–	–	474f	42	553	918	831	620	12	0	8	191
II 95A	Other Apparel except Q.M. ($1000)	–	–	78f	23	122	444	288	220	23	0	0	43
II 96A	Textiles except Q.M. ($1000)	–	–	11f	0	19	210	136	129	8	0	9	20
II 96B	Fish Nets (tons)	–	–	347f	0	307	479	383	176	0	0	0	187
II 96C	Rope (tons)	4,680m	1,494	432f	265	888	1,463	1,890	1,608	0	0	16	266
II 96D	Harvest Twine	–	–	0	0	0	0	0	0	0	0	0	0
II 35C	Non-Metallic Minerals & Prod. ($1000)	–	–	52f	0	123	392	365	294	61	0	0	10
II 73D	End Products of Leather ($1000)	–	–	21f	0	16	34	27	27	0	0	0	0
II 35	Misc. Materials & Products ($1000)	–	–	340f	0	937	1,374	1,174	911	52	20	0	392
	MACHINERY AND EQUIPMENT (Except Military and Naval) Unit $1000												
II 69 & 70	Bearings	15,000	10,000	6,599	466	5,494	11,990	9,217	7,531	350	0	–	1,536
II 15A	Cemented Carbide Tips & Blanks	3,000	2,000	1,168	59	1,198	2,457	2,103	1,850	10	0	0	243
II 15B1	Metal Cutting Dies, Drills, etc.	15,000	10,000	6,601	732	5,705	21,982	19,741	18,977	42	0	3	719
II 15B2	Portable Metal Cutting Machines			42	0	45	149	138	133	4	0	0	3
II 15B3	Other Cutting & Boring Tools			943	70	1,100	4,214	3,870	3,530	58	0	0	282
II 15C	Precision Measuring Tools	3,000	2,000	869	20	744	3,274	991	830	–	0	0	161
II 62	Machine Tools	120,000	80,000	93,602	10,033	1,039	251,806	188,730	157,680	7,571	0	3,055	19,564
	(Units)			(10,202)	(1,087)	(12,839)	(28,581)	(23,924)	(20,255)	(1,043)	0	(515)	(2,111)
II 33	Electric Furnaces	12,000	8,000	5,435	515	4,509	12,950	9,591	7,896	618	0	97	980
	(Units)			(297)	(75)	(281)	(758)	(579)	(432)	(40)	0	(5)	(100)
II 64A	Steel Rolling Mills & Equip.	16,000	10,667	2,200	0	114	2,322	479	398	0	0	0	43
II 64B	Forges, Presses, etc.	30,000	20,000	29,814	2,443	15,754	60,613	30,449	24,858	953	26	1,121	3,491
II 64C	Wire Drawing Machines	2,000	1,334	550	0	19	230	19	0	0	0	0	19
II 93A	Excavating Equipment	12,500	8,334	5,970	882	6,723	16,898	14,009	9,272	334	0	2,478	1,925
II 93B	Truck & Tractor Cranes	2,000	1,334	246	75	877	2,466	2,341	1,784	28	0	334	115
II 65C	Other Cranes	20,000	13,334	7,836	783	5,647	10,612	7,626	5,650	35	0	112	1,809
II 55E1	Compressors	9,000	6,000	3,119	46	3,921	7,254	6,122	5,335	340	0	182	265
II 55E2	Fans and Blowers			379	19	106	376	109	91	0	0	0	18
II 55E	Pumps	8,000	5,334	4,121	148	1,778	6,553	3,580	2,902	192	0	159	307
II 56F	Mining, Crushing, Conveying Equip.	10,000	6,667	5,080	445	3,211	8,441	4,558	3,666	83	0	118	691
II 55G	Blast Furnace Equip.	10,000	6,667	1,067	84	296	1,147	304	220	0	0	0	84
II 55H	Welding Equipment	4,000	2,667	2,708	219	2,890	4,289	3,321	2,508	50	0	0	963
II 6A1	Valves and Fittings	3,000	2,000	2,570	86	2,119	4,379	3,267	2,988	54	0	0	125
II 6A2	Pneumatic Tools	5,000	3,334	1,967	0	1,490	4,002	2,696	2,480	0	0	0	216
II 66	Control Instruments & Test. Equip.	12,000	8,000	734	99	530	1,066	797	617	25	0	7	148
II 65E17A	R.R. Block Signal System	12,000	8,000	3,343	5	81	3,343	81	76	0	0	0	5
	Auxiliary Machinery & Equip. ($1000)												
II 65E?	Engines and Turbines	/	/	2,467	40	2,915	7,314	4,987	4,360	133	0	18	476
II 65E1	Industrial Trucks & Tractors	/	/	482	294	1,013	7,302	3,107	2,432	93	–	225	397
II 56E3	Mechanical Power Trans. Equip.	/	/	7	0	7	22	22	22	0	0	0	0
II 65E4	Other General Purpose Equip.	/	/	84	0	27	207	84	44	0	0	0	0
II 65E5	Electric Motors, Generators, etc.	/	/	32,600	3,420	32,622	82,901	42,682	33,743	197	1	123	6,588
II 65E6	Primary Elec. Power Transmission & Distribution Equipment	/	/	972	138	1,603	2,234	2,073	1,641	4	0	0	428
II 55E?A	Power Conversion Eq. (Rectifiers)	/	/	1,368	94	409	1,431	485	103	0	0	0	342
II 65E?	Secondary Dist. Eq. & Wiring Devices	/	/	187	35	316	938	779	704	1	43	24	29
II 65E?A	Motors, Starters & Controllers	/	/	104	5	180	660	637	420	33	0	0	182

Notes: All tons are 2,000 lbs. net weight

— Data not available

[illegible]

	Item	3rd Protocol Performance July 1, 1943 - February 29, 1944: 3rd Protocol Offering a	Offered to Date a	Made Avail. to Date b	Exported: During Feb. 1944	Exported: 7/1/43 - 2/29/44	Cumulative Performance - 1st, 2nd and 3rd Protocols October 1, 1941 to February 29, 1944: Made Avail. c	Exported	Arrived d	Lost	Diverted After Export e	In U.S. Awaiting Forwarding f	Balance to Route Feb. 29 1944 g
	MACHINERY AND EQUIPMENT (cont.)												
	Auxiliary Machinery (cont.)												
II 6SS8	Electric Cranes	/	/	4	0	3	3	4	4	0	0	0	0
II 6SS9	Electric Lamps	/	/	15	7	18	102	96	78	-	0	0	0
II 6SS10	Electric Appliances	/	/	0	0	0	3	3	3	-	0	0	-
II 6SS11	Misc. Electrical Products	/	/	821	32	481	773	661	599	0	0	35	72
II 6SS12	Food Products Machinery	/	/	779	107	337	832	426	282	9	0	0	122
II 6SS13	Textile Machinery	/	/	479	37	212	952	917	794	120	0	0	43
II 6SS14	Paper Industry Machinery	/	/	444	0	184	765	428	428	0	0	0	0
II 6SS15	Printing Machinery	/	/	0	0	0	44	44	44	0	0	0	0
II 6SS16	Tire Manufacturing Plant	/	/	9,529	338	4,703	10,998	8,459	8,283	0	0	0	176
II 6SS17	Woodworking Machinery	/	/	449	16	268	999	425	387	12	0	0	26
II 6SS18	Petroleum Refinery Equip.	/	/	33,388	0	37,134	44,970	40,864	38,768	283	0	42	1,608
II 6SS19	Glass Industry Equip.	/	/	136	0	174	174	174	174	0	0	0	0
II 6SS20	Chemical Industry Equip.	/	/	760	0	158	998	173	173	0	0	0	0
II 6SS21	Gas Producing Machinery	/	/	8,701	409	1,450	4,127	1,868	1,288	0	0	0	580
II 6SS22	Other Special Machines	/	/	2,161	51	1,204	3,428	2,130	1,922	5	0	0	203
II 6SS22a	Cartridge Mfg. Lines	/	/	800	90	2,272	12,510	12,178	11,888	17	0	134	139
II 6SS23	Smelting & Casting Equip.	/	/	241	0	135	857	267	252	15	0	0	0
II 6SS24	Non-Ferrous Rolling Mills	/	/	4,515	14	1,003	6,980	3,046	3,002	0	0	1	43
II 6SS25	Misc. Metal Working Equip.	/	/	4,877	386	3,479	3,727	7,582	7,121	8	0	0	453
II 6SS26	Attachments for Machine Tools	/	/	755	82	320	1,604	852	711	17	0	14	110
II 6SS27	Agricultural Machinery	/	/	306	0	155	334	143	101	0	0	0	42
II 6SS28	Oil Well Drilling Equipment	/	/	4,299	35	3,182	5,633	4,571	4,483	0	0	14	74
II 6SS29	Rock Drilling Equipment	/	/	387	0	0	401	14	13	0	0	1	0
II 6SS30	Construction Machinery	/	/	28	0	135	338	321	321	0	0	0	0
II 6SS31	Office Machines	/	/	0	0	0	49	48	48	0	0	0	0
II 6SS32	Miscellaneous Machines	/	/	467	0	409	1,278	534	456	0	0	0	78
II 6SS33	Communication Equip.	/	/	7,015	78	2,842	7,955	3,223	3,107	34	0	10	752
II 6SS33a	Teletype Apparatus	/	/	379	-	879	816	696	690	0	0	0	6
II 6SS34	Industrial & R.R. Transp. Equip.	/	/	585	100	1,816	2,130	1,682	1,441	25	0	0	216
II 6SS35	Motor Vehicles & Parts	/	/	26	0	16	184	170	167	3	0	0	0
II 6SS36	Refrigeration Equip.	/	/	21	9	32	32	32	18	0	0	0	14
II 6SS37	Lighting Fixtures	/	/	16	0	97	380	248	216	32	0	0	0
II 6SS38	Photographic Equipment	/	/	341	119	451	1,742	1,414	886	75	0	390	144
II 6SS39	Indicating & Other Instruments	/	/	4,108	85	996	2,727	2,366	2,160	40	0	0	166
II 6SS40	Professional Instru. & Apparatus	/	/	208	12	338	938	710	637	37	0	0	36
II 6SS41	Miscellaneous Equipment	/	/	182	1	111	521	389	340	34	0	0	15
II 6SS42	Hand Tools	/	/	10	1	19	158	148	137	8	0	0	3
	Total Auxiliary Equipment	36,500	24,334	105,364	6,217	105,174	190,529	148,188	132,370	1,803	28	1,028	13,962
	Emergency Equipment	25,000	16,844	-f									
	Power Program	75,000	50,000	-f									
	Total Machinery and Equip.	430,000	306,670	290,307g	23,426	170,768	633,811	480,337	393,390	11,770	52	9,994	47,332
II 210	Locomotives (units)	300	167	272	30	216	272	216	120	6	0	0	90
II 211	Flat Cars (units)	10,000	4,934	3,669	286	1,053	3,669	1,053	551	27	0	0	475
	R.R. Dump Cars		0	900	0	0	900	0	0	0	0	0	0
	NAVAL & MARINE EQUIPMENT												
XI 1	Marine Diesel Engines	773	433	373	37	306	1,051	863	793	9	0	0	61
XI 2	Marine Gasoline Engines	156	104	1,488	176	1,717	3,342	2,955	2,529	48	0	65	313
XI 4	Outboard Motors	0	0	600	0	415	600	600	600	0	0	0	0
XI 5	Dry Cargo Vessels Transferred	-	-	3	0	3	58	58					
XI 6	Tankers Transferred	-	-	6	0	6	13	13					
XI 7	Minesweepers	10	7	10	0	10	10	10					
XI 9	Submarine Chasers	0	0	12	0	12	12	12					
XI 10	Landing Boats	0	0	30	0	30	30	30	30	0	0	0	0
XI 10a	Icebreakers Transferred	0	0	1	1	1	1	1	0				
XI 11	Motor Torpedo Boats	0	0	44	17	37	56	49	23	3	7	0	16
XI 11a	Crash Boats	0	0	67	19	48	67	48	12	3	0	0	33
XI 12	3"/50 Cal. D.P. Deck Guns	200	67	185	30	276	-	352	214	6	0	36	96
XI 13	5"/38 Cal. D.P. Guns	0	0	50	12	138	-	138	99	0	0	0	39
XI 15	.50 Cal. A A mg.	0	0	0	0	0	-	8	8	0	0	0	0
XI 16	.50 Cal. Twin mg.	900	900	324	50	400	-	400	280	0	0	0	120
XI 17	Oerlikon Guns (20 mm)	500	167	418	0	818	-	1,998	1,377	111	150	0	0
XI 18	Ammunition for Naval Armament				Furnished with Armament								
XI 19	Storage Batteries for Subs	15	10	6	0	6	22	21	19	0	0	2	0
XI 20	Diesel Generators & Gen. Compres.	850	667	108	4	137	754	298	248	0	0	0	50
XI 21	Gas Engine Generators	300	200	0	0	0	0	0	0	0	0	0	0
XI 22	Marine Turbo Generators	10	7	0	0	10	14	14	14	0	0	0	0
XI 23	Elec. Motors, Motor Gens. & Guns	2,250	1,504	650	0	422	650	422	409	0	0	0	13
XI 24	Portable Water Pumps	425	142	79	0	41	85	41	21	0	0	0	20
XI 25	Marine Pumps - Non Portable	257	171	227	102	225	228	225	47	0	0	0	178
XI 25a	Marine Turbo-Pumps	0	0	41	1	34	72	34	43	0	0	0	9
XI 26	Underwater Electric Pumps	100	0	0	0	0	0	0	0	0	0	0	0
XI 27	Portable Air Compressors	40	20	0	0	0	0	0	0	0	0	0	0
XI 28	Diving Salvage Stations	60	14	20	20	20	20	20	0	0	0	0	20
XI 29	Elec. Welding & Cutting App. (Sets)	60	20	0	0	0	0	0	0	0	0	0	0
XI 30	Elec. & Pneumatic Underwater Tools	60	20	0	0	0	200	200	200	0	0	0	0
XI 31	Portable Electric Stations	60	20	48	0	48	80	68	68	0	0	0	0
XI 32	Jetting Equip. for Salvage (Sets)	20	14	0	0	0	0	0	0	0	0	0	0
XI 33	Vertical Steam Boilers	10	7	0	0	0	3	3	2	0	0	0	1
XI 34	Submarine Rescue Chambers	1	1	1	0	1	1	1	1	0	0	0	0
XI 35	Windlasses with Motors	3	3	4	0	4	4	4	4	0	0	0	0
XI 36	Elec. Ventilating Sets	649	433	649	0	104	649	225	225	0	0	0	0
XI 37	Marine Turbo-Ventilators	8	3	6	0	32	32	32	32	0	0	0	0
XI 38	Air Tanks	15	10	30	0	0	30	0	0	0	0	0	0
XI 39	Towing Winches	10	7	0	0	0	0	0	0	0	0	0	0
XI 40	Rotary & Changeover Switches	3,000	2,000	0	0	850	4,365	850	850	0	0	0	0
XI 41	Watertight Junction Boxes	240	160	240	0	160	240	160	160	0	0	0	0
XI 42	Auxiliary Equip. for Ships (Sets)	10	7	0	0	0	-	-	-	0	0	0	1
XI 43	Elec. Instr. & Fixtures ($1000)	100	67	-	0	144	148	148	145	0	0	0	3
XI 45	Winter Diving Suits	0	0	100	60	100	100	100	0	0	0	0	100
XI 990	Optical & Navig. Instr., etc. ($1000)	0	0	**	0	62	**	79	36	0	0	0	43
XI 991	Naval Aircraft Equip. ($1000)	0	0	**	0	0	**	2	2	0	0	0	0
XI 992	Torpedo Equip. ($1000)	0	0	**	144	144	**	307	17	0	0	121	169
XI 993	Other Marine Mach. & Equip. ($1000)	0	0	**	15	315	**	339	434	0	0	13	92
XI 994	Other Elec. Mach. & Equip. ($1000)	0	0	**	0	382	**	483	388	0	0	0	13
XI 995	Other Radio Equip. ($1000)	0	0	**	32	828	**	801	866	1	0	0	34
XI 996	Misc. Stores & Equip. ($1000)	0	0	**	0	1,543	**	2,772	2,689	0	0	0	83

In addition to the above, Soviet vessels have been repaired and armed in U. S. Ports, and supplied with stores for their return voyages.

Notes: All tons are 2,000 lbs. net weight

* Estimated
** Data not available
a Offerings selected by U.S.S.R. are in excess of the aggregate of shipping commitments and reasonable stocks. Production control [illegible]
b [illegible]
c [illegible]
d [illegible]
e [illegible]
f [illegible]
g [illegible]

Ref.	Item	3rd. Protocol Performance July 1, 1943 to February 29, 1944			Exported		Cumulative Performance - 1st, 2nd and 3rd Protocols October 1, 1941 to February 29, 1944						
		3rd Protocol Offering	Offered to Date	Made Avail. to Date a	During Feb. 1944	7/1/43 - 2/29/44	Made Avail. a	Exported	Arrived b	Lost	Diverted After Export e	In U. K. Awaiting Forwarding c	Balance En Route Feb. 29 1944 c
	FOODSTUFFS (tons)												
IV 1A	Wheat	/	/	37,578	12,304	37,578	56,826	56,826	41,377	600	0	0	14,849
SP 101A	Other Grains	/	/	2,208	0	2,208	5,362	5,362	5,362	0	0	0	0
IV 1B	Wheat Flour	/	/	206,926	35,830	206,926	444,718	444,718	364,239	4,483	5,062	0	70,934
IV 1C	Other Flour	/	/	7,466	280	7,466	18,807	18,807	18,407	0	0	0	400
IV 1E	Other Basic Grain Mill Prods.	/	/	5,809	0	5,809	20,428	20,428	19,303	130	0	0	995
SP 110A	Other Finished Cereals & Prods	/	/	28,116	675	28,116	81,921	81,921	75,168	1,066	528	0	5,160
SP 101B	Dried Peas & Beans	/	/	97,733	4,886	97,733	209,855	209,855	157,289	7,661	23,138	0	21,777
	Total Wheat, Cereals, etc.	500,000d	333,334d	375,836	53,975	375,836	837,917	837,917	681,115	13,939	28,728	0	114,109
IV 2A	Sugar from U.S. Mainland	112,000	74,667	182,725	22,020	182,725	353,674	353,674	265,739	16,441	12,364	0	59,130
IV 2B	Sugar from other Sources	324,800d	149,867d	0	0	0	26,517	26,517	26,517	0	0	0	0
IV 3A	Canned Meat	/	/	95,196	8,597	95,196	325,824	325,824	267,100	17,089	14,842	581	26,212
IV 3B	Canned Tushonka	/	/	92,869	3,442	92,869	97,964	97,964	90,370	1,160	0	0	6,434
SP 119	Canned Dehydrated Meats	/	/	4,063	70	4,063	4,740	4,740	1,447	0	0	0	3,293
	Total Canned Meat	215,184e	140,517e	192,128	12,109	192,128	428,528	428,528	358,917	18,249	14,842	581	35,939
IV 4A	Smoked Meats	/	/	3,932	0	3,932	15,993	15,993	15,192	499	302	0	0
IV 4C	Sausage & Meat Preparations - not canned	/	/	72	0	72	236	236	236	0	0	0	0
SP 107B	Carter's Spread (85% second grade butter)	/	/	1,604	914	1,604	1,604	1,604	72	0	0	0	1,532
IV 4B	Lard	/	/	76,877	9,993	76,877	146,657	146,857	104,799	6,861	16,846	0	18,161
IV 4D	Fat Cuts	/	/	93,254	4,844	93,254	183,970	183,970	168,630	3,148	4,142	0	8,050
IV 5B	Other Animal Fats & Oils	/	/	7,560	289	7,560	22,938	22,938	20,662	637	539	0	1,100
	Total Animal Fats, Fat Cuts and Smoked Meats	308,000	205,334	183,299	16,040	183,299	371,398	371,398	309,981	11,145	21,829	0	28,843
SP 107A	Butter	39,200	26,134	39,514	404	39,514	51,312	51,312	48,817	1,010	735	0	750
IV 6A	Vegetable Oils	/	/	108,070	4,068	108,070	227,755	227,755	203,665	684	0	0	23,456
IV 6B	Shortening	/	/	12,112	0	12,112	24,332	24,332	21,278	286	2,140	0	628
SP 121	Oleomargarine	/	/	31,033	2,250	31,033	35,796	35,796	29,456	458	0	0	5,882
	Total Vegetable Oils, etc.	222,760f	149,552f	151,215	6,318	151,215	287,883	287,883	254,399	1,428	2,140	0	29,916
IV 1D	Soya Flour	/	/	30,134	4,427	30,134	32,528	32,528	25,978	1,122	0	0	5,428
IV 1F	Soya Grits	/	/	12,632	2,958	12,632	12,792	12,792	7,675	0	0	0	5,117
SP 114	Dried Milk	/	/	29,698	600	29,698	46,677	46,677	34,867	896	4,394	0	6,520
SP 109	Canned Milk (Condensed & Evap.)	/	/	5,824	0	5,824	11,123	11,123	10,841	282	0	0	0
SP 111	Dried Eggs	/	/	26,409	2,941	26,409	57,412	57,412	43,461	4,574	5,296	0	4,081
SP 104A	Dried Fruits	/	/	300	0	300	983	983	983	0	0	0	0
SP 116B	Dried Vegetables (Except Peas and Beans)	/	/	3,288	172	3,288	3,845	3,845	2,621	0	0	0	1,224
SP 118	Concentrated Cereals	/	/	5,099	196	5,099	6,239	6,239	5,739	95	0	0	405
SP 114B	Dried Soups	/	/	6,451	0	6,451	6,722	6,722	5,998	105	0	0	619
IV 3C	Cheese	/	/	14,843	487	14,843	18,564	18,564	15,327	295	0	0	2,942
SP 116A	Fruit & Vegetable Pastes and Purees	/	/	2,951	453	2,951	3,361	3,361	1,713	0	0	0	1,648
SP 116	Concentrated Juices	/	/	181	0	181	556	556	556	0	0	0	0
	Total Concentrates, etc.	177,000	118,000	137,810	12,234	137,810	200,802	200,802	155,759	7,369	9,690	0	27,984
IV 7A	Soap	/	/	1,270	0	1,270	6,074	6,074	5,897	111	0	0	66
IV 7B	Soap Stock	/	/	0	0	0	322	322	0	0	322	0	0
	Total Soap and Soap Stock	11,200	7,467	1,270	0	1,270	6,396	6,396	5,897	111	322	0	66
SP 102A	Canned Fruits	0	0	1,178	0	1,178	1,509	1,509	1,509	0	0	0	0
SP 103B	Canned Vegetables	0	0	581	0	581	1,323	1,323	1,323	0	0	0	0
SP 104A	Frozen Fruits	0	0	49	0	49	53	53	53	0	0	0	0
SP 103	Fresh Vegetables	0	0	1,030	0	1,030	1,100	1,100	1,100	0	0	0	0
SP 140	Table Salt	0	0	320	0	320	1,856	1,856	1,856	0	0	0	0
SP 127	Tea	0	0	249	0	249	871	871	871	0	0	0	0
SP 115	Coffee	0	0	4,053	1,792	4,053	6,817	6,817	3,331	0	550	0	2,936
SP 138	Spices	0	0	1,143	0	1,143	1,214	1,214	1,214	0	0	0	0
SP 135	Flavoring Extracts	0	0	15	0	15	187	187	185	2	0	0	0
SP 121A	Hazel Nuts from Turkey	0	0	3,638	0	3,638	3,638	3,638	3,638	0	0	0	0
SP 121B	Other Nuts	0	0	0	0	0	58	58	58	0	0	0	0
SP 122	Yeasts	0	0	414	0	414	723	723	577	0	112	0	34
SP 113	Vitamins	0	0	91	3	91	359	359	314	3	36	0	4
SP 120A	Seeds, Lend-Lease	0	0	4,332	3,294	4,332	12,855	12,855	9,154	18	0	0	3,683
SP 180	Other Foodstuffs	0	0	1,547	0	1,547	2,347	2,347	2,345	1	0	0	1
SP 130	Feed	0	0	3,282	0	3,283	5,258	5,258	5,258	0	0	0	0
	Total Non-Protocol Foods	0	0	21,922	5,089	21,922	40,168	40,168	32,786	26	708	0	6,648
	Comm. Russian War Relief	0	0	165	61	169	1,653	1,653	1,590	0	0	0	68
	Total Foodstuffs (tons)	1,410,144	1,204,872	1,285,884	128,290	1,285,884	2,606,250	2,606,250	2,141,147	69,718	91,358	581	303,446

Notes: All tons are 2,000 lbs. net weight

a Petroleum Products and Foodstuffs made available as exported
b Includes shipments for clearance through Persian Corridor reported arrived in Persian Gulf ports when other data is not available in Washington
c 1943 shipments discharged in U. K. considered as awaiting forwarding
d By agreement commitment for "Wheat, Flour, Cereals, etc." increased by 100,000 tons, with a corresponding reduction in "Sugar from Other Sources."
e By agreement "Canned Meat" commitment reduced by 2.17 tons for each ton of dehydrated meat shipped
f 1,000 long tons of Coconut Oil being furnished by U.K. as a transfer of commitment under Article V. U.K. commitment reduced 448 short tons monthly February – June.

Draft given to Secretary by Mr. Pehle 3/29/44.

MEMORANDUM FOR THE PRESIDENT

In the Executive Order creating the War Refugee Board you directed that the Board make appropriate recommendations to you to overcome any difficulties encountered in the rescue and relief of war refugees.

Although the Board has already initiated many measures which, if fully implemented, may result in saving the lives of refugees, there is one basic obstacle which lies athwart all our efforts. This is the simple fact that the United Nations have not been prepared to supply even temporary havens of refuge for substantial numbers of the persecuted peoples of Europe, particularly the Jews.

Why This Is The Main Obstacle

The following brief summary will reveal why this constitutes the basic weakness in our whole program.

(1) Our best chance of saving many people from death, particularly after recent events in the Balkans, lies in an effort to convince the Hitlerite forces, and more particularly their functionaries and subordinates, that it is in their interest to spare the lives of these people. In this connection, the statement issued by you on March 24, which is being given the widest possible publicity in German controlled territory, will of course be most helpful toward this end, especially if followed by concrete action.

(2) And there is also an opportunity to actually bring some of these people out of enemy territory. The recent developments in the Balkans limit opportunities there, but there still remains a possibility of stimulating the flow of refugees to Spain and Switzerland.

(3) It is essential to both of these avenues of approach, [illegible], that we and our allies convince the world of our sincerity and our willingness to bear our share of the burden. Thus, great [illegible] would be added to our threats, and other countries would [illegible] more ready to cooperate in aiding the escape of refugees, [illegible] it clear <u>now</u> by action that our doors are open to these [illegible].

(4) The United Nations must not merely threaten our enemies [illegible] them to stop killing Jews; the United Nations must offer [illegible] the Jews themselves. Only in that way can the great moral [illegible] be made clear.

Such a step would show the Germans clearly that our threats of punishment and promises of action are not mere words. It is even possible that after such an announcement the Germans might be prepared to release or permit the escape of these persecuted peoples.

(5) And such a step would certainly cause the neutral countries to encourage the entry of more refugees into their territory since they would then know that they would not be required to keep all refugees until the war ends. Thus, one of the reasons why we are not meeting with any success in Spain is the fact that the Spaniards are not convinced that we will take the refugees off their hands. Although we have been stating for a long while that we are going to take the Jewish refugees in Spain to a small camp in North Africa, none have been moved there to date. This has been due primarily to the reluctant attitude of the French. And the inarticulate major premise of the French attitude undoubtedly is the conviction that such refugees are to be dumped and left in French Africa and that neither the United States nor Great Britain will receive them.

Proposed Solution

John W. Pehle has strongly recommended that this Government act at once in this humanitarian cause and announce to the world that we will provide temporary havens of refuge in this country for all oppressed peoples escaping from Hitler - these people to be placed in camps established in this country and to remain there until the termination of the war at which time they will be returned to their homelands.

Nature and Benefits of Proposal

(1) Under this proposal the refugees would be treated in effect as prisoners of war. They would be brought into the country outside the regular immigration procedure just as civilian internees from Latin American countries have been brought here and placed in internment camps. No violation or attempt to evade immigration laws would be involved since the refugees would remain only until the termination of the war and would not come in under the quota system. There could be no objection on security grounds any more than in the case of prisoners of war.

(2) The principal United Nations involved have already agreed that each of them will receive after the war its nationals who have fled for their lives and have been given asylum in other countries. These nations have also agreed that it is a part of their [illegible] policy to assure such conditions in enemy and enemy [illegible] countries as will permit the return thereto of all persons [illegible] therefrom who have sought refuge elsewhere. This agreement [illegible] already concurred in by the United States, Great Britain,

Soviet Union, Luxembourg, Yugoslavia, Norway, The French Philippines, Greece, Belgium, Poland, Czechoslovakia, and the Netherlands should serve to make clear to those concerned that such refugees as may be accepted in camps here will be returned to their homelands at the end of the war.

(3) The humanitarian considerations which might be urged against the confinement of the refugees are answered by the simple fact that treating them as prisoners of war is better than letting them die.

(4) The general idea has been discussed with a number of organizations, Jewish and non-Jewish, and they have all expressed their approval. Most of them feel that it is by far the biggest step the Board can take to accomplish the purposes for which it was established.

(5) The necessity for unilateral action now by this Government lies in the fact that we cannot expect others to do what we ourselves will not do, and if we are to act in time we must take the lead.

(6) The practical effect of such a step by the United States might be tremendous. Our allies would without doubt follow our lead. That this country, which has always been a refuge for the fugitive from injustice, oppression and persecution, should take the [redacted]rship in this matter would be in keeping with our heritage and with our ideals of liberty and justice.

(7) In the hearts and minds of all peoples under Nazi domination and throughout the world such action might well have an effect very much favorable to our whole war effort and to our reputation as a nation which has always carried the torch in great undertakings.

(8) Even if no refugees were ever actually brought to these shores, the mere announcement of our readiness to receive them would remove the basic obstacle to our efforts to save them. In view of geographical and time factors, it is not likely that many refugees would actually come to the United States. The important thing is that we offer to receive them.

Risks of Proposal

The following risks involved in this proposal must be weighed against the humanitarian and other considerations mentioned above:

(1) The danger that such a program would result in a breakdown of our immigration laws. The point made is that no matter what we

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[illegible] these people returning to their homes when the [illegible] they will not want to return, and that an almost [illegible] pressure will be created on Congress to change the [illegible] such people to remain in this country.

[illegible] the danger that it would provoke unfavorable public [illegible] and would give anti-Semitic and other groups as well [illegible] certain elements in Congress an opportunity to attack you and the Board.

Recommendation of the Board

Secretary Hull, Secretary Morgenthau and Secretary Stimson carefully considered this proposal at the meeting of the Board on March 31. Although there was no disagreement as to the potential benefits of such a program, Secretary Stimson felt that the risks involved outweighed the benefits. It was decided that in view of the importance and urgency of this matter and the great responsibility involved in making a decision, it should be submitted to you for your consideration.

In your consideration of how this matter could be presented to the public, you may wish to examine the attached draft of a statement which might be issued by you.

We would appreciate an early expression of your views.

Secretary of State.

Secretary of the Treasury.

Secretary of War.

STATEMENT BY THE PRESIDENT

As President of the United States, I have recently expressed the horror with which this nation views the systematic extermination of the Jews and other minorities by the Nazis. To the Hitlerites, their subordinates, functionaries and satellites, to the German people and to all other peoples under the Nazi yoke, I have made clear our determination to punish all participants in these acts of savagery. In the name of humanity I have called upon them to spare the lives of these innocent people.

I have said that we shall find havens of refuge for these persecuted people and that we shall find the means to assure their maintenance and support until the tyrant is driven from their homelands. Let it now be proclaimed to the world that this great nation, which from its inception has been a refuge for the fugitive from injustice, oppression and persecution, is prepared to furnish temporary asylum for all oppressed persons who escape from Hitler. Although all such people so brought into this country will in view of military necessities be required to remain in refugee centers during their stay here and subjected to the same security restrictions as prisoners of war, they will receive the humane treatment which our civilization provides, and here they will be safe. Upon the termination of the war they will be sent back to their homelands.

With the cooperation of the other United Nations we are determined to insure that refugees from death may live again on their own soil. To this end those members of the United Nations principally concerned have already pledged themselves to insure that refugees who are given asylum in their countries will be welcomed to their native lands after the war.

[illegible] action is not merely the performance of a humanitarian [illegible]. It is the final symbol of our triumph, under Divine [illegible], over the forces of barbarism that would have enslaved [illegible]

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EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD
WASHINGTON 25, D. C.

MAR 29 1944

My dear Mr. Secretary:

I am forwarding to you herewith the proposed minutes of the third meeting of the War Refugee Board.

The approval of these minutes will be on the agenda for the fourth meeting of the Board.

Very truly yours,

J. W. Pehle
J. W. Pehle
Executive Director

The Honorable
The Secretary of the Treasury

Minutes of the Third Meeting of the War Refugee Board

Held in the Office of the Secretary of State, 10:15 A.M., Tuesday, March 21, 1944.

Present: Secretary of State Hull (acted as Chairman)
Secretary of the Treasury Morgenthau
Secretary of War Stimson
Assistant Secretary of War McCloy
Acting Executive Director, War Refugee Board,
John W. Pehle.

The Board took the following action:

(1) The minutes of the second meeting of the Board, held on February 4, 1944, were approved.

(2) The Acting Executive Director summarized the developments since the last meeting, including the following:

(a) Rescue activities through Turkey, especially the work of Ira Hirschmann, representative of the War Refugee Board in Ankara. Mr. Hirschmann has succeeded in evacuating children and some adults from Bulgaria through Turkey to Palestine and in obtaining Turkish Government's permission for the use of Turkish boat to evacuate refugees from Constanza to Istanbul.

(b) Rescue activities through Spain, including the efforts of the War Refugee Board to remove from Spain the refugees now in Spain so that the Spanish Government will be more helpful in permitting refugees from France to enter Spain. Pehle reported that the Board had been unable to get any real measure of cooperation from Ambassador Hayes in Madrid and consideration was being given to the steps which could be taken to solve this problem.

(c) The psychological warfare program, including cooperation of OWI, the warning to the satellite governments made through various neutral governments, and the proposed statement by the President. Secretary Hull indicated that the British Government has asked for two days in which to consider the statement.

(d) Cooperation of Russia. The State Department has sent a strong cable to Harrison at the Board's request soliciting the assistance of the Soviet Government in the work of the Board.

(e) Financing of the War Refugee Board's operations. It was made clear to the Board that no projects are being refused because of lack of finances and adequate financial assistance is available from private agencies. As recommended by the Acting Executive Director, the Board took the position that it was not necessary to ask Congress for an appropriation at this time, but that if, at a later date, private finances were not adequate an appropriation could be requested. The Board was advised that the sum of $100,000 in private funds was available to the Board for financing confidential activities and that the $1,000,000 obtained from the President's funds was largely being used for payment of the salaries and other administrative expenses of the Board. $200,000 of this amount is being made available to the Intergovernmental Committee as this Government's contribution to the Intergovernmental Committee's work.

(3) Secretary Morgenthau reported that at the President's request he had had a conference with Myron Taylor, American Delegate to the Intergovernmental Committee, and had explained to Mr. Taylor the accomplishments of the War Refugee Board in the short time it has been in existence. Mr. Taylor has invited Sir Herbert Emerson and Patrick Malin to come to the United States to confer with the War Refugee Board concerning mutual problems.

(4) The Executive Order establishing the War Refugee Board provides that the Board shall make frequent reports to the President. Pehle indicated that a report to the President was being prepared and that it would be circulated to the Board members for approval in the near future.

(5) The Board then gave careful consideration to a recommendation by Pehle that temporary havens of refuge be provided in the United States for all oppressed peoples escaping from Hitler. Under this suggestion these people would be placed in camps established in this country and remain there until the termination of the war at which time they would be returned to their homelands. Pehle urged that

the Board recommend to the President that he announce publicly that the United States was willing to take these people for the duration of the war in order to save their lives, and pointed out the many advantages inherent in such action. There was a general discussion of the proposal and it was agreed that the matter should be placed before the President.

(6) The Board discussed naming Pehle as permanent Executive Director and Pehle's designation was agreed upon subject to the President's concurrence. (The Acting Executive Director was not present during the discussion of this item.)